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**SECOND CUP  
COFFEE CO.™**

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

**Meeting to be held at [10:00 a.m.]  
Friday, MAY 6, 2016**

**at  
TMX Broadcast Centre  
130 King Street West  
Toronto, Ontario  
M5X 1J2**

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

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** to holders of **THE SECOND CUP LTD.** (the “**Corporation**”) shares (the “**Shareholders**”) that an annual general meeting of Shareholders will be held at TMX Broadcast Centre, 130 King Street West, Toronto, Ontario, M5X 1J2 on Friday, May 6, 2016 at **[10:00 a.m.]** (Toronto time) for the following purposes:

1. to receive the audited financial statements of the Corporation for the year ended December 26, 2015;
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.

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, 9<sup>th</sup> floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 before 5:00 p.m. (Toronto time) on May 4<sup>th</sup>, 2016 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 March 24, 2016 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 24th day of March, 2016.

**THE SECOND CUP LTD.**

Michael Bregman  
Chair of the Board of Directors

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THE SECOND CUP LTD.

MANAGEMENT INFORMATION CIRCULAR

(Containing information as at March 24, 2016 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 general meeting of shareholders of the Corporation (“**Shareholders**”) to be held on May 6, 2016 (the “**Meeting**”).

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

The Meeting is to be held at TMX Broadcast Centre, 130 King Street West, Toronto, Ontario, M5X 1J2, at **[10:00 a.m.]** (Toronto time) on May 6, 2016.

**Record Date and Quorum**

The directors of the Corporation (“**Directors**”) have fixed March 24, 2016, 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.

The Corporation is using notice-and-access to send the Notice of Meeting, this Circular, the audited financial statements of the Corporation for the year ended December 26, 2015 and the corresponding management discussion and analysis (collectively the “**Proxy-Related Materials**”) to registered and non-registered holders of Shares. Under the notice-and-access method, registered and non-registered holders of Shares will be sent a notice package (the “**Notice Package**”) explaining, among other things, how to access the Proxy-Related Materials and containing a form of proxy or voting instruction form, as applicable.

The Proxy-Related Materials are available electronically for download by Shareholders under the Corporation’s profile on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Corporation’s website at [www.secondcup.com](http://www.secondcup.com). A paper copy of the Proxy-Related Materials may be requested by phone at 1-877-212-1818. For all requests received prior to 4:00 p.m. (Toronto time) on May 4, 2016, a paper copy of the Proxy-Related Materials will be sent by first class mail, courier or similar delivery method within three (3) business days of receipt of the request. For all requests received after May 4, 2016, a paper copy of the Proxy-Related Materials will be sent by prepaid mail, courier or similar delivery method within ten (10) calendar days of receipt of the request. The Corporation is not sending Proxy-Related Materials directly to non-registered holders of Shares who have not objected to intermediaries disclosing their beneficial ownership information.

## 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 March 24, 2016) 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 1-800-474-7501 (French)) or by using the internet at [www.proxyvote.com](http://www.proxyvote.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 (or to appoint another person to vote or attend on their behalf) will not be recognized at the Meeting for the purpose of voting Shares unless the Beneficial Shareholder provides instructions to appoint himself or herself (or such other person) 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 (or such person's 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 Wednesday, May 4, 2016 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 12,830,945 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 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 2,941,000 Shares, representing approximately 23% of the issued and outstanding Shares.

As at the date hereof, to the knowledge of the Directors, Canso Investment Counsel Ltd. ("**Canso**") 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, Canso owns or exercises control over 1,682,500 Shares, representing approximately 13% of the issued and outstanding Shares.

## **ANNUAL GENERAL MEETING BUSINESS**

### **Financial Statements**

The audited financial statements of the Corporation, for the year ended December 26, 2015 are included in the 2015 annual report of the Corporation, which has been posted on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.seconddcup.com](http://www.seconddcup.com) and is available upon request.

### **Election of Directors**

In accordance with the Corporation's articles of arrangement, the Corporation must have a minimum of three Directors and a maximum of ten Directors. Currently, the number of Directors is six.

