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**THE SECOND CUP LTD.  
NOTICE OF ANNUAL MEETING  
OF SHAREHOLDERS  
AND  
MANAGEMENT INFORMATION  
CIRCULAR**

**Meeting to be held at 3:00 p.m.  
THURSDAY, MAY 3, 2012**

**at the offices of  
Stikeman Elliott LLP  
53rd Floor, 5300 Commerce Court West  
199 Bay Street  
Toronto, Ontario  
M5L 1B9**

**The Second Cup Ltd**  
6303 Airport Road  
Mississauga, Ontario  
L4V 1R8

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** to holders of **THE SECOND CUP LTD.** (the “**Corporation**”) shares (the “**Shareholders**”) that an annual meeting of Shareholders will be held at the offices of Stikeman Elliott LLP, 53<sup>rd</sup> Floor, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario on Thursday, May 3, 2012 at 3:00 p.m. (Toronto time) for the following purposes:

1. to receive the audited financial statements of the Corporation for the year ended December 31, 2011;
2. to elect directors of the Corporation (the “**Directors**”);
3. to appoint auditors for the Corporation and to authorize the Directors of the Corporation to fix the remuneration of the auditors; and
4. to transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Accompanying this Notice of Meeting are: (i) the 2011 Annual Report; (ii) a management information circular of the Corporation; (iii) a voting instruction form or form of proxy to be used for voting at the meeting; and (iv) a reply card for use by Shareholders who wish to receive the annual and/or interim financial statements of the Corporation.

All Shareholders, other than CDS Clearing and Depository Services Inc. (“**CDS**”), must provide voting instructions in the manner described in the enclosed voting instruction form and in the accompanying management information circular. **Your shares will not be voted without your instructions.**

CDS, which through its nominee is the sole registered Shareholder of the Corporation, must deposit completed proxies with Computershare Trust Company of Canada, Attention: Proxy Department, 9th floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 before 5:00 p.m. (Toronto time) on May 1, 2012 or not later than 5:00 p.m. (Toronto time) on the second last business day prior to any adjournment or postponement of the meeting. However, all Shareholders other than CDS must communicate their voting instructions well in advance of this deadline in order to allow their instructions to be processed before the deadline.

The Directors of the Corporation have fixed April 2, 2012 as the record date for the meeting.

We urge you to read these materials carefully and cast your vote on these important matters.

DATED at Mississauga, Ontario this 30th day of March, 2012.

**THE SECOND CUP LTD.**

Michael T. Rosicki  
Chair of the Board of Directors

## TABLE OF CONTENTS

	Page
THE MEETING .....	1
VOTING OF SHARES — INFORMATION FOR BENEFICIAL SHAREHOLDERS.....	2
VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES .....	2
ANNUAL MEETING BUSINESS.....	3
Financial Statements.....	3
Election of Directors.....	3
Attendance Record of Directors .....	4
Appointment of Auditors.....	4
COMPENSATION OF DIRECTORS.....	5
Summary of Board Compensation.....	5
EXECUTIVE AND OTHER COMPENSATION.....	5
Compensation Discussion and Analysis .....	6
Base Salary .....	7
Short Term Incentive Plan/Annual Bonus .....	7
Long Term Incentive Plan .....	7
Perquisites and Other Personal Benefits.....	8
Performance Graph.....	8
NEO Summary Compensation Table .....	9
Severance and Other Termination Benefits .....	11
INDEBTEDNESS OF DIRECTORS .....	11
DIRECTORS' AND OFFICERS' LIABILITY INSURANCE.....	12
CORPORATE GOVERNANCE.....	12
Board of Directors .....	12
Position Descriptions.....	13
Orientation and Continuing Education .....	13
Ethical Business Conduct .....	13
Nomination of Directors.....	14
Compensation of Directors.....	14
Assessments.....	14
Audit Committee .....	14
AUDITORS, TRANSFER AGENT AND REGISTRAR.....	15
INTEREST OF EXPERTS .....	15
ADDITIONAL INFORMATION .....	15
OTHER BUSINESS .....	15
APPROVAL OF CIRCULAR.....	15
APPENDIX A .....	A-0

## THE SECOND CUP LTD.

### MANAGEMENT INFORMATION CIRCULAR

(Containing information as at March 30th, 2012 unless otherwise noted)

#### THE MEETING

This Management Information Circular (this “**Circular**”) is being sent to you as a holder of common shares (the “**Shares**”) of The Second Cup Ltd. (the “**Corporation**”) in connection with the annual meeting of shareholders of the Corporation (“**Shareholders**”) to be held on May 3, 2012 (the “**Meeting**”).

#### **Date, Time and Place of the Meeting**

The Meeting is to be held at the offices of Stikeman Elliott LLP, 53<sup>rd</sup> Floor, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario, at 3:00 p.m. (Toronto time) on May 3, 2012.

#### **Record Date and Quorum**

The directors of the Corporation (“**Directors**”) have fixed April 2, 2012 as the record date (the “**Record Date**”) for the Meeting. A quorum for the Meeting consists of two or more individuals present in person either holding personally or representing by proxy not less in aggregate than 10% of the votes attached to all outstanding Shares.

#### **Solicitation of Proxies**

**This Circular is furnished in connection with the solicitation of proxies by management of the Corporation, for use at the Meeting and at any adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting.** The Corporation may pay investment dealers or other service providers for their reasonable expenses for sending this Circular and other Meeting materials to Shareholders and obtaining voting instructions and/or proxies. It is expected that the solicitation of proxies for the Meeting will be primarily by mail, but proxies may also be solicited by telephone or personally by regular employees of the Corporation at nominal cost. The cost of solicitation will be borne by the Corporation.

#### **Appointment and Revocation of Proxies**

An instrument appointing a proxy must be in writing and either substantially in a form approved by the Directors acting reasonably or as may be satisfactory to the chair of the Meeting. Forms of proxy must be executed on behalf of the registered Shareholder by a person duly authorized in writing. The individuals named in the enclosed form of proxy are officers of the Corporation. **A registered Shareholder may appoint some other person, who need not be a Shareholder, to represent him or her at the Meeting.** In order to do so, the registered Shareholder must insert such other person’s name in the blank space provided in the form of proxy and strike out the names of the nominees referred to, or complete another proper form of proxy and, in either case, deposit the completed proxy at the office of the transfer agent indicated on the enclosed envelope not later than 5:00 p.m. (Toronto time) on the second last business day (which excludes Saturdays, Sundays and statutory holidays in Toronto) before the date of the Meeting (or any adjournment or postponement thereof).

