COLABOR

Interim consolidated Financial Statements
(unaudited)
Third Quarter of 2016
(in thousands of Canadian dollars)

COLABOR

Interim consolidated Statements of Earnings

(unaudited)

For the 84 and 252-day periods ended September 3, 2016 and September 5, 2015

(in thousands of Canadian dollars, except the per-share data)

		84 days		252 days	
	Note	**2016** **$**	**2015** **$**	**2016** **$**	**2015** **$**
Sales		360,857	366,931	1,032,722	1,038,228
Operating expenses, excluding costs not related to current operations, depreciation and amortization		351,661	358,904	1,011,547	1,021,225
Operating earnings before costs not related to current operations, depreciation and amortization		9,196	8,027	21,175	17,003
Costs not related to current operations	5	-	336	3,337	1,681
Impairment of available-for-sale financial asset		-	-	-	1,731
Depreciation and amortization		2,623	3,643	7,995	10,464
		2,623	3,979	11,332	13,876
Operating earnings		6,573	4,048	9,843	3,127
Financial expenses		2,662	3,084	8,700	9,229
Earnings (loss) before taxes		3,911	964	1,143	(6,102)
Income taxes expense (recovery)					
Current		217	133	451	395
Deferred		986	(32)	209	(2,047)
		1,203	101	660	(1,652)
Net earnings (loss)		2,708	863	483	(4,450)
Basic and diluted net earnings (loss) per share	6	0.10	0.03	0.02	(0.16)

The accompanying notes are an integral part of the interim consolidated financial statements

COLABOR

Interim consolidated Statements of Comprehensive Earnings

(unaudited)

For the 84 and 252-day periods ended September 3, 2016 and September 5, 2015

(in thousands of Canadian dollars, except the per-share data)

	Note	84 days		252 days	
		2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
Net earnings (loss) for the period		2,708	863	483	(4,450)
Other comprehensive income (loss) that will be subsequently reclassified to earnings					
Available-for-sale financial asset					
Gain (loss) for the period		24	88	(32)	(1,675)
Reclassification to earnings		-	-	-	1,731
Taxes on other comprehensive income		(3)	(12)	4	(8)
		21	76	(28)	48
Other income that will not be reclassified to earnings					
Remeasurement of pension obligation		(384)	153	(1,187)	(67)
Taxes on other comprehensive income		103	(41)	293	18
		(281)	112	(894)	(49)
Total other comprehensive earnings (loss)		(260)	188	(922)	(1)
Total comprehensive earnings (loss)		2,448	1,051	(439)	(4,451)

The accompanying notes are an integral part of the interim consolidated financial statements

COLABOR

Interim consolidated Statements of Changes in Equity

(unaudited)

For the 84 and 252-day periods ended September 3, 2016 and September 5, 2015

(in thousands of Canadian dollars, except the per-share data)

	Share capital $	Convertible debenture conversion options $	Contri-buted surplus $	Shares held under stock-based compensation plans $	Available-for-sale financial asset	Deficit $	Total equity $
Balance as at December 26, 2015	209,972	1,742	1,880	(381)	(126)	(145,770)	67,317
Net earnings for period	-	-	-	-	-	483	483
Other comprehensive income (loss)							
Loss on available-for-sale financial asset	-	-	-	-	(32)	-	(32)
Remeasurement of pension obligation	-	-	-	-	-	(1,187)	(1,187)
Taxes on other comprehensive income	-	-	-	-	4	293	297
Total comprehensive income (loss)	-	-	-	-	(28)	(411)	(439)
Stock-based compensation plan expenses	-	-	163	-	-	-	163
Balance as at September 3, 2016	209,972	1,742	2,043	(381)	(154)	(146,181)	67,041
Balance as at December 27, 2014	209,972	1,742	1,563	(381)	-	(112,074)	100,822
Net loss for the period	-	-	-	-	-	(4,450)	(4,450)
Other comprehensive loss							
Loss on available-for-sale financial asset	-	-	-	-	(1,675)	-	(1,675)
Reclassification to earnings	-	-	-	-	1,731	-	1,731
Remeasurement of pension obligation	-	-	-	-	-	(67)	(67)
Taxes on other comprehensive income	-	-	-	-	(8)	18	10
Total comprehensive loss	-	-	-	-	48	(4,499)	(4,451)
Stock-based remuneration plan expenses	-	-	196	-	-	-	196
Balance as at September 5, 2015	209,972	1,742	1,759	(381)	48	(116,573)	96,567

