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FAIRFAX FINANCIAL TO INVEST \$150 MILLION IN MOOSAIC CAPITAL

Calgary, Alberta - December 22, 2016. Mosaic Capital Corporation (“**Mosaic**”) (TSX-V: **M**, **M.PR.A** and **M.DB**) is pleased to announce that Fairfax Financial Holdings Limited through certain of its subsidiaries (collectively “**Fairfax**”) (TSX: **FFH** and **FFH.U**), has agreed to invest \$150 million in Mosaic on a private placement basis (the “**Fairfax Financing**”).

Fairfax has agreed to subscribe for \$100 million principal amount of 6% senior preferred securities (the “**6% Senior Preferred Securities**”), \$50 million principal amount of 5% seven-year term secured debentures (the “**5% Secured Debentures**”) and common share purchase warrants entitling Fairfax to acquire up to 17,026,106 common shares of Mosaic at an exercise price of \$8.81 per share for seven years. If it fully exercises its warrants, Fairfax, through its subsidiaries, would own approximately 66% of Mosaic’s common shares, based on the number of shares currently outstanding.

Mosaic and Fairfax each have long term, value oriented investing styles and have access to significant mid-market investment opportunities in Canada and, in the case of Fairfax, internationally. As part of the transaction, Mosaic and Fairfax have agreed to work together as preferred partners to share mid-market private equity opportunities. Mosaic believes this strategic relationship, combining lower cost of capital, greater access to deal flow and unique transactional opportunities, will accelerate its ability to make long term acquisitions and investments in Canada and internationally.

Fairfax will have the right to nominate two directors to the board of Mosaic. Paul Rivett, President of Fairfax, will be appointed as a director of Mosaic at closing of the Fairfax Financing which is expected to occur in late January 2017.

“We are excited to partner with John Mackay, Harold Kunik and Mark Gardhouse and their team through a direct investment in Mosaic” said Paul Rivett, President of Fairfax. “John and Harold have a long track record of successfully applying value investing principles to acquire majority positions in strong cash flow producing small and medium sized businesses. They have been successfully applying a decentralized approach that ensures the management remains invested and operating on a day-to-day basis. Over time, some of these investments are expected to grow to a size where they may need additional capital from Fairfax. Fairfax often receives opportunities that are difficult to act on because of their smaller size which may be of interest to Mosaic. We look forward to having a partner whose expertise and experience in mid-market private equity acquisitions over the last decade can be combined with our flow of opportunities.”

John Mackay, Executive Chairman of Mosaic, added “It is great to have a partner that shares our long term, value oriented approach to investing. We also expect to benefit from the vast experience and investment knowledge of Prem Watsa, Fairfax’s Chairman, and the entire team at Fairfax.”

“We are very pleased to have Fairfax as a key partner in our business,” said Mark Gardhouse CEO of Mosaic. “Fairfax is one of the best capital allocators in North America and we look forward to working with them. Fairfax is providing Mosaic with a significantly reduced cost of capital which positively impacts our sustainable cash flow. We believe this new capital structure combined with the relationship with Fairfax will significantly accelerate Mosaic’s corporate growth strategy.”

Mosaic will use the proceeds of the Fairfax Financing to:

- redeem all the outstanding Preferred Securities (TSX-V: M.PR.A) and Series A Shares at the prescribed price of \$10 per security (plus all accrued and unpaid interest);
- retract the Private Yield Securities pursuant to the mandatory retraction provisions of the private yield securities indenture at \$1,000 per security;
- provide a liquidity option for the holders of Mosaic's outstanding convertible debentures (the "**Convertible Debentures**") (TSX-V:M.DB) (as discussed below); and
- repay all or part of Mosaic's acquisition credit facility and for general corporate purposes.

The terms of Mosaic's outstanding Preferred Securities, Series A Shares and Private Yield Securities provide for the redemption/retraction at the option of Mosaic with no further action required by the holders. Closing of the redemption of the Preferred Securities, Series A Shares and the Private Yield Securities is expected to occur in early February 2017 and applicable redemption/retraction notices are being provided to the relevant trustees. The Preferred Securities will be delisted from the TSX Venture Exchange.

Mosaic's recently issued Convertible Debentures will rank junior to the 6% Senior Preferred Securities and the 5% Secured Debentures being issued to Fairfax. As a result, notwithstanding that Mosaic is entitled to issue securities senior to the Convertible Debentures under their terms, Mosaic will be providing holders of the Convertible Debentures with the opportunity, at the holder's option, to obtain liquidity for their Convertible Debentures at the issue price plus accrued and unpaid interest. Details of the mechanism for the liquidity of the Convertible Debentures will be provided in a future news release.

The lower cost of the Fairfax Financing will reduce Mosaic's cost of distributions on the equivalent principal amount of Preferred Securities, Series A Shares and Private Yield Securities by approximately \$5.58 million per year, or approximately \$0.65 per common share, resulting in Mosaic having additional discretionary cash flow to further accelerate the execution of its business strategy.

Closing of the Fairfax Financing is subject to customary closing conditions including, among other things, the settlement of definitive documentation and the approval of the TSX Venture Exchange.

ABOUT FAIRFAX FINANCIAL HOLDINGS LIMITED

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

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.

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 the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This news release is not an offer of securities for sale in the United States, and the securities may not be offered or sold in the United States absent registration or an exemption from the registration requirements. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended.

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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: greater access to unique transactional opportunities; the ability of Mosaic to make long term acquisitions and investments in Canada and internationally; the closing date of the Fairfax Financing; the need for additional capital from Fairfax; the receipt by Fairfax of investment opportunities of interest to Mosaic; the reduction in the cost of capital and positive impact on sustainable cash flow of Mosaic; the acceleration of Mosaic’s growth strategy; the use of the proceeds of the Fairfax Financing; the closing date of the redemption of the Preferred Securities, Series A Shares and Private Yield Securities; the delisting of the Preferred Securities from the TSX Venture Exchange; the mechanism for the liquidity of the Convertible Debentures; the reduction in the cost of distributions on the Preferred Securities, Series A Shares and Private Yield Securities; an increase in additional discretionary cash flow; and obtaining approval of the TSX Venture Exchange. 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 conditions to closing of the Fairfax Financing will be satisfied; Mosaic will be able to obtain all required regulatory approvals; 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: the inability to settle definitive documentation and closing conditions, including accuracy of representations and warranties not being satisfied; the inability to obtain approval from the TSX Venture Exchange; 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.