A proxy given pursuant to this solicitation may be revoked by instrument in writing, including another proxy bearing a later date, executed by the registered Shareholder or by its attorney authorized in writing, and by depositing such instrument at the office of the transfer agent indicated on the enclosed envelope not later than 5:00 p.m. (Toronto time) on the last business day (which excludes Saturdays, Sundays and statutory holidays in Toronto) before the date of the Meeting (or any adjournment or postponement thereof), or in any other manner permitted by law. However, the revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

## Voting of Proxies

Shares represented by a properly executed proxy will be voted or withheld from voting on any ballot that may be conducted at the Meeting or at any adjournment or postponement of the Meeting in accordance with the instructions of the registered Shareholder indicated on the proxy, and if the registered Shareholder specifies a choice with respect to a matter to be acted on, those Shares will be voted accordingly. In the absence of instructions, those Shares will be voted "FOR" each of the matters referred to in the form of proxy. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, or other matters which may properly come before the Meeting. At the time of the printing of this Circular, the Directors know of no such amendments, variations or other matters to come before the Meeting. Should such matters arise, the persons named in the enclosed form of proxy will vote in accordance with their judgment on such matters or business.

### VOTING OF SHARES — INFORMATION FOR BENEFICIAL SHAREHOLDERS

Shareholders who are not registered Shareholders (referred to in this Circular as "**Beneficial Shareholders**") should note that only proxies deposited by registered Shareholders on the Record Date (being those whose names appear on the records of the Corporation as the registered holders of Shares on April 2, 2012) can be recognized and acted upon at the Meeting. Currently, all issued and outstanding Shares are held in "book-entry only" form under a system administered by CDS Clearing and Depository Services Inc. ("**CDS**"), and all Shares are currently registered under the name of CDS & Co., as nominee of CDS. Accordingly, all Shareholders other than CDS must provide voting instructions in the manner described in the voting instruction form provided by their Intermediary (as defined below) and in this Circular. Beneficial Shareholders cannot vote at the Meeting by completing and depositing a form of proxy as a registered Shareholder.

Typically, Beneficial Shareholders will receive a voting instruction form or other similar document with this Circular from their broker or other intermediary holding Shares on their behalf ("**Intermediary**"). This form allows you to provide voting instructions with respect to your Shares. The voting instruction form is similar to the form of proxy provided to a registered Shareholder. However, its purpose is limited to instructing a registered Shareholder (in this case, CDS) how to vote on your behalf. Intermediaries will typically make arrangements that will allow you to provide voting instructions by completing and returning a voting instruction form by mail or facsimile, calling a toll-free telephone number (1-800-474-7493) or by using the internet at [www.proxyvotecanada.com](http://www.proxyvotecanada.com). You should carefully follow the directions provided to you in order to ensure that your Shares are voted at the Meeting. **Your Shares will not be voted without your instructions.**

Please note that Beneficial Shareholders seeking to attend the Meeting will not be recognized at the Meeting for the purpose of voting Shares unless the Beneficial Shareholder provides instructions to appoint himself or herself as a proxyholder. In order to do this, the individual should follow the instructions on the voting instruction form regarding the manner in which voting instructions are to be provided and, in doing so, specify that individual's own name as the person to be appointed as proxyholder for the purposes of voting his or her Shares. For instance, if "David Jones" is a Beneficial Shareholder and he wishes to be appointed as a proxyholder, in the voting instruction form he receives with this Circular, he should insert the name "David Jones" in the space provided and follow the other procedures specified on the form for appointing a proxyholder other than one of the individuals specified on the form.

**All Beneficial Shareholders should communicate their voting instructions in accordance with directions received from the Intermediary holding Shares on their behalf well in advance of the deadline for the receipt of proxies of 5:00 p.m. (Toronto time) on Tuesday, May 1, 2012 in order to allow their instructions to be processed before the deadline.**

### VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As at the date hereof, the Corporation has 9,903,045 Shares issued and outstanding, each of which entitles the holder to one vote per Share. Each holder of Shares of record at the close of business on the Record Date will be entitled to one vote for each Share held on all matters proposed to come before the Meeting.

As at the date hereof, to the knowledge of the Directors, Mr. Paul D. Phelan is the only person who beneficially owns, directly or indirectly, or controls or directs voting securities of the Corporation carrying 10% or more of the voting rights attached to any class of voting securities of the Corporation. Based on information publicly filed with applicable securities regulatory authorities, as of the date hereof, Mr. Phelan owns or exercises control over 3,138,600 Shares, representing approximately 31.69% of the issued and outstanding Shares.

## ANNUAL MEETING BUSINESS

### Financial Statements

The audited financial statements of the Corporation, for the year ended December 31, 2011 are included in the 2011 annual report of the Corporation, which has been mailed to Shareholders together with this Circular and will be available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Election of Directors

The Corporation must have a minimum of three Directors and a maximum of ten Directors. Until changed by the Shareholders, or by the Directors if authorized by the Shareholders, the number of Directors is five. At the Meeting, Shareholders will be asked to elect as Directors the five individuals named below (the “Nominees”). Four of the Nominees are current Directors. Raymond Guyatt, a current Director, has decided to not seek re-election as a Director. In the absence of instructions to the contrary, the enclosed form of proxy will be voted in favour of the election of the Nominees. Each Director will hold office until the close of the next annual meeting of the Shareholders or until such Director resigns, is removed, or ceases to be qualified to act as a Director.

The following table provides the names of the Nominees, the municipality in which he or she is ordinarily resident, all offices of the Corporation now held by him or her, his or her principal occupation, the period of time for which he or she has been a Director of the Corporation and the number of Shares beneficially owned by him or her, directly or indirectly, or which he or she controls or directs, as at the date hereof. Each Nominee has established his or her eligibility and willingness to serve as a Director.

Unless otherwise instructed, the persons named on the enclosed form of proxy intend to vote for the Nominees. If, prior to the Meeting, any of the listed Nominees should become unavailable to serve as a Director, the persons designated in the form of proxy will have the right to use their discretion in voting for a properly qualified substitute.

<u>Name, Position being nominated for and Municipality of Residence</u>	<u>Present Office</u>	<u>Principal Occupation</u>	<u>Shares Beneficially Owned, Controlled or Directed<sup>(1)</sup></u>
<b>JAMES S. ANAS</b> Director, Burlington, Ontario, Canada Non-Independent <sup>(2)</sup>	Director since June 8, 2009	Chairman of The Second Cup Coffee Company Inc. since March 31, 2009 following his tenure as Executive Vice Chairman from 2008 and President and Chief Executive Officer from 2001 to 2008. President, Chief Executive Officer and Director of Jumbo Entertainment Inc. from 1994 to 2001. Chairman of Pre-Arrangement Second Cup from April 1, 2009 to June 27, 2009. Director, Guardian Capital Group Inc. from 2005 to present and Chairman, Board of Directors from 2011 to present.	0
<b>BRYNA GOLDBERG</b> Director, Toronto, Ontario, Canada Independent	Director since June 8, 2009	Retired business executive; Executive Vice President, Legal Affairs, General Counsel and Secretary of Shoppers Drug Mart Inc. from 2001 to 2007; Senior Vice President, Legal Affairs, General Counsel and Secretary of Shoppers Drug Mart Inc. from 1997 to 2001.	2,500