At the Meeting, Shareholders will be asked to elect as Directors the six individuals named below (the "**Nominees**"). The Directors adopted a policy, described below, to permit Shareholders to vote on individual Directors at general meetings of Shareholders such as the Meeting. All six of the Nominees are current Directors. 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.

On March 22, 2013, the Board of Directors of the Corporation (the "**Board of Directors**" or the "**Directors**") adopted a majority voting policy (the "**Majority Voting Policy**"). The Majority Voting Policy provides that in an uncontested election of Directors, any nominee who receives a greater number of votes "withheld" than votes "for" will promptly following the relevant shareholder meeting tender a resignation to the Board of Directors, such resignation to take effect on acceptance by the Board of Directors. The Governance, Human Resources and

Compensation Committee (the “**Governance Committee**”) will consider the offer of resignation and recommend to the Board of Directors whether or not to accept it. The Board will make its decision and announce it in a press release within 90 days following such meeting, including the reasons for rejecting the resignation, if applicable. A Director who tenders a resignation pursuant to this policy will not participate in any meeting of the Board or the Governance Committee at which the resignation is considered.

On March 22, 2013, the Board of Directors adopted an advance notice policy (the “**Advance Notice Policy**”) for the purpose of providing Shareholders, Directors and management of the Corporation with a transparent, structured and fair process for nominating Directors of the Corporation in connection with any annual or special meeting of Shareholders. A copy of the Advance Notice Policy is attached as Appendix B to this Circular.

The table below 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. 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.

**The management representatives designated in the enclosed form of proxy intend to vote FOR the election of each of the Nominees whose names are set forth below.**

#### **Director Share Ownership, Position, and Principal Occupation**

In accordance with share ownership guidelines adopted effective as of January 1, 2011, each Director is required to own such number of Shares and/or deferred share units of the Corporation (the “**Deferred Share Units**” or “**DSUs**”) that has an aggregate purchase price or deemed issue price, as applicable, equal to or greater than three (3) times the amount of such Director’s previous year’s annual retainer calculated at the date of the Corporation’s fiscal year-end. Each Director is strongly encouraged to meet the required ownership level within five (5) years from the later of January 1, 2011 or the date such individual became a Director. The Chairman of the Board of Directors (the “**Chair**”) may grant an exception to these ownership guidelines in rare instances where they would place a severe hardship on a Director or the Director is prohibited from purchasing Shares or holding DSUs.

The following table shows the Directors’ Share ownership and Deferred Share Unit holdings, present office and principal occupation in the preceding five years as at December 26, 2015.

<b><u>Name, Position being nominated for and Municipality of Residence</u></b>	<b><u>Present Office</u></b>	<b><u>Principal Occupation (Preceding 5 Years)</u></b>	<b><u>DSUs or Shares Beneficially Owned, Controlled or Directed<sup>(1)</sup></u></b>
<b>MICHAEL BREGMAN<sup>(2)(3)</sup></b> Chair of the Board of Directors, Toronto, Ontario, Canada Independent	Director since December 20, 2013	Principal and Chief Executive Officer of Tailwind Capital Inc., a Toronto-based investment management firm, from 2003 to present. Director of Clairvest Group Inc., Ideaca Ltd. and MapleMusic.	883,800 Shares
<b>ALIX BOX</b> Director, Oakville, Ontario, Canada Non-Independent	Director since February 24, 2014	President and Chief Executive Officer of the Corporation from February 2014 to present. Senior Vice President at Holt Renfrew & Co. Ltd. from 2008 to February 2014.	50,900 Shares
<b>STEPHEN KELLEY<sup>(2)</sup></b> Director, Kitchener, Ontario, Canada Independent	Director since December 20, 2013 <sup>(4)</sup>	Chief Executive Officer of Stocom Research Trading & Investments Ltd., an investment firm, from 2004 to present. Director of Wind Athletes Canada.	50,900 Shares