The accompanying notes are an integral part of the interim consolidated financial statements

COLABOR

Interim consolidated Statements of Cash flow

(unaudited)

For the 84 and 252-day periods ended September 3, 2016 and September 5, 2015

(in thousands of Canadian dollars, except the per-share data)

		84 days		252 days	
	Note	**2016 $**	**2015 $**	**2016 $**	**2015 $**
Operating activities					
Net earnings (loss) for the period		2,708	863	483	(4,450)
Deferred income taxes		986	(32)	209	(2,047)
Depreciation and amortization		2,623	3,643	7,995	10,464
Impairment of available-for-sale financial asset		-	-	-	1,731
Financial expenses		2,662	3,084	8,700	9,229
Other		(137)	(249)	(715)	(1,096)
		8,842	7,309	16,672	13,831
Net changes in working capital		14,149	(4,254)	986	693
Cash flows from operating activities		22,991	3,055	17,658	14,524
Investing activities					
Business acquisitions, net of cash acquired		-	-	-	100
Changes in loans receivable		36	22	125	17
Purchase of property, plant and equipment		(210)	(238)	(410)	(1,179)
Disposal of property, plant and equipment		11	1	199	287
Purchase of intangible assets		(189)	(245)	(282)	(2,919)
Cash flows used by investing activities		(352)	(460)	(368)	(3,694)
Financing activities					
Bank borrowings	7	(21,316)	(2,623)	(11,923)	694
Lease payments		(143)	(94)	(354)	(376)
Financial expenses paid		(2,296)	(2,655)	(7,601)	(7,969)
Cash flows used for financing activities		(23,755)	(5,372)	(19,878)	(7,651)
Net change in bank overdraft		(1,116)	(2,777)	(2,588)	3,179
Bank overdraft at beginning		(5,578)	(2,826)	(4,106)	(8,782)
Bank overdraft at end		(6,694)	(5,603)	(6,694)	(5,603)

The accompanying notes are an integral part of the interim consolidated financial statements

COLABOR

Consolidated Statements of Financial Position
(unaudited)

As at September 3, 2016 and December 26, 2015

(in thousands of Canadian dollars, except the per-share data)

	Note	2016 $	2015 $
Assets			
Current			
Trade and other receivables		102,708	104,351
Inventory		78,133	87,282
Prepaid expenses		8,815	2,936
Other		3,242	1,699
Current assets		192,898	196,268
Non-current			
Available-for-sale financial asset		894	926
Loans receivable		466	576
Property, plant and equipment		13,564	15,835
Intangible assets		57,750	62,844
Goodwill		84,130	84,130
Deferred income tax asset		2,130	2,089
Non-current assets		158,934	166,400
Total assets		351,832	362,668
Liabilities and Equity			
Liabilities			
Current			
Bank overdraft		6,694	4,106
Trade and other payables		91,127	93,530
Rebates payable		7,647	8,301
Bank borrowings refinanced on October 13, 2016	7	76,466	1,000
Long-term debt refinanced on October 13, 2016	8	21,224	-
Convertible debentures refinanced on October 13, 2016	9	49,433	-
Obligations under leases		558	497
Other		2,357	1,689
Current liabilities		255,506	109,123
Non-current			
Bank borrowings refinanced on October 13, 2016	7	-	87,038
Long-term debt refinanced on October 13, 2016	8	21,157	42,295
Convertible debentures refinanced on October 13, 2016	9	-	48,859
Obligation under capital leases		1,972	2,376
Pension obligation		2,330	1,271
Provisions		3,300	3,816
Deferred income tax liabilities		526	573
Non-current liabilities		29,285	186,228
Total liabilities		284,791	295,351
Equity			
Share capital		209,972	209,972
Deficit		(146,181)	(145,770)
Other components of equity		3,250	3,115
Total equity		67,041	67,317
Total liabilities and equity		351,832	362,668

The Board of Directors approved and authorized the publication of the interim consolidated financial statements with effect as of October 13, 2016. On behalf of the Board,

_/s/ Richard Lord_____, Director __/s/ Robert Panet-Raymond_____, Director

The accompanying notes are an integral part of the interim consolidated financial statements

(Amounts in the tables are in thousands of Canadian dollars, except data per share)

1. Nature of operations

Colabor Group Inc. (hereinafter the "Group") and its wholly owned subsidiaries (hereinafter collectively the "Company") distribute and market food and food-related products in Canada.