<u>Name, Position being nominated for and Municipality of Residence</u>	<u>Present Office</u>	<u>Principal Occupation</u>	<u>Shares Beneficially Owned, Controlled or Directed<sup>(1)</sup></u>
<b>BRYAN HELD</b> Director, Brampton, Ontario, Canada. Independent	-	Retired business executive. President and Chief Executive Officer and a director of SMK Speedy International Inc. from 1999 to 2004 and Chief Financial Officer from 1997 to 1999. Director of Vicwest Income Fund from 2003 to 2009, Chairman of the Board from 2005 to 2009 and Interim CEO from 2006 to 2007. Trustee of Alosinac Trust (2011). Advisory Board Member of Mister Transmission (International) Ltd. since 2010.	0
<b>MICHAEL T. ROSICKI</b> Chair of the Board of Directors, Orillia, Ontario, Canada Independent	Director since December 1, 2004	Chairman and Chief Executive Officer of Parmalat North America from 1999 to 2004. Director of Metro Inc. and Aastra Technologies Limited.	33,000
<b>PETER B. SAUNDERS</b> Director, Naples, Florida, USA Independent	Director since May 13, 2011	Chairman, from 2008 to 2009 and Chief Executive Officer from 2002 to 2008 of The Body Shop International PLC. and Chief Operating Officer of T. Eaton Co. Ltd. from 1995 to 1997. Director of Canadian Tire Corporation Limited, Director and Chairman of Jack Wills Limited, Director of Godiva Chocolatier Inc. and Director of Retail Services and Systems Inc. (Total Wine & More).	0

Notes:

- (1) Information furnished by the Nominees.  
(2) Mr. Anas is not considered independent until June 27, 2012, as a result of former positions he has held with predecessors of the Corporation.

### Attendance Record of Directors

The following table shows the attendance of each of the Nominees (if applicable) at meetings of the board of Directors of the Corporation and committee meetings held during the 2011 fiscal year.

#### Summary of Attendance of Directors

<u>Director</u>	<u>Director Meetings Attended</u>	<u>Committee Meetings Attended</u>
<b>James S. Anas</b>	9/9	-
<b>Bryna Goldberg</b>	9/9	6/6
<b>Raymond Guyatt</b>	9/9	5/5
<b>Edward McDermott</b>	4/5	1/1
<b>Michael T. Rosicki</b>	9/9	8/8
<b>Peter Saunders</b>	4/4	3/4

### Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote in favour of a resolution appointing PricewaterhouseCoopers LLP, Chartered Accountants, as auditors for the Corporation for the ensuing year and

authorizing the Directors to fix the remuneration of the auditors unless the Shareholder who has given the proxy has directed that the Shares represented thereby be withheld from voting in respect of the appointment of auditors.

PricewaterhouseCoopers LLP has acted as the Corporation's (or its predecessor's) auditors since the establishment of the Corporation on October 22, 2004.

## COMPENSATION OF DIRECTORS

### Director Compensation Table

The following indicates compensation provided to the Directors for the year ended December 31, 2011.

Name	Fees earned (\$)	Share-based awards (\$)	Option based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
James S. Anas, Director of the Corporation	-	50,000 <sup>(1)</sup>	-	-	-	-	50,000
Edward T. McDermott, Former Director of the Corporation <sup>(2)</sup>	16,941	-	-	-	-	-	16,941
Bryna Goldberg, Director of the Corporation	-	55,000 <sup>(1)</sup>	-	-	-	-	55,000
Raymond Guyatt, Director of the Corporation <sup>(3)</sup>	60,000	-	-	-	-	-	60,000
Michael T. Rosicki, Director of the Corporation	100,000	-	-	-	-	-	100,000
Peter Saunders, Director of the Corporation <sup>(4)</sup>	25,000	-	-	-	-	-	25,000

Notes:

- (1) Mr. Anas and Ms. Goldberg elected to receive their Directors' Fees in Notional Shares of the Corporation, valued at \$7.86 per Notional Share, being the weighted average trading value of the Corporation's Shares on the 5 days prior to January 4, 2011 the first trading day of fiscal year 2011.
- (2) Mr. McDermott ceased to be a Director on May 13, 2011.
- (3) Mr. Guyatt is not seeking re-election as a director and will cease to be a Director on May 3, 2012.
- (4) Mr. Saunders was elected a director on May 13, 2011.

### Summary of Board Compensation

The annual compensation for each Director of the Corporation consists of a cash retainer of \$50,000, plus \$1,000 for attending each special meeting of the Board of Directors in person and \$500 to attend special meetings of the Board of Directors by teleconference. No remuneration is received by any person for his or her role in acting as an officer of the Corporation. Each Director is reimbursed for their out-of-pocket expenses for attending meetings of the Board of Directors of the Corporation ("**Board of Directors**") and meetings of the committees thereof. The chair of the Audit Committee of the Corporation receives additional compensation of \$10,000 per year. The chair of the Governance / Human Resources / Compensation Committee of the Corporation ("**Governance Committee**") receives additional compensation of \$5,000 per year. Michael T. Rosicki, as chair of the Board of Directors receives additional compensation of \$50,000 per year.

## EXECUTIVE AND OTHER COMPENSATION

The Governance Committee performs the function of a compensation committee for the Corporation and has the responsibility of, among other things, reviewing and making recommendations to the Board of Directors

concerning the compensation of the Chief Executive Officer of the Corporation (“**Chief Executive Officer**” and/or “**CEO**”), Chief Financial Officer of the Corporation (“**Chief Financial Officer**” and/or “**CFO**”) and the Corporation’s three most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation exceeds \$150,000 (collectively the “**Named Executive Officers**” or “**NEOs**”). The Governance Committee for fiscal year 2011 consisted of Bryna Goldberg (chair), Michael T. Rosicki, and Edward McDermott prior to May 13, 2011 and Peter Saunders after May 13, 2011. All members of the Governance Committee are considered “independent” in accordance with the definition set out in National Instrument 58-101 – Disclosure of Corporate Governance Practices (“**NI 58-101**”).

Having served as executives, holding positions such as President, Chairman, Chief Executive Officer, and General Counsel, Ms. Goldberg, Mr. Rosicki, Mr. McDermott and Mr. Saunders have adequate skills and experience related to making decisions on the suitability of the Corporation’s compensation policies and practices. Several of the members of the Governance Committee, including the Chair, have served in this capacity for a number of years, including with the predecessor of the Corporation and as part of this role, have had access to relevant information regarding compensation governance and applicable market practices, including access to compensation consultants and other experts from time to time, to give them the tools required to make decisions relating to the suitability of the Corporation’s compensation policies and practices.

The Governance Committee is also entitled under its mandate to engage independent advisers if applicable, as discussed below.

The responsibilities of the Governance Committee include:

- the establishment of key human resources and compensation policies, including all incentive and equity based compensation plans;
- the performance evaluation of the Chief Executive Officer and the Chief Financial Officer, and determination of the compensation for the Chief Executive Officer, the Chief Financial Officer and other senior executives of the Corporation; and
- compensation of Directors.

The Governance Committee meets at least three times per year, or more frequently as required. The Chair of the Governance Committee reports to the Board of Directors on the Committee’s operations at regularly scheduled Board meetings. The Governance Committee also reviews and approves the executive compensation disclosure to be included in the management proxy circular of the Corporation.