<u>Name, Position being nominated for and Municipality of Residence</u>	<u>Present Office</u>	<u>Principal Occupation (Preceding 5 Years)</u>	<u>DSUs or Shares Beneficially Owned, Controlled or Directed<sup>(1)</sup></u>
<b>ALTON McEWEN<sup>(3)</sup></b> Director, Bellevue, Washington, USA Independent	Director since December 20, 2013	Former Chief Executive Officer of Distant Lands Coffee Company. Director of Swiss Water Decaffeinated Coffee Company, Inc. and Canadian Coffee Association.	130,300 Shares 33,553 DSUs
<b>RAEL MERSON<sup>(2)</sup></b> Director, Toronto, Ontario, Canada Independent	Director since December 20, 2013	President of Mixed Use Capital, a real estate development company in California, from 2009 to present.	130,800 Shares 13,889 DSUs
<b>ALAN SIMPSON<sup>(3)</sup></b> Director, Toronto, Ontario, Canada Independent	Director since December 20, 2013	President of Grand Slam Investments Inc., an investment firm, from 2013 to present. Chief Executive Officer of Town Shoes Limited, which operated retail stores under the names Town Shoes and The Shoe Company, from 2000 to 2013.	68,000 Shares 27,960 DSUs

Notes:

- (1) Information furnished by the Nominees. See “Compensation of Directors – Directors’ Deferred Share Unit Plan” below for more information with respect to the DSUs.
- (2) Member of the Audit Committee.
- (3) Member of the Governance Committee.
- (4) Mr. Kelley resigned from the Board of Directors on December 18, 2013 and was re-appointed to the Board of Directors on December 20, 2013. Prior to his resignation, Mr. Kelley had been a Director of the Corporation since October 8, 2012.

### 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 2015 fiscal year.

#### Summary of Attendance of Directors

<u>Director</u>	<u>Director Meetings Attended</u>	<u>Committee Meetings Attended</u>
<b>Alix Box<sup>(1)</sup></b>	7/7	8/8
<b>Michael Bregman<sup>(2)</sup></b>	7/7	8/8
<b>Stephen Kelley<sup>(3)</sup></b>	7/7	4/4
<b>Alton McEwen<sup>(2)</sup></b>	7/7	4/4
<b>Rael Merson<sup>(2)</sup></b>	6/7	4/4
<b>Alan Simpson<sup>(2)</sup></b>	7/7	4/4

- (1) Ms. Box was appointed a Director on February 24, 2014
- (2) Messrs. Bregman, McEwen, Merson and Simpson were each appointed as a Director on December 20, 2013.
- (3) Mr. Kelley resigned from the Board of Directors on December 18, 2013 and was re-appointed to the Board of Directors on December 20, 2013. Prior to his resignation, Mr. Kelley had been a Director of the Corporation since October 8, 2012.

### 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.

**The management representatives designated in the enclosed form of proxy intend to vote FOR the reappointment of PricewaterhouseCoopers LLP as auditors of the Corporation to hold office until the next annual meeting of Shareholders and the granting of authority to the Directors to fix the remuneration of the auditors.**

## COMPENSATION OF DIRECTORS

### Director Compensation Table

The following indicates compensation provided to the Directors for the year ended December 26, 2015.

Name	Fees earned (\$) <sup>(1)</sup>	Share-based awards (\$)	Option based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Michael Bregman, Director of the Corporation <sup>(2)</sup>	\$300,000	-	-	-	-	-	\$300,000
Stephen Kelley, Director of the Corporation <sup>(2)</sup>	\$50,000	-	-	-	-	-	\$50,000
Alton McEwen, Director of the Corporation <sup>(2,3)</sup>	\$60,000	-	-	-	-	-	\$60,000
Rael Merson, Director of the Corporation <sup>(2,3)</sup>	\$60,000	-	-	-	-	-	\$60,000
Alan Simpson, Director of the Corporation <sup>(2,3)</sup>	\$50,000	-	-	-	-	-	\$50,000

Notes:

- (1) Fees include a base cash retainer as well as additional amounts for each special meeting attended; these amounts are further explained below in "Summary of Board Compensation".
- (2) Messrs. Bregman, Kelley, McEwen, Merson and Simpson were each appointed as a Director on December 20, 2013. Prior to his resignation on December 18, 2013, Mr. Kelley had been a Director of the Corporation since October 8, 2012.
- (3) Messrs. McEwen and Simpson received 100% of their Directors' Fees, in each case excluding special meeting fees, in Deferred Share Units of the Corporation under the Directors' Deferred Share Unit Plan. The Deferred Share Units were awarded using the weighted average trading value of the Corporation's Shares on the five days prior to the Company's fiscal year end.