Sales and operating earnings of the Company are proportionally lower in the first quarter and higher in the fourth quarter. In fact, the fourth quarter accounts for 33% more operating days than the other quarters of the year. Moreover, the Company's sales are seasonal. Thus, sales in the first quarter are lower in comparison with the other quarters. On the other hand, the costs incurred extend more uniformly over the year than sales, given the structure of the Company's fixed costs. The operating margins of the Company usually increase as the year progresses. As a result, it is more useful to examine the earnings for the whole year or to compare the earnings of one quarter with those of the corresponding quarter of the previous year, rather than to compare the earnings of two successive quarters.

Colabor Group Inc., the group's ultimate parent company, is incorporated under the Canada Business Corporations Act. It is a Canadian company headquartered at 1620, De Montarville Boulevard, Boucherville, Québec, J4B 8P4. The shares of Colabor Group Inc. and its convertible debentures are listed on the Toronto Stock Exchange (TSX: GCL and TSX: GCL.DB.A).

2. General information and IFRS compliance

These condensed interim consolidated financial statements of the Company were prepared in accordance with IAS 34. Interim financial Reporting of the International Financial Reporting Standards (IFRS, as published by IASB), taking into account the accounting policies adopted by the Company for its consolidated financial statements of the year ended December 26, 2015. The accounting policies have been applied consistently for all the periods presented. They do not include all the information required by the IFRS for annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 26, 2015.

(Amounts in the tables are in thousands of Canadian dollars, except data per share)

3. Significant accounting policies

Standards, changes and interpretations issued but not yet effective

IFRS 9, "Financial Instruments"

In July 2014, the IASB published IFRS 9 which replaces IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 introduces improvements including a more logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model, and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company has not yet assessed the impact of this standard on its consolidated financial statements.

IFRS 15, "Revenues from Contracts with Customers"

In May 2014, the IASB published IFRS 15 which replaces IAS 18, "Revenue," IAS 11, "Construction Contracts" and some revenue-related interpretations. IFRS 15 establishes a control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics, and expands and improves disclosures about revenues. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company has not yet assessed the impact of this standard on its consolidated financial statements.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16 which will replace IAS 17, "Leases." IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position with exemptions permitted for leases of low-value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and the liability (including complexities such as non-lease elements, variable lease payments and options periods), changes the accounting for sale and leaseback arrangements, largely retains the approach to lessor accounting in IAS 17, and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier adoption is permitted in certain circumstances. The Company has not yet assessed the impact of this standard on its consolidated financial statements.

(Amounts in the tables are in thousands of Canadian dollars, except data per share)

IAS 7, “Statement of Cash Flows”

In January 2016, the IASB issued amendments to IAS 7, “Statement of Cash Flows,” to improve the information provided to users of financial statements concerning financing activities. The amendments are effective for annual reporting periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company has not yet assessed the impact of this standard on its consolidated financial statements.

IAS 12, “Income Taxes”

In February 2016, the IASB issued amendments to IAS 12, “Income Taxes” concerning recognition of deferred tax assets for unrealized losses. The amendments are effective for annual reporting periods beginning on or after January 1, 2017. These amendments clarify how to recognize deferred tax assets recognized on financial liabilities measured at fair value. The Company has not yet assessed the impact of this standard on its consolidated financial statements.

4. Segment Reporting

The Company has two reportable segments: distribution to food service enterprises (Distribution Segment) and distribution to food distributors (Wholesale Segment). These operating segments are monitored and strategic decisions are made on the basis of segment operating earnings (loss). Management does not take assets and liabilities into account in the analysis of various segments.