The Governance Committee is granted unrestricted access to information about the Corporation that is necessary or desirable to fulfill its duties and all Directors, officers and employees are directed to cooperate as requested by its members. The Governance Committee has the authority to retain, at the Corporation’s expense, independent compensation consultants or other advisors to assist the Governance Committee in fulfilling its duties and responsibilities.

For the year ended December 31, 2011, the NEOs are Stacey Mowbray (CEO), Robert Masson (CFO), Rita Toporowski, Wayne Vanderhorst, and Ian Baskerville.

### **Compensation Discussion and Analysis**

The Governance Committee’s executive compensation policy is guided by the following principles:

- to attract, motivate and retain executives with the necessary experience, education and skill sets to achieve the Corporation’s goals;
- to align the interests of the executives with the interests of the Shareholders; and
- to provide incentives to meet and exceed performance based goals.

The key components of NEO compensation for the 2011 fiscal year consisted of base salary, short term incentive plan / annual bonus, and long term incentive plan. Other elements of NEO compensation include perquisites and a voluntary group registered retirement savings program.

The Board considers implications of the risks associated with the Corporation's compensation policies and practices as part of its oversight and stewardship of the affairs of the Corporation. The Board's role in this respect includes reviewing each of the components of an executive's compensation to ensure there is an overall balance between long-term and short-term incentives commensurate with the Corporation's corporate strategy and goals.

While the Corporation has not adopted a formal prohibition, the NEOs and the Directors are, as a matter of policy, not permitted to purchase financial instruments designed to hedge or offset a decrease in the market value of the Shares, including Shares underlying share-based compensation or otherwise held directly or indirectly by an NEO or a Director.

### **Base Salary**

Base salaries for NEOs are determined based on a comparison of competitive positions, taking into account, where possible, the industry, location and size (revenue and number of employees) of comparable companies and by evaluating the responsibilities of each executive's position; including their respective knowledge and experience with an overarching goal of maintaining internal equity within a competitive marketplace. Base salaries represent a fixed component of NEO compensation and vary by job responsibility. The base salary component of NEO compensation is designed to provide NEOs with a stable, predictable and competitive component of compensation, which facilitates the retention of key employees. NEO salaries are reviewed on an annual basis by the Governance Committee and are revised and/or approved for the forthcoming year. The Governance Committee consults with the Chief Executive Officer regarding the salaries of the other NEOs. The Governance Committee then considers such matters and recommends to the Board of Directors a level of salary appropriate to each NEO.

### **Short Term Incentive Plan/Annual Bonus**

In order to link executive compensation with the Corporation's goals, the NEOs participate in a short term incentive plan ("STIP") under which cash awards are made, based primarily on certain corporate performance targets for the current fiscal year. Under the STIP, the NEOs are eligible for a cash award upon the achievement of certain specific minimum financial metrics, which include the attainment of the Corporation's budget and fiscal objectives, including certain EBITDA and same café sales targets. EBITDA is comprised of earnings before interest, taxes, depreciation and amortization ("EBITDA"). STIP awards are targeted at a maximum of 75% of base salary for the Chief Executive Officer and a maximum of 36% of base salary for the other NEOs.

### **Long Term Incentive Plan**

The Corporation's predecessor established a long term incentive plan ("LTIP") which the Corporation has adopted, in order to allow certain NEOs to participate in the growth and development of the Corporation by providing such NEOs with the opportunity to acquire an increased economic interest in the Corporation. The LTIP aligns the interest of NEOs with the economic interests of the Shareholders, as NEOs will be rewarded on the basis of the Share trading price performance and dividends paid by the Corporation. The LTIP is administered by the Governance Committee, which reviews the LTIP and makes recommendations to the Board. Under the terms of the LTIP, notional shares ("**Notional Shares**") may be granted to officers and employees of the Corporation and such Notional Shares granted vest as to one third on each of the first, second and third occurrence of December 15<sup>th</sup> following the date of the grant of such Notional Shares (the "**Vesting Period**") and shall expire on the December 31<sup>st</sup> of the third calendar year following the date of grant. The LTIP is awarded based upon the achievement of certain specific minimum financial metrics, which include the attainment of the Corporation's budget and fiscal objectives, including certain EBITDA and same café sales targets. The LTIP award is targeted at a maximum of 50% of base salary for the Chief Executive Officer and a maximum of 10% of base salary for the other NEOs. On vesting, the holder of vested Notional Shares shall receive in respect of each Notional Share an amount of cash equal to the weighted average trading price of the Shares on the TSX for the twenty trading days immediately prior to the applicable settlement date. The LTIP granted in 2009 by the Corporation's predecessor awarded notional units in such predecessor (the "**2009 LTIP**"). On January 1, 2011, holders of units in the predecessor were granted one Share for every unit held. Notional units granted under the 2009 LTIP are treated as Notional Shares.

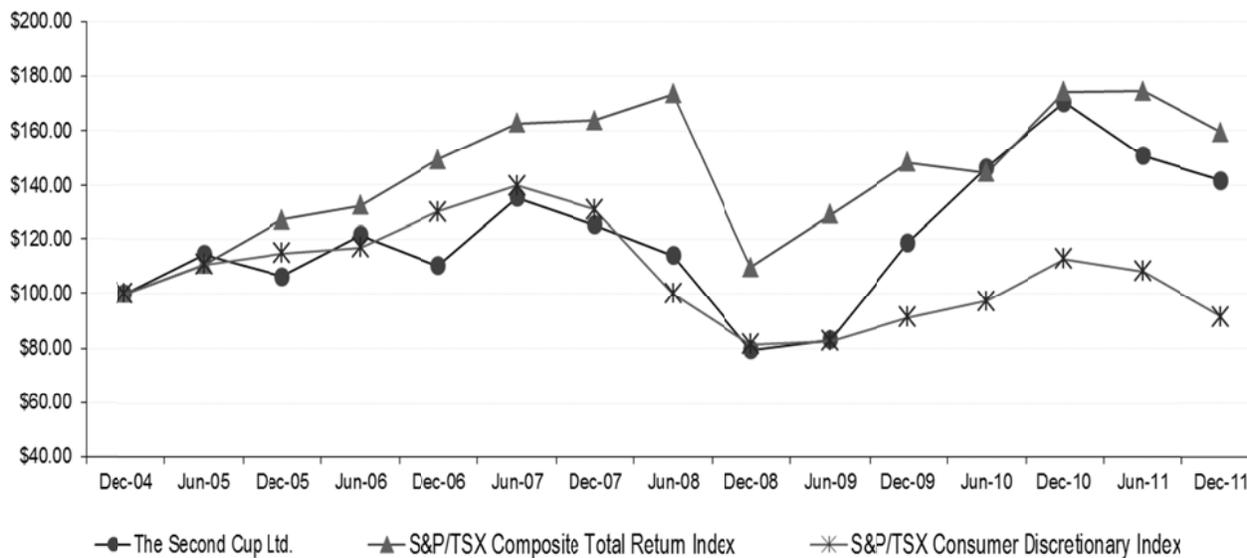
In addition, during the Vesting Period, on the date that the Corporation pays dividends, each holder of Notional Shares shall be credited with an additional number of notional shares (“**Bonus Notional Shares**”) equal to the number of Notional Shares held by a participant in relation to a particular grant, multiplied by the cash dividend per Share, divided by the weighted average trading price of the Shares on the TSX for the twenty trading days immediately prior to the particular dividend date. The Bonus Notional Shares, in respect of a particular grant of Notional Shares, shall vest in the same proportion as the Notional Shares of that grant. Upon vesting the Bonus Notional Shares will be paid out in cash in the same manner as the Notional Shares.