### Summary of Board Compensation

The current annual compensation for each Director of the Corporation, other than officers, 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 and meetings of the committees thereof. The Chair receives additional compensation of \$250,000 per year. The chairs of the Audit Committee and the Governance Committee each receive additional compensation of \$10,000 per year.

## **Directors' Deferred Share Unit Plan**

Effective January 1, 2011, the Board of Directors adopted a directors' deferred share unit plan (the "**DSU Plan**"). The purpose of the DSU Plan is to attract, retain and motivate Directors and to advance the interests of the Corporation by better aligning Director and Shareholder interests through grants of DSUs.

Unless he or she elects not to participate in the DSU Plan, each Director will automatically participate in the DSU Plan (in such capacity, a "**Participant**") and will receive an award of Deferred Share Units (an "**Award**") for each fiscal year in which he or she is a Director. The Award for each fiscal year will be that number of Deferred Share Units equal to the Participant's director fees divided by the Share price on the date the Award is made. When dividends are declared by the Corporation, Participants will be credited with additional Deferred Share Units, the number of which is determined by dividing: (i) the product obtained by multiplying the amount of each dividend declared and paid by the Corporation on the Shares on a per share basis, by (ii) the Share price on the dividend payment date. Under the DSU Plan, 'director fees' include the basic annual fee earned by a director of the Board and any additional annual fee earned by a Director by virtue of being the chair of the Board of Directors or the chair of a committee of the Board of Directors, but does not include meeting fees or any other fees earned by a Director. Share price is generally calculated as the volume-weighted average price of the Shares on the Toronto Stock Exchange (the "**TSX**") on the five most recent preceding days on which they were traded.

A Director may elect not to participate in the DSU Plan or may elect to participate as to 50%. Where a Director elects not to participate in the DSU Plan or elects to participate as to 50%, the Director will receive cash in an amount equal to the Director's director fees (or 50% of the director fees, as applicable).

Deferred Share Units awarded vest on the last day of the fiscal year for which they are awarded. In the event that a Participant's Termination Date (as defined below) falls before the last day of such fiscal year, one-twelfth of the Deferred Share Units awarded for such fiscal year will vest for each completed month in that fiscal year prior to the Termination Date, and all remaining Deferred Share Units will be forfeited on his or her Termination Date and have no further value. All of a Participant's vested Deferred Share Units will be settled on the first business day which falls 30 days after a Participant's Termination Date, unless he or she elects to defer settlement to a date that is no later than December 15 of the calendar year following the Participant's Termination Date. Upon settlement, the Corporation will pay a Participant in cash an amount equal to the Share price on the Termination Date, multiplied by the number of vested Deferred Share Units in the Participant's account. Following receipt of such payment, the Deferred Share Units so settled expire and have no further value. No assets of the Corporation or any of its affiliates will be held in any way as collateral security for the fulfillment of the obligations of the Corporation or any of its affiliates under the DSU Plan.

In 2015, an aggregate of 36,049 DSUs were awarded to the Directors using a price of \$3.05 per unit in respect of \$110,000 of director fees.

## **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 senior management of the Corporation. The Governance Committee for the fiscal year 2015 consisted of Alton McEwen (chair), Michael Bregman and Alan Simpson. 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 Chairman, Chief Executive Officer, and President, Messrs. McEwen, Bregman and Simpson have adequate skills and experience related to making decisions on the suitability of the Corporation's compensation policies and practices. Mr. McEwen, the current Chair of the Governance Committee, has served in a similar capacity for another publicly-listed company for a number of years, and as part of this role, has 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 the Governance Committee the tools required to make decisions relating to the suitability of the Corporation's compensation policies and practices.