(Amounts in the tables are in thousands of Canadian dollars, except data per share)

Segment information can be analyzed as follows:

	84-day period ended September 3, 2016			**84-day period ended September 5, 2015**		
	Distribution Segment $	**Wholesale Segment $**	**Total $**	**Distribution Segment $**	**Wholesale Segment $**	**Total $**
Segment sales	259,257	156,298	415,555	255,940	172,347	428,287
Segment operating expenses						
Cost of goods sold	226,854	147,874	374,728	222,398	164,447	386,845
Employee remuneration	16,867	2,015	18,882	18,272	2,344	20,616
Other expenses	9,642	1,489	11,131	9,841	1,556	11,397
	253,363	151,378	404,741	250,511	168,347	418,858
Segment earnings	5,894	4,920	10,814	5,429	4,000	9,429

	252-day period ended September 3, 2016			**252-day period ended September 5, 2015**		
	Distribution Segment $	**Wholesale Segment $**	**Total $**	**Distribution Segment $**	**Wholesale Segment $**	**Total $**
Segment sales	736,211	453,049	1,189,260	719,712	485,950	1,205,662
Segment operating expenses						
Cost of goods sold	646,253	428,527	1,074,780	627,500	461,287	1,088,787
Employee remuneration	50,978	6,208	57,186	54,359	7,312	61,671
Other expenses	27,965	4,089	32,054	29,300	4,410	33,710
	725,196	438,824	1,164,020	711,159	473,009	1,184,168
Segment earnings	11,015	14,225	25,240	8,553	12,941	21,494

(Amounts in the tables are in thousands of Canadian dollars, except data per share)

The following table presents a reconciliation of the Company's total operating segment results and key financial data as presented in its interim consolidated financial statements:

	84 days		**252 days**	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Sales				
Total segment sales	415,555	428,287	1,189,260	1,205,662
Elimination of intersegment sales	(54,698)	(61,356)	(156,538)	(167,434)
Company sales	360,857	366,931	1,032,722	1,038,228
Earnings				
Total segment earnings	10,814	9,429	25,240	21,494
Employee remuneration not allocated	(1,625)	(1,187)	(4,171)	(3,686)
Other expenses not allocated	7	(215)	106	(805)
Costs not relating to current operations	-	(336)	(3,337)	(1,681)
Impairment on available-for-sale financial asset	-	-	-	(1,731)
Depreciation and amortization	(2,623)	(3,643)	(7,995)	(10,464)
Company operating earnings	6,573	4,048	9,843	3,127
Financial expenses	(2,662)	(3,084)	(8,700)	(9,229)
Company earnings (loss) before taxes	3,911	964	1,143	(6,102)

(Amounts in the tables are in thousands of Canadian dollars, except data per share)

5. Expenses not relating to current operations

	84 days		252 days	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
Balance, beginning of period	1,094	-	-	-
Costs of internal restructuring of operations[a]				
Severance pay and others	-	336	3,337	1,681
Amounts paid	862	336	3,105	1,681
Balance, end of period	232	-	232	-

[a]On January 26, 2016, the Company announced a plan to rationalize and optimize its operations. The plan is intended to further improve Colabor's operating efficiency and profitability despite difficult business conditions in the foodservice distribution industry, and to complete the integration of its acquisitions of recent years. The plan encompasses most of Colabor's divisions and consists mainly of centralizing and consolidating certain operations at the head office of the Company or of its divisions. It will entail the elimination of approximately 120 jobs, or 8 % of the Company's headcount.

6. Data per share

Earnings (loss) per share

The following table presents the basic and diluted earnings (loss) per share:

	84 days		252 days	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
Earnings (loss) for the period	2,708	863	483	(4,450)
Weighted average number of outstanding shares used to calculate the basic and diluted earnings (loss) per share	27,453,960	27,453,960	27,453,960	27,453,960
Basic and diluted earnings (loss) per share	$0.10	$0.03	$0.02	$(0.16)

Shares that were hypothetically issued after the conversion of convertible debentures and the exercise of stock options were not included in the calculation of the diluted earnings (loss) per share because they had an anti-dilutive effect.