### Perquisites and Other Personal Benefits

To enable the Corporation to attract and retain superior executives, the Corporation also provides NEOs with perquisites and other personal benefits that the Corporation believes are reasonable, competitive in the market and consistent with its overall compensation program. The NEOs are generally provided a car allowance, parking, health care and life insurance. The Governance Committee periodically reviews the levels of perquisites and other personal benefits provided to NEOs. For the 2011 fiscal year, the costs of perquisites and other personal benefits described above for NEOs do not meet the reporting threshold established by Canadian Securities Regulations and accordingly have not been included in the “All Other Compensation” column in the Summary Compensation Table.

### Performance Graph

The following graph compares the total cumulative Shareholder return for \$100 invested in Shares (assuming reinvestment of dividends) with the cumulative total return of each of the S&P/TSX Composite Total Return Index and the S&P/TSX Consumer Discretionary Index for the period from inception to December 31, 2011.



As evidenced by the performance graph, a Shareholder’s total return since inception has generally paralleled the total return of the S&P/TSX Composite Total Return Index during the same period. The interests of the NEOs are aligned to those of the Shareholders through the Corporation’s LTIP and the granting of Notional Shares which are linked to the value of the Corporation’s Shares. This portion of at risk compensation for each of these individuals will increase/decrease in conjunction with the market movements of the Corporation’s Shares.

When the Governance Committee and the Board of Directors determine overall compensation, they consider a number of factors and performance elements. Although Shareholder return is one performance measure that is reviewed, it is not the only consideration. Other than in 2008, during which the Share price was affected by the turbulence in the global financial markets (similar to many other publicly traded companies), compensation levels for the NEOs over the period covered by the performance chart are generally consistent with the Corporation’s financial performance over this period.

## NEO Summary Compensation Table

The following table provides a summary of compensation including base salary, short term incentive plan, long term incentive plan and amounts otherwise earned by the NEOs during the period from January 1, 2011 to December 31, 2011. Certain aspects of this compensation are dealt with in further detail in the following tables below.

Name and principal position	Year	Salary <sup>(1)</sup>	Share-based awards	Option-based awards	Non-equity Incentive plan compensation		Pension value	All other compensation <sup>(8)</sup>	Total compensation <sup>(5)</sup>
					Annual incentive plans	Long term incentive plans			
Stacey Mowbray President and Chief Executive Officer	2011	\$423,227	\$165,971 <sup>(2)</sup>	-	\$118,504 <sup>(3)</sup>	-	-	\$13,065	\$720,767
	2010	\$414,928	-	-	\$165,971 <sup>(4)</sup>	-	-	\$10,327	\$591,226
	2009	\$199,540	\$157,447 <sup>(7)</sup>	-	-	-	-	\$10,123	\$367,110
Robert Masson Chief Financial Officer	2011	\$175,106	\$13,341 <sup>(2)</sup>	-	\$29,418 <sup>(3)</sup>	-	-	\$4,122	\$221,987
	2010	\$166,768	-	-	\$40,024 <sup>(4)</sup>	-	-	\$3,299	\$210,091
	2009	\$70,493 <sup>(6)</sup>	-	-	-	-	-	\$2,831	\$73,324
Rita Toporowski Vice President Corporate Planning & Development	2011	\$165,455	\$12,836 <sup>(2)</sup>	-	\$27,769 <sup>(3)</sup>	-	-	\$3,806	\$209,866
	2010	\$159,924	-	-	\$38,507 <sup>(4)</sup>	-	-	\$4,844	\$203,275
	2009	\$78,417	-	-	-	-	-	\$4,733	\$83,150
Wayne Vanderhorst Vice President Franchise Development	2011	\$176,000	\$13,139 <sup>(2)</sup>	-	\$29,568 <sup>(3)</sup>	-	-	\$4,077	\$222,784
	2010	\$162,448	-	-	\$39,417 <sup>(4)</sup>	-	-	\$3,759	\$205,624
	2009	\$77,963	-	-	-	-	-	\$3,625	\$81,588
Ian Baskerville General Counsel	2011	\$177,224	\$13,503 <sup>(2)</sup>	-	\$29,774 <sup>(3)</sup>	-	-	\$4,030	\$224,531
	2010	\$168,786	-	-	\$40,509 <sup>(4)</sup>	-	-	\$3,333	\$212,628
	2009	\$78,415	-	-	-	-	-	\$3,190	\$81,605

### Notes:

- (1) The amounts reported as Salary for fiscal year 2009 reflect the salary received by each NEO for the period from June 27, 2009 to December 31, 2009, during which period they were NEOs. During the 2009 fiscal year, the annualized salary received by each NEO was: Stacey Mowbray \$405,846, Robert Masson \$143,384, Rita Toporowski \$158,508, Wayne Vanderhorst \$157,890, and Ian Baskerville \$159,487.
- (2) See 'Share Based Awards – Fair Value' below.
- (3) The STIP/Annual incentive plan was paid on March 15, 2012.
- (4) The STIP/Annual incentive plan was paid on March 24, 2011.
- (5) Total Compensation for fiscal year 2009 included the salary received by each NEO for the period from June 27, 2009 to December 31, 2009.
- (6) Robert Masson joined the Corporation on February 4, 2009.
- (7) The share-based awards represent Notional Shares awarded under the 2009 LTIP. The Notional Shares are valued at \$6.34 per Notional Share, being the closing price of the units of the predecessor to the Corporation on December 23, 2009, the date of grant. For the methodology used to calculate the fair value of the award on the grant date, see 'Share Based Awards – Fair Value' below.
- (8) Each NEO received an RRSP contribution from the Corporation equal to 2% of their salary, except Ms. Mowbray who received an RRSP contribution equal to 2.5% of her salary.

## Share Based Awards – Fair Value

Under the 2009 LTIP, Ms. Mowbray was awarded \$150,000 in Notional Shares. This amounts to 24,834 Notional Shares, based upon a value of \$6.04 per Notional Share, being the weighted average price of the Shares for the 20 trading days prior to the date of grant. As discussed in ‘Long Term Incentive Plan’ above, notional units originally granted under the 2009 LTIP are treated as Notional Shares.

In 2011, under the LTIP established by the Corporation in 2010, the NEOs were awarded the following amounts in Notional Shares: Ms. Mowbray - \$165,971, Mr. Masson - \$13,341, Ms. Toporowski - \$12,836, Mr. Vanderhorst - \$13,139, and Mr. Baskerville - \$13,503. The NEOs were awarded the following number of Notional Shares, based upon a value of \$7.94, being the weighted average price of the Shares for the 20 trading days prior to the date of grant: Ms. Mowbray – 20,903, Mr. Masson – 1,680, Ms. Toporowski – 1,617, Mr. Vanderhorst – 1,655 and Mr. Baskerville - 1,701.