The Governance Committee is entitled to engage independent advisers if applicable.

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 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 advisers to assist the Governance Committee in fulfilling its duties and responsibilities.

### **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 senior management compensation for the 2015 fiscal year consisted of base salary, short-term incentive plan/annual bonus and stock option plan. Other elements 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 senior management 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 a senior manager or a Director.

### **Base Salary**

Base salaries represent a fixed component of management compensation and vary by job responsibility. Senior management salaries are reviewed on an annual basis by the Governance Committee. The Governance Committee then recommends to the Board of Directors a level of salary for each member of the senior management team.

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

In order to link executive compensation with the Corporation's goals, management participates in a short-term incentive plan ("STIP") under which cash awards are made, based primarily on achievement of certain corporate performance targets for the fiscal year, including the achievement of pre-tax net income targets, as well as non-financial personal objectives.

### **Long-Term Incentive Plan**

The Corporation's management long-term incentive plan ("LTIP"), which was established in 2010, ended in 2014. Units granted under the LTIP vested over a three-year period and were paid out in cash at the end of each year's vesting period or upon termination of the individual's service. Units were granted based on a weighted average price of the Corporation's Shares for the twenty days immediately prior to the grant date.

### **Stock Option Plan**

The Stock Option Plan is designed to promote the long-term interests of the Corporation and its Shareholders by fostering a proprietary interest in the Corporation among the directors and employees (including officers) of the Corporation. The Stock Option Plan is also used by the Corporation to attract and retain senior management. The Stock Option plan aligns the interest of management with the economic interests of the Shareholders, as management will be rewarded on the basis of the Share trading price.

The Board of Directors adopted the Stock Option Plan on March 21, 2014. The Stock Option Plan became effective as of May 9, 2014.

Under the Stock Option Plan, options to purchase Shares of the Corporation may be granted to participants in respect of unissued Shares. In determining the number of options to be granted to a participant, consideration is given to the individual's present and potential contribution to the success of the Corporation, based on the assessment of the Chief Executive Officer and Board of Directors. Previous grants are also taken into account in deciding whether to issue new grants.

### **Key Terms of the Stock Option Plan**

The total number of Shares issuable under the Stock Option Plan is 990,304.

As of December 26, 2015, 715,000 options have been granted under the Stock Option Plan. The Board of Directors may grant options to any eligible person upon the terms, conditions and limitations set forth in the Stock Option Plan. No assignment or other transfer of options is permitted under the Stock Option Plan.

### ***Eligibility***

All directors or employees (including officers) of the Corporation or any of its affiliates, as designated by the Board of Directors, are eligible to receive options under the Stock Option Plan.

### ***Term, Vesting and Exercise Price of Options***

Unless otherwise provided in the option holder's grant agreement and subject to earlier expiry in accordance with the terms of the Stock Option Plan, each option shall expire ten (10) years after the date of grant. The exercise price of the options shall be fixed at the date of grant, but in no event shall the exercise price be less than the Fair Market Value of the Shares on the date of grant. "**Fair Market Value**" means, on any particular day, the volume weighted average closing price of a Share on the TSX (as defined in the Stock Option Plan) for the five (5) preceding days on which the Shares were traded. Options shall vest in accordance with the grant agreement entered into in respect of the options. Where a grant agreement does not specify the vesting date of an option, the options shall vest in equal annual amounts on each of the first, second, third, fourth and fifth anniversaries of the date of grant.

### ***Termination of Options***

Upon an option holder's termination without cause, retirement, resignation, or failure to be re-elected as a Director of the Corporation or an affiliate, (i) the expiry date of any unvested options held by such option holder will be the option holder's Termination Date, and (ii) the expiry date of any vested options held by such option holder will be the date that is ninety (90) days after the option holder's Termination Date. "**Termination Date**" means the date on which an option holder ceases to be eligible to participate in the Stock Option Plan as a result of termination of employment with the Corporation or an affiliate for any reason.