(Amounts in the tables are in thousands of Canadian dollars, except data per share)

7. Bank borrowings

On January 31, 2014, the Company finalized two agreements to refinance its credit facilities and long-term debt.

First, a banking syndicate granted the Company a maximum credit facility of $140,000,000 for a three-year term. By mutual agreement, the credit facility may be increased by an additional $30,000,000. It matures in January 2017 and is secured by a first-ranking hypothec on the Company's present and future assets. Amounts borrowed from the credit facility come in various forms and the interest rate varies based on the type of loan. As at September 3, 2016, the facility is composed of a loan and banker's acceptances bearing interest at rates varying between 3.17% and 3.70% (December 26, 2015: between 3.00% and 3.70%) and is currently entirely short term, given its maturity.

The Company was also granted term credit facilities of a total amount of $18,000,000 to be used for specific purposes and repayable over 24 months starting on the date they are used, as applicable. As at January, 31, 2014, issuance date, the Company has used $12,000,000 of these credit facilities. During the first quarter of 2016, $1,000,000 was repaid (nil for second and third quarter of 2016; $6,000,000 during the year ended December 26, 2015). They are secured by a first-ranking hypothec on the present and future assets of the Company and are payable in monthly instalments of $500,000. As at September 3, 2016, these credit facilities had been entirely repaid.

The credit facilities' interest rates are determined according to a table that takes their usage into account.

Under certain circumstances, the Company is required to respect a fixed charges coverage ratio. As at September 3, 2016, this ratio was respected.

As at September 3, 2016 and December 26, 2015, letters of guarantee amounting to $2,514,000 and $1,014,000 had been used for a commitment.

On October 13, 2016, bank borrowings have been refinancing. More details are presented at note 11 (Subsequent events).

(Amounts in the tables are in thousands of Canadian dollars, except data per share)

8. Long-term debt

In connection of its bank refinancing in 2014, the Company entered into a loan agreement for a total amount of $42,500,000. The loan agreement was signed with a banking syndicate made up of several creditors. This agreement is secured by a second-ranking hypothec of the Company's present and future assets after one of the lenders exercised its option to become a secured creditor on March 16, 2016. Under the terms of the agreement, $21,250,000 must be repaid on February 1, 2017 and $21,250,000 must be repaid on February 1, 2018. The average rate of the long-term debt was revised upward in January 2015, for the remaining term of the agreement, rising from 9.1 % to 9.8 %. Since the end of the first quarter of 2016, $21,250,000 is presented as short-term. On October 13, 2016, long-term debt have been refinancing. More details are presented at note 11 (Subsequent events).

		September 3, 2016
	Par value $	**Carrying amount $**
Debt, 9.8 % maturing on February 1, 2018, issued on January 31, 2014		
Balance at beginning	42,500	42,295
Non-cash portion of effective interest on long-term debt	-	86
Balance at end	42,500	42,381
Current	21,250	21,224
Non-current	21,250	21,157

		December 26, 2015
	Par value $	**Carrying amount $**
Debt, 9.8% maturing on February 1, 2018, issued on January 31, 2014		
Balance at beginning	42,500	42,181
Non-cash portion of effective interest on long-term debt	-	114
Balance at end	42,500	42,295

(Amounts in the tables are in thousands of Canadian dollars, except data per share)

9. Convertible debentures

The debentures maturing on April 30, 2017 bear interest at the rate of 5.7 % and are payable semi-annually. The effective interest rate is 7.54 %. The debentures are convertible at the holder's option into share at a conversion rate of 59.347 shares per $1,000 of debenture capital, that is a conversion price of $16.85 per share. Under certain circumstances, the Company could have redeemed some or all of the debentures in advance after April 30, 2015. There were no advance redemptions during the 252-day period ended September 3, 2016. As at September 3, 2016, the convertible debentures are now presented as short-term. On October 13, 2016, convertible debentures have been refinancing. More details are presented at note 11 (Subsequent events).