The following table provides information with respect to share-based awards, outstanding at the end of the Corporation’s most recently completed fiscal year ended December 31, 2011.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested	Market or payout value of vested share-based awards not paid out or distributed
Stacey Mowbray President and Chief Executive Officer	-	-	-	-	22,213 <sup>(1)</sup>	\$137,499 <sup>(2)</sup>	\$145,612 <sup>(3)</sup>
Robert Masson Chief Financial Officer	-	-	-	-	1,120 <sup>(4)</sup>	\$6,933 <sup>(2)</sup>	\$3,466 <sup>(5)</sup>
Rita Toporowski Vice President Corporate Planning & Development	-	-	-	-	1,078 <sup>(4)</sup>	\$6,671 <sup>(2)</sup>	\$3,336 <sup>(5)</sup>
Wayne Vanderhorst Vice President Franchise Development	-	-	-	-	\$1,103 <sup>(4)</sup>	\$6,830 <sup>(2)</sup>	\$3,415 <sup>(5)</sup>
Ian Baskerville General Counsel	-	-	-	-	1,134 <sup>(4)</sup>	\$7,019 <sup>(2)</sup>	\$3,510 <sup>(5)</sup>

Notes:

- (1) This represents i) the remaining 8,278 Notional Shares (out of a total of 24,834 Notional Shares) awarded to Ms. Mowbray under the 2009 LTIP, which were unvested as of December 31, 2011 and ii) the remaining 13,935 Notional Shares (out of a total of 20,903 Notional Shares) awarded under the Corporation’s LTIP in 2010, which were unvested as of December 31, 2011.
- (2) The payout value is based on a value per Notional Share of \$6.19, being the value of the Shares as of December 30, 2011. The payout value does not include the value of any dividends paid / dividends payable during the three (3) year vesting period or any increase in market value at the time the award is earned.
- (3) The payout value of shares that have not been paid out for Ms. Mowbray represents i) 16,556 vested Notional Shares (out of a total of 24,834 Notional Shares) awarded to her under the 2009 LTIP and ii) 6,968 vested Notional Shares (out of a total of 20,903 Notional Shares) awarded to her under the Corporation’s LTIP in 2010. The Notional Shares are valued based on the market value per Share of \$6.19 on December 30, 2011. The payout value does not include the value of any dividends paid / dividends payable during the three (3) year vesting period or any increase in market value at the time the award is earned. The Notional Shares may be forfeited if

employment discontinues. Vested Notional Shares of the 2009 LTIP are paid out in 2012 and vested Notional Shares of the Corporation's LTIP are paid out in 2013.

- (4) The unvested share-based awards reported represent two-thirds of the Notional Shares awarded under the Corporation's LTIP in 2010.
- (5) The payout value of shares that have not been paid out for Mr. Masson, Ms. Toporowski, Mr. Vanderhorst, and Mr. Baskerville represents one-third of the Notional Shares awarded in 2010, which were vested as of December 31, 2011, valued based on the market value per Share of \$6.19 on December 30, 2011. The payout value does not include the value of any dividends paid / dividends payable during the three (3) year vesting period or any increase in market value at the time the award is earned. The Notional Shares may be forfeited if employment discontinues. Vested Notional Shares are paid out in 2013.

The following table provides certain information with respect to incentive plan awards earned as at the end of the Corporation's most recently completed fiscal year ended December 31, 2011.

Name	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year
Stacey Mowbray President and Chief Executive Officer	-	\$94,981 <sup>(1)</sup>	\$165,971 <sup>(3)</sup>
Robert Masson Chief Financial Officer	-	\$3,482 <sup>(2)</sup>	\$40,024 <sup>(3)</sup>
Rita Toporowski Vice President Corporate Planning & Development	-	\$3,358 <sup>(2)</sup>	\$38,507 <sup>(3)</sup>
Wayne Vanderhorst Vice President Franchise Development	-	\$3,439 <sup>(2)</sup>	\$39,417 <sup>(3)</sup>
Ian Baskerville General Counsel	-	\$3,532 <sup>(2)</sup>	\$40,509 <sup>(3)</sup>

Notes:

- (1) This represents i) 8,278 Notional Shares (out of a total of 24,834 Notional Shares) awarded to Ms. Mowbray under the 2009 LTIP, and ii) 6,968 Notional Shares (out of a total of 20,903 Notional Shares) awarded to her under the Corporation's LTIP in 2010. The Notional Shares were valued at \$6.23 per Notional Share, being the price of the Shares when the Notional Shares vested on December 15, 2011.
- (2) The value of vested shares for Mr. Masson, Ms. Toporowski, Mr. Vanderhorst, and Mr. Baskerville, represents the value of Notional Shares awarded under the Corporation's LTIP in 2010, and vested as of December 15, 2011. The Notional Shares were valued at \$6.23 per Notional Share, being the price of the Shares when the Notional Shares vested on December 15, 2011.
- (3) The STIP/Annual incentive plan was paid on March 24, 2011.

### Severance and Other Termination Benefits

Each of Stacey Mowbray and Rita Toporowski has entered into an employment agreement with the Corporation which governs certain terms relating to their employment. Each of these agreements remains in effect until termination by either party pursuant to its terms. Each of Ms. Mowbray's and Ms. Toporowski's employment agreement provides that upon termination of her employment with the Corporation, without cause, each will be entitled to a severance payment on the date of termination, equal to 18 and 12 months base salary, respectively.

### INDEBTEDNESS OF DIRECTORS

No Director, Nominee, officer of the Corporation and none of their associates is currently or was at any time during the fiscal year ended December 31, 2011, indebted to the Corporation and no indebtedness of such persons has been the subject of a guarantee, support agreement, letter of credit or other similar agreement provided by the Corporation.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation purchased directors' and officers' liability insurance during fiscal 2011 with a policy limit of \$10 million per occurrence in each policy year, subject to a deductible of \$25,000 per occurrence, in respect of claims made thereunder by the Corporation.

## CORPORATE GOVERNANCE

The Corporation is committed to maintaining high standards of governance. The Corporation has continued to refine its governance practices in light of Canadian regulatory initiatives, particularly NI 58-101, National Policy 58-201, *Corporate Governance Guidelines* (“**NP 58-201**”) and National Instrument 52-110, *Audit Committees* (“**NI 52-110**”). The Corporation's current governance practices are disclosed below in accordance with NI 58-101. The information required by Form 52-110F1 of NI 52-110 is contained in the Corporation's 2011 Annual Information Form under the heading “Audit Committee” and in Appendix A of the Corporation's 2011 Annual Information Form.

