



Mosaic Capital Corporation

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FOR IMMEDIATE RELEASE

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MOSAIC CAPITAL CORPORATION

Closes Strategic Investment of \$150 Million from Fairfax Financial

Calgary, Alberta – January 26, 2017. Mosaic Capital Corporation ("**Mosaic**") (TSX-V Symbols: **M**, **M.PR.A** and **M.DB**) announced today the closing of its previously announced private placement (the "**Offering**") to Fairfax Financial Holdings Limited and certain of its subsidiaries (collectively "**Fairfax**") of: (i) \$100 million aggregate principal amount of 6% senior preferred securities (the "**6% Senior Preferred Securities**"); (ii) \$50 million aggregate principal amount of 5% senior secured debentures (the "**5% Secured Debentures**"); and (iii) common share purchase warrants (the "**Warrants**", together with the 6% Senior Preferred Securities and the 5% Secured Debentures, the "**Securities**") entitling Fairfax to acquire up to 17,026,106 common shares of Mosaic at a price of \$8.81 per common share until January 26, 2024. If the Warrants are fully exercised, Fairfax would own approximately 66% of the currently issued and outstanding common shares of Mosaic. Prior to the Offering, Fairfax did not own or exercise control over any securities of Mosaic.

The 6% Senior Preferred Securities bear interest at a rate of 6% per annum and are unsecured obligations of Mosaic subordinate to all liabilities of Mosaic, excluding obligations specifically subordinated to the 6% Senior Preferred Securities. The 6% Senior Preferred Securities rank senior to Mosaic's existing 7% convertible unsecured senior subordinated debentures. Until they are redeemed or retracted on February 10, 2017, Mosaic's existing 10% unsecured subordinated perpetual preferred securities (the "**10% Perpetual Preferred Securities**") and series 1 private yield securities (the "**Private Yield Securities**") will rank junior to the 6% Senior Preferred Securities.

The 6% Senior Preferred Securities are not redeemable by Mosaic before January 26, 2022 (the "**Call Date**"). After the Call Date, the 6% Senior Preferred Securities may be redeemed at the option of Mosaic at a price per 6% Senior Preferred Security equal to the greater of: (i) \$10; and (ii) the ten-day volume weighted average trading price of the 6% Senior Preferred Securities.

The 5% Secured Debentures bear interest at a rate of 5% per annum, mature on January 26, 2024, are not redeemable before maturity and are secured by a security interest on all the assets of Mosaic and certain of its subsidiaries, subject only to the first priority security interest of ATB Financial.

The Securities and the common shares of Mosaic issuable upon exercise of the Warrants are subject to a four-month hold period from the date of closing of the Offering.

In connection with the closing of the Offering, Mosaic entered into a governance agreement (the "**Governance Agreement**") with Fairfax. Pursuant to the terms of the Governance Agreement and subject to certain conditions therein, Mosaic granted to Fairfax the right to two board nominations and pro-rata financing participation rights. These financing rights provide Fairfax with a pre-emptive right to participate in future common share issuances by Mosaic up to the extent necessary for Fairfax to maintain its partially diluted common share ownership position.

Mosaic will use the net proceeds of the Offering to fund the redemption of Mosaic's 10% Perpetual Preferred Securities and series A preferred shares (the "**Series A Shares**"), the retraction of Mosaic's Private Yield Securities, and for general corporate purposes. As announced in Mosaic's news release dated January 9, 2017, the redemption of the 10% Perpetual Preferred Securities and Series A Shares and the retraction of the Private Yield Securities is scheduled to occur on February 10, 2017.

The Warrants were acquired by Fairfax for investment purposes. Fairfax's determination to exercise the Warrants or not will depend upon the market price of the common shares of Mosaic, market conditions, availability of funds, evaluation of alternative investments and other factors.

An early warning report will be filed by Fairfax in accordance with applicable securities laws and will be available on SEDAR at www.sedar.com or may be obtained directly from Fairfax upon request at the telephone number and address immediately below:

Fairfax Financial Holdings Limited
95 Wellington Street West, Suite 800
Toronto, Ontario M5J 2N7
Telephone: (416) 367-4941

The Securities and the common shares of Mosaic issuable pursuant to the exercise of the Warrants have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons absent U.S. registration or an applicable exemption from the U.S. registration requirements. This news release does not constitute an offer for sale or the solicitation of an offer to buy securities in the United States or in any jurisdiction in which such offer, solicitation or sale would be unlawful.

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 creative transaction structuring and working closely with subsidiary businesses after acquisition.

FOR FURTHER INFORMATION PLEASE CONTACT:

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Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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: statements with respect to the anticipated use of net proceeds of the Offering; the timing for the redemption of the 10% Perpetual Preferred Securities and Series A Shares; the timing for the retraction of the Private Yield Securities; and the intention of Fairfax to file an early warning report. 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: future market conditions will not be materially different than anticipated by Mosaic; there will be no material changes to government and environmental regulations affecting Mosaic or its operations; and the business operations of the operating businesses of Mosaic will continue on a basis consistent with prior years.

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); and changes in the general economic and business conditions of one or more of Mosaic and its subsidiaries. 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, 2015, 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.