Upon an option holder's death, (i) the expiry date of any unvested options held by such option holder will be the option holder's Termination Date, and (ii) the expiry date of any vested options held by such option holder will be the date that is one hundred and eighty (180) days after the option holder's Termination Date. Upon an option holder's termination for cause, the expiry date of all options held by such option holder (whether vested or unvested) is the option holder's Termination Date.

In the event of a Change of Control Event (as defined in the Stock Option Plan), the Board of Directors, or a committee and/or member thereof, may make such provision for the protection of the rights of the option holders as the Board of Directors, or a committee and/or member thereof, in its discretion considers appropriate in the circumstances, including, without limitation, changing the vesting date or dates for any option, changing the date on which any option expires, providing for substitute rights in the continuing entity, and permitting the conditional exercise of options in connection with a potential Change of Control Event. Notwithstanding the foregoing, in the event of the occurrence of transaction or series of transactions that, if completed, would result in (i) a Change of Control Event and (ii) the Shares no longer being listed on the TSX (as defined in the Stock Option Plan) (a "**Proposed Transaction**"), all vested and unvested options shall become exercisable prior to, and conditional upon the completion of, such Proposed Transaction.

### ***Amendments to the Stock Option Plan***

Subject to compliance with applicable stock exchange rules, Shareholder approval is required for the following amendments to the Stock Option Plan: (i) any increase in the maximum number of Shares that may be issuable from treasury pursuant to options granted under the Stock Option Plan, including a change to the maximum number of Shares, other than an adjustment pursuant to a change in capitalization; (ii) any reduction in the exercise price after an option has been granted or any cancellation of an option and the substitution of that option with a new option with a reduced exercise price, except in the case of an adjustment pursuant to a change in capitalization; (iii) any extension of the expiry date of an option, except in case of an extension due to a black-out period.

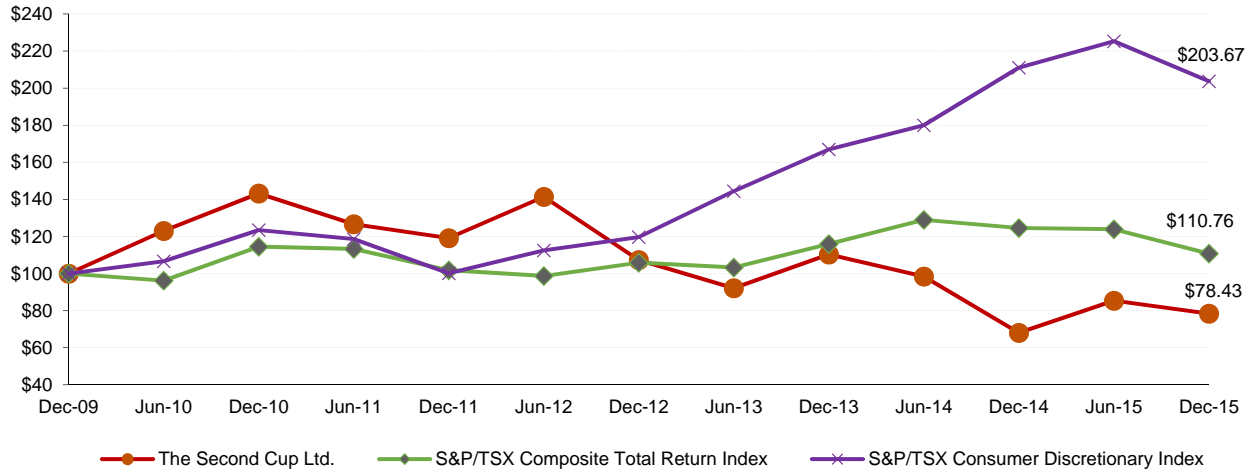
	<b>Option-based Awards</b>		
<b>Name</b>	<b>Number of securities underlying unexercised options</b>	<b>Option exercise price</b>	<b>Option expiration date</b>
<b>Alix Box</b> President and Chief Executive Officer	400,000	\$4.32	2024/05/21
<b>Barbara Mallon</b> Vice President of Finance and Chief Financial Officer	50,000	\$3.82	2025/06/14
<b>Chris Sonnen</b> Vice President of Coffee	50,000	\$4.54	2024/06/09
<b>Vanda Provato</b> Vice President of Marketing	15,000 35,000	\$3.60 \$3.53	2025/08/15 2024/12/14