### Board of Directors

The Board of Directors is elected by the Shareholders and is responsible for the overall stewardship of the affairs of the Corporation. The Board of Directors discharges its responsibilities directly and through its committees, currently consisting of the Corporation's Audit Committee and Governance Committee. The Board of Directors has adopted a mandate that sets out the role of the Directors. The text of this mandate is set out in Appendix A to this Circular. The Directors may, in respect of the assets of the Corporation, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner of those assets. The role of the Directors includes, among other things:

- reviewing and approving the strategic and annual plans of the Corporation;
- monitoring performance and providing reports to Shareholders as required;
- supervising the activities of the Corporation, including the investments of the Corporation; and
- approving payments of dividends from the Corporation to Shareholders.

The Directors will also supervise the application of the Corporation's written disclosure and insider trading policies. These policies, among other things:

- articulate the legal obligations of the Corporation, Directors, officers and employees with respect to confidential information;
- identify spokespersons of the Corporation who are authorized to communicate with third parties such as analysts, the media and investors;
- provide guidelines on the disclosure of forward looking information;
- require advance review of any disclosure of financial information with a view to ensuring that selective disclosure of material information does not occur; and
- establish “black-out” periods prior to and following the disclosure of quarterly and annual financial results during which the Corporation, Directors, officers and certain other persons may not purchase or sell Shares in the market.

A majority of the Directors must be independent within the meaning of NI 52-110. The Board of Directors is currently comprised of five Directors (four of whom have been nominated for election at the Meeting). The Board of Directors has determined that a majority of the Nominees are independent within the meaning of NI 52-110 and NI 58-101. Each member of the Corporation's Audit Committee will be an independent Director.

As part of its mandate, the Governance Committee will review on an annual basis the contributions of the Directors and consider whether the current composition of the Board of Directors promotes effectiveness and efficiency in its decision-making. As discussed below, the Governance Committee will assess the contribution and the performance of the Directors, both individually and collectively, and the standing committees of the Board of Directors.

Currently, there are no members of management on the Board of Directors.

Where warranted, Directors have the ability to engage outside professional advisors at the Corporation's expense to assist in the fulfillment of their duties. The chair of the Board of Directors (the "**Chair**") is responsible for authorizing all requests for professional advisors by individual Directors, the Board of Directors or any committee of the Board of Directors.

### **Position Descriptions**

The Board of Directors has adopted a formal position description for both the Chair and the CEO. Both are designed to assist the Chair and CEO in delineating their respective roles and responsibilities.

The CEO's position description identifies the CEO's responsibilities, which include: leading the day-to-day operations of the Corporation in accordance with the strategic plan; developing a long-term strategy for the Corporation that enhances Shareholder value; developing an annual operating plan and financial budget to achieve the Corporation's long-term strategy; developing or supervising effective disclosure and internal controls; and developing a positive and ethical work environment for the Corporation that attracts, retains and motivates high-value employees.

The Chair's position description identifies the Chair's responsibilities, which include: oversight of the Board of Directors in its discharge of its duties in the Board of Director's mandate; overseeing the distribution of information to the Board of Directors and presiding over board meetings; establishing procedures to govern the effective and efficient conduct of the Board of Director's work; acting as a liaison between the Board of Directors and management of the Corporation, where necessary; and representing the Corporation to Shareholders of the Corporation and other external groups.

The Directors have not developed written position descriptions for the chair of each committee. The Board of Directors of the Corporation believe that the charters of the Audit Committee and Governance Committee adequately delineate the roles of the chairs of such committees.

### **Orientation and Continuing Education**

The Governance Committee oversees any orientation programs to familiarize new Directors with the affairs and operations of the Corporation, including: the Corporation's structure; financial, accounting and risk issues; compliance programs and policies; management of the Corporation; and the external auditors. The Directors of the Corporation have access to members of management of the Corporation and are provided with materials describing the Corporation's operations, strategic plans and financial results.

The Governance Committee also oversees continuing educational opportunities for all Directors, as necessary, so that as individuals the Directors' knowledge and understanding of the activities of the Corporation remains current.

### **Ethical Business Conduct**

As part of the Corporation's commitment to effective corporate governance, all Directors and officers of the Corporation must act in accordance with the Corporation's Code of Conduct (the "**Code**"). The Code has been adopted by the Board of Directors and requires every Director, officer, and employee, as the case may be, to observe high standards of business and personal ethics as they carry out their duties and responsibilities. The Code is a guide that is intended to sensitize these individuals to significant legal and ethical issues that frequently arise and to the mechanisms available to report illegal or unethical conduct. The Code addresses ethical conduct, conflicts of interest and compliance with the law. The Code is administered by management although the Board of Directors has the

ultimate responsibility for monitoring compliance with the Code, including granting any departures or waivers from the Code. A copy of the Code may be obtained on request from the administrative office of the Corporation at 6303 Airport Rd., 2<sup>nd</sup> Floor, Mississauga, Ontario, L4V 1R8.

### **Nomination of Directors**

The Governance Committee of the Corporation is responsible for proposing new Director nominees and making recommendations to the Board of Directors. Directors are also encouraged to identify potential candidates and the Chair shall be consulted and have input into the process.

As part of its mandate, the Governance Committee determines the criteria, objectives and procedures for selecting members of the Board of Directors. In this process, the committee considers factors such as independence, integrity, skills, expertise and breadth of experience. The committee also periodically reviews the competencies, skills and personal qualities of each existing Director, and the contributions made by each individual Director to the effective operation of the Board of Directors. The committee may also make recommendations for changes to the composition of the Board of Directors.

### **Compensation of Directors**

The Governance Committee is responsible for reviewing Director compensation and ensuring that such compensation is competitive and aligns Directors' interests with those of Shareholders. The committee shall recommend the terms upon which Directors shall be compensated with a view to ensuring that the compensation accurately reflects the responsibilities they are assuming.

### **Assessments**

The Governance Committee will coordinate an annual evaluation of the Board of Directors and all board committees to determine whether they are functioning effectively and meeting their respective objectives and goals. The committee reports to the Chair of the Board of Directors on the evaluation of the performance of the Board of Directors, and each committee. The objective of the assessments is to ensure the continued effectiveness of the Board of Directors and its committees in the execution of their responsibilities and to contribute to a process of continuing improvement. The committee may conduct surveys of Directors with respect to their views on the effectiveness of Board of Directors, the Chair of the Board of Directors, each committee and its chair, and the contribution of individual Directors. The committee further monitors the relationship between management and the Board of Directors and reviews the Corporation's governance structures to ensure that the various boards are able to function independently of management of the Corporation.

### **Audit Committee**

The Audit Committee for fiscal year 2011 consisted of Raymond Guyatt (chair), Michael T. Rosicki, and Bryna Goldberg prior to May 13, 2011 and Peter Saunders after May 13, 2011, all of whom are independent, as required by NI 52-110. The members of the committee are appointed by the Board of Directors from among its members annually, and as necessary to fill vacancies, and the Board of Directors generally appoints the chair of the Audit Committee.