		September 3, 2016	
		Carrying amount	
	Par value	**Debentures**	**Conversion option**
	$	**$**	**$**
5.7 % convertible debentures, maturing on April 30, 2017, issued on April 27, 2010			
Balance at beginning	50,000	48,859	1,742
Non-cash portion of effective interest on debentures	-	574	-
Balance at end	50,000	49,433	1,742
Current	50,000	49,433	-
Non-Current	-	-	-

		December 26,2015	
		Carrying amount	
	Par value	**Debentures**	**Conversion option**
	$	**$**	**$**
5.7 % convertible debentures, maturing on April 30, 2017, issued on April 27, 2010			
Balance at beginning	50,000	48,086	1,742
Non-cash portion of effective interest on debentures	-	773	-
Balance at end	50,000	48,859	1,742

(Amounts in the tables are in thousands of Canadian dollars, except data per share)

10. Fair value of financial instruments

The carrying amount and fair value of the financial instruments in the consolidated statements of financial position relate to the following classes of assets and liabilities:

	September 3, 2016		December 26, 2015	
	Carrying amount $	**Fair value** $	**Carrying amount** $	**Fair value** $
Financial assets				
Loans and receivables				
Current				
Trade and other receivables	102,708	102,708	104,351	104,351
Loans receivable	116	116	131	131
	102,824	102,824	104,482	104,482
Non-current				
Loans receivable	466	466	576	576
Available-for-sale financial assets				
Non-current				
Equity investment in Colabor Investments Inc.	894	894	926	926
Financial liabilities				
Financial liabilities at amortized cost				
Current				
Bank overdraft	6,694	6,694	4,106	4,106
Trade and other payables	83,964	83,964	85,549	85,549
Rebates payable	7,647	7,647	8,301	8,301
Bank borrowings	76,466	76,466	1,000	1,000
Long-term debt	21,224	22,995	-	-
Convertible debentures	49,433	48,227	-	-
Obligations under leases	558	558	497	497
	245,986	246,551	99,453	99,453
Non-current				
Bank borrowings	-	-	87,038	87,038
Long-term debt	21,157	19,097	42,295	41,912
Convertible debentures	-	-	48,859	47,230
Obligations under leases	1,972	1,972	2,376	2,376
	23,129	21,069	180,568	178,556

(Amounts in the tables are in thousands of Canadian dollars, except data per share)

The fair value of trade and other receivables, the current portion of loans receivable, the bank overdraft, trade and other payables (excluding sales taxes to remit and compensation payable), rebates payable and the current portion of bank borrowings is comparable to the carrying amount given the short period to maturity, i.e. the time value of money is not significant.

The fair value of the available-for-sale financial asset was primarily determined using the bid price on the closing date for the underlying asset.

The fair value of the non-current portion of loans receivable is equivalent to the carrying amount, because these are primarily loans granted in 2015.

The fair value of the current and non-current portion of obligations under finance leases is comparable to the carrying amount because they were entered into in 2014 and 2015.

The fair value of the long-term debt and the liability component of the convertible debentures was determined by discounting the future cash flows using rates of 10.5% (10.5% at December 26, 2015), the rate which the Company could currently obtain for non-convertible debentures with similar terms and conditions and maturities (classified in level 2 of the fair value hierarchy).

The assets and liabilities measured at fair value are presented using a three-level fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements of these items. The three fair value hierarchy levels are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments measured at fair value consist of the equity investment in Colabor Investments Inc. (Level 2). There were no transfers between Level 1 and Level 2 during the quarter.

(Amounts in the tables are in thousands of Canadian dollars, except data per share)

11. Subsequent events

On October 13, 2016, the Company announced the finalization of a recapitalization transaction that reduce indebtedness and enhance the capital structure. The transaction has the following main components:

- $50,000,000 rights offering, representing 74,626,866 common shares;
- Extension and renewal for three years of the bank borrowings and reduction to its outstanding balance of approximately $30,000,000;
- Extension by four years of the current loan agreement and a repayment of $17,500,000 of long-term debt;
- Extension by five years of the term of the convertible debentures, increase in their interest rate to 6.00% and reduction of their conversion price to $2.50 per common share; and,
- Purchase of an option, in favour of the Company, to acquire Dubé & Loiselle Inc. within three years after the closing of the proposed recapitalization transaction.

Following this transaction, bank borrowings, long-term debt and convertible debentures will be reclassified as long-term.