

Cara Operations Limited

Initial Public Offering of Subordinate Voting Shares

March 18, 2015

A preliminary prospectus and an amended and restated preliminary prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorities in each of the provinces and territories of Canada. A copy of the amended and restated preliminary prospectus, and any amendment, is required to be delivered with this document. The amended and restated preliminary prospectus is still subject to completion. There will not be any sale or any acceptance of an offer to buy the securities until a receipt for the final prospectus has been issued. This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the amended and restated preliminary prospectus, the final prospectus and any amendment for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, in the United States (as such term is defined in Regulation S under the U.S. Securities Act) (the "United States") or to, or for the account or benefit of, U.S. Persons (as defined in the U.S. Securities Act), except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws.

Capitalized terms used but not otherwise defined herein shall have the respective meaning ascribed thereto in the amended and restated preliminary prospectus. All references to "\$" or "dollars" in this document are to Canadian dollars, unless indicated otherwise.

- Issuer:** Cara Operations Limited ("Cara" or the "Company").
- Offering:** Approximately 9,090,900 to 10,526,300 Subordinate Voting Shares (approximately 10,454,535 to 12,105,245, if the Over-Allotment Option is exercised in full).
- Offering Size:** Approximately \$200,000,000, before giving effect to the Over-Allotment Option.
- Issue Price:** \$19.00 to \$22.00 per Subordinate Voting Share.
- Over-Allotment Option:** The Company has granted to the Underwriters an Over-Allotment Option, exercisable in whole or in part, at any time for a period of 30 days after the Closing Date, to purchase up to an additional 15% of the aggregate number of Subordinate Voting Shares issued under the Offering at a price of \$19.00 to \$22.00 per Subordinate Voting Share solely to cover over-allotments, if any, and for market stabilization purposes.
- Expected Yield:** Approximately 1.9% to 2.1%, before giving effect to the Over-Allotment Option.
- Shares Outstanding:** Upon completion of the Offering and assuming no exercise of the Over-Allotment Option, approximately 10,628,771 to 12,064,171 Subordinate Voting Shares and approximately 37,396,284 Multiple Voting Shares will be issued and outstanding. If the Over-Allotment Option is exercised in full, approximately 11,992,406 to 13,643,116 Subordinate Voting Shares and approximately 37,396,284 Multiple Voting Shares will be issued and outstanding after the completion of the Offering.
- Use of Proceeds:** The Company will use the net proceeds of the Offering to, directly or indirectly, repay indebtedness under the Company's Existing Credit Facility in the amount of \$●. Amounts currently drawn under the Existing Credit Facility were originally used to repay notes issued by Cara in 2010 and for general corporate purposes.
- Authorized Share Capital and Share Attributes:** Upon Closing, the Company's authorized share capital will consist of an unlimited number of Multiple Voting Shares that may only be issued to the Principal Shareholders or their affiliates, an unlimited number of Subordinate Voting Shares and an unlimited number of preference shares, issuable in series. The Subordinate Voting Shares and the Multiple Voting Shares are substantially identical with the exception of the voting and conversion rights attached to the Multiple Voting Shares. Each Subordinate Voting Share is entitled to one vote and each Multiple Voting Share is entitled to 25 votes on all matters. The Multiple Voting Shares are convertible into Subordinate Voting Shares on a one-for-one basis at any time at the option of the holders thereof and automatically in certain other circumstances. The holders of Subordinate Voting Shares benefit from "coattail" provisions that give them certain rights in the event of a take-over bid for the Multiple Voting Shares.

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Principal Shareholders:	Upon completion of the Offering, the Principal Shareholders will collectively hold 100% of the Company's issued and outstanding Multiple Voting Shares. After giving effect to the Offering, Fairfax Financial Holdings Limited will hold approximately 40% to 41% (approximately 39% to 40%, if the Over-Allotment Option is exercised in full) of the Company's total issued and outstanding Shares and will hold approximately 53% of the voting power attached to all of the Shares and Cara Holdings Limited will hold approximately 35% to 36% (approximately 34% to 35%, if the Over-Allotment Option is exercised in full) of the Company's total issued and outstanding Shares and will hold approximately 46% of the voting power attached to all of the Shares. All of the Multiple Voting Shares held after the Offering by the Principal Shareholders will be subject to contractual lock-up agreements with the Underwriters.
Dividend Policy:	The Company will pay dividends on the Multiple Voting Shares and Subordinate Voting Shares on a <i>pari passu</i> basis, if, as and when declared by the Board. Initially, the Company anticipates paying quarterly cash dividends, with annualized aggregate dividend payments of approximately \$20 million (approximately \$0.40 to \$0.42 per Subordinate Voting Share or Multiple Voting Share, as applicable). The first dividend that would be payable to investors in the Offering would be the dividend for the period beginning on the Closing Date and ending on June 30, 2015. The Company expects the first dividend would be equal to an aggregate amount of approximately \$5 million. Dividends will be declared and paid in arrears. Accordingly, the Company expects the first dividend payment on its Subordinate Voting Shares and Multiple Voting Shares would be declared following the announcement of the Company's results for the second quarter of Fiscal 2015 in August 2015 and would be paid in September 2015. The amount and timing of the payment of any dividends are not guaranteed and are subject to the discretion of the Board.
Lock-up Agreements:	The Company, directors, executive officers and the Principal Shareholders will be subject to a 180 day lock-up, subject to certain exceptions.
Listing:	Closing of the Offering is conditional on the Subordinate Voting Shares being approved for listing on the TSX.
Eligibility for Investment:	Eligible for RRSPs, RESPs, RRIFs, RDSPs, TFSA's and DPSPs.
Offering Type:	Initial public offering under a long-form prospectus filed in all provinces and territories of Canada. Private placement in the U.S. to "qualified institutional buyers" pursuant to Rule 144A of the United States Securities Act of 1933.
Bookrunners:	Scotiabank, BMO Capital Markets and RBC Capital Markets.
Underwriting Fee:	5.00%.
Pricing Date:	Expected the week of April 6, 2015.
Closing Date:	Expected the week of April 20, 2015.