All members of the Audit Committee are financially literate. An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

The committee is mandated to assist the Board of Directors in fulfilling applicable reporting issuer obligations respecting audit committees and its oversight responsibilities with respect to financial reporting. The committee assists the Board of Directors in overseeing, among other matters, the work of the Corporation's external auditors, the integrity of the Corporation's financial statements and financial reporting process, the qualifications and independence of the external auditors and the work of the Corporation's financial management and external auditors in these areas. The committee also provides an open avenue of communication between the external auditors, the Board of Directors, and management of the Corporation. The committee reviews and recommends to the Board of Directors for approval, the Corporation's annual and interim financial statements and related

management's discussion and analysis and selected disclosure documents, including the Corporation's annual information form and any other financial statements required by regulatory authorities, before they are released to the public or filed with the appropriate regulators.

The Audit Committee is responsible for assessing and monitoring the integrity of the Corporation's financial reporting, accounting systems and internal controls and management information systems. The Audit Committee will also meet periodically with management of the Corporation to review the Corporation's major financial risk exposures and the policy steps management has taken to monitor and control such exposures.

Additional information relating to the Audit Committee and a copy of the Audit Committee's charter is set out in the latest annual information form of the Corporation.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditor of the Corporation is PricewaterhouseCoopers LLP, Chartered Accountants.

The transfer agent and registrar for the Shares is Computershare Investor Services Inc., 100 University Avenue, Toronto, Ontario.

#### **INTEREST OF EXPERTS**

The Corporation's annual financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants, Toronto, Ontario. Such firm is independent in accordance with the firm's rules of professional conduct in Ontario.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is included in its 2011 annual information form, its audited financial statements for the year ended December 31, 2011 and the related management's discussion and analysis. Copies of these documents may be obtained from the SEDAR website at [www.sedar.com](http://www.sedar.com), or upon request from the CFO of the Corporation: 6303 Airport Road, Mississauga, Ontario, L4V 1R8 (telephone 905-362-1818 or e-mail [rmasson@secondcup.com](mailto:rmasson@secondcup.com)). Financial information is provided in the Corporation's financial statements and management's discussion and analysis for the year ended December 31, 2011.

#### **OTHER BUSINESS**

Management is not aware of any amendments or variations to matters identified in the notice of the Meeting or of any other matters that are to be presented for action at the Meeting, other than those described in the notice.

#### **APPROVAL OF CIRCULAR**

The contents and sending of this Circular have been approved by the Directors of the Corporation and a copy of the circular has been sent to each Director, the auditor of the Corporation and each Shareholder entitled to notice of the Meeting.

**DATED** at Mississauga, Ontario, this 30th day of March 2012.

#### **BY ORDER OF THE DIRECTORS**

Michael T. Rosicki  
Chair of the Board of Directors

**APPENDIX A**

**THE SECOND CUP LTD.  
CHARTER FOR THE BOARD OF DIRECTORS**

**TABLE OF CONTENTS**

	<u>Page</u>
INTRODUCTION .....	A-1
DUTIES OF DIRECTORS.....	A-1
Oversight of the Corporation .....	A-1
Monitoring of Financial Performance and Other Financial Reporting Matters.....	A-1
Policies and Procedures .....	A-2
Communications and Reporting .....	A-2

## **THE SECOND CUP LTD.**

### **CHARTER FOR THE BOARD OF DIRECTORS**

#### **INTRODUCTION**

##### **Terminology:**

“**Board of Directors**” means the board of directors of the Corporation.

“**By-Laws of the Corporation**” means the by-laws governing the Corporation, as amended from time to time

“**Corporation**” means The Second Cup Ltd.

The Board of Directors is elected by the shareholders of the Corporation and is responsible for the overall stewardship of the affairs of the Corporation. The Board of Directors shall be subject to the fiduciary standard and standard of care set out in the By-Laws of the Corporation. The Board of Directors is responsible for establishing and maintaining a culture of integrity in the conduct of the Corporation’s affairs.

#### **DUTIES OF DIRECTORS**

1. The Board of Directors discharges its responsibilities both directly and through its committees, currently consisting of the Audit Committee and the Governance / Human Resources / Compensation Committee “Governance Committee”. The Board of Directors may appoint other committees as permitted by the By-Laws of the Corporation, including ad hoc committees to address certain issues of a more short-term nature.

##### **Oversight of the Corporation**

1. The Board of Directors is responsible for reviewing and approving the strategic and annual plans of the Corporation.
2. The Board of Directors is responsible for monitoring performance and providing reports to shareholders of the Corporation as required.
3. The Board of Directors is responsible for supervising the activities of the Corporation, including the investments of the Corporation.
4. The Board of Directors is responsible for declaring and effecting payments of dividends from the Corporation to shareholders of the Corporation.
5. The Board of Directors may delegate to committees matters it is responsible for, but the Board of Directors retains its oversight function and ultimate responsibility for all delegated responsibilities.

##### **Monitoring of Financial Performance and Other Financial Reporting Matters**

1. The Board of Directors will review all financial statements, material change reports and such other additional information regarding the financial position or business of the Corporation necessary to comply with any continuous disclosure obligations applicable to the Corporation.

2. The Board of Directors is responsible for overseeing the Corporation's compliance with its undertakings to applicable securities regulatory authorities regarding financial statements and other information regarding its financial position or business, and regarding insider reporting and trading.
3. The Board of Directors shall be responsible for approving the unaudited quarterly and audited annual financial statements of the Corporation and the notes thereto and auditors' reports thereon, as applicable, and the Management's Discussion and Analysis accompanying such financial statements, as well as annual reports, management information circulars, annual information forms and other securities law filings of the Corporation.
4. The Board of Directors is responsible for reviewing and approving material transactions involving the Corporation and those matters which the Board of Directors is required to approve under the applicable law including the payment of dividends, the purchase and issuance of shares, acquisitions and dispositions of material assets by the Corporation and material expenditures by the Corporation.

### **Policies and Procedures**

1. The Board of Directors is responsible for:
  - (a) monitoring the performance of the Corporation's affairs and investments;
  - (b) approving and monitoring compliance with all significant policies and procedures by which the Corporation is bound;
  - (c) approving policies and procedures designed to ensure that the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards; and
  - (d) enforcing obligations of the directors respecting confidential treatment of the Corporation's proprietary information and Board deliberations.
2. The Board of Directors is responsible for approving a Corporate Disclosure Policy respecting communications to the public, an Insider Trading Policy respecting insider trading and reporting matters, and a Code of Business Conduct and Ethics respecting ethical business practices.

### **Communications and Reporting**

1. The Board of Directors is responsible for:
  - (a) overseeing the Corporation's continuous disclosure obligations;
  - (b) overseeing the accurate reporting of the financial performance of the Corporation to shareholders, other security holders and regulators on a timely and regular basis;
  - (c) overseeing that financial results of the Corporation are reported fairly and in accordance with generally accepted accounting standards and related legal disclosure requirements;
  - (d) taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Corporation;
  - (e) reporting annually to shareholders on its stewardship for the preceding year;
  - (f) overseeing the provision to shareholders of all such information as is required by applicable law and regulatory requirements, prior to each meeting of shareholders;
  - (g) overseeing the investor relations and communications strategy of the Corporation; and
  - (h) overseeing the Corporation's ability to accommodate feedback from shareholders.