## Other Benefits

To enable the Corporation to attract and retain superior executives, the Corporation also provides management other benefits that the Corporation believes are reasonable, competitive in the market and consistent with its overall compensation program. The Governance Committee periodically reviews the benefits provided.

## 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 26, 2015.



## Management 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 named executive officers from the period ended December 28, 2013 to the period ended December 26, 2015. Certain aspects of this compensation are dealt with in further detail in the following tables below.

Name and principal position	Year	Salary	Option-based awards <sup>(1)</sup>	Non-equity Incentive plan compensation <sup>(2)</sup>		Pension value	All other compensation <sup>(3)</sup>	Total compensation
				Annual incentive plans <sup>(2)</sup>	Long term incentive plans <sup>(2)</sup>			
<b>Alix Box</b> <sup>(4)</sup> President and Chief Executive Officer	2015	\$475,000	-	\$59,000	-	-	\$35,801	\$569,801
	2014	\$401,923	\$190,435	\$150,000	-	-	\$300,400	\$1,042,758
<b>Barbara Mallon</b> <sup>(6)</sup> Vice President of Finance and Chief Financial Officer	2015	\$131,057	\$19,692	\$16,000	-	-	\$8,979	\$175,728
<b>Sandra Clarke</b> <sup>(7)</sup> Former Interim Vice President of Finance and Chief Financial Officer	2015	\$155,820	-	-	-	-	-	\$155,820
<b>Chris Sonnen</b> <sup>(5)</sup> Vice President of Operations	2015	\$215,000	-	\$26,000	-	-	\$21,454	\$254,454
	2014	\$119,904	\$28,101	\$35,147	-	-	\$12,000	\$192,152
<b>Vanda Provato</b> <sup>(5)</sup> Vice President of Marketing	2015	\$210,000	\$5,029	\$26,000	-	-	\$16,642	\$257,671
	2014	\$96,154	\$12,295	\$33,185	-	-	\$9,600	\$151,234
<b>Wayne Vanderhorst</b> <sup>(8)</sup> Vice President Franchise Development	2015	\$62,674	-	-	-	-	\$154,423	\$217,097
	2014	\$190,000	-	-	-	-	\$14,600	\$204,600
	2013	\$190,000	-	-	-	-	\$13,400	\$203,400

### Notes:

- (1) Amounts in this column represent the fair value of options granted that will be recognized as share-based compensation expense by the Company. The Black-Scholes option pricing model was used to calculate an option valuation.
- (2) Annual incentive plans relate to the annual cash incentive program. Ms. Box received a guaranteed bonus in 2014 of \$150,000.
- (3) All other compensation includes signing bonuses, car allowance, other benefits.
- (4) Ms. Box joined the Corporation on February 24, 2014. She received a one-time signing bonus of \$250,000 included as part of other compensation, and a guaranteed annual bonus of \$150,000 included in annual incentive plan expense in 2014.
- (5) Mr. Sonnen and Ms. Provato joined the Corporation on June 9, 2014 and July 7, 2014 respectively.
- (6) Ms. Mallon joined the Corporation on June 15, 2015.
- (7) Ms. Clarke resigned from her role as Interim Vice President of Finance and Chief Financial Officer, effective May 22, 2015.
- (8) Mr. Vanderhorst ceased to be the Vice President of Franchise Development in 2015. Mr. Vanderhorst received a severance payment of \$142,500 included as part of other compensation.

## Option-Based Awards – Fair Value

The following tables provide information with respect to option-based awards, outstanding at the end of the Corporation's most recently completed fiscal year ended December 26, 2015.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options <sup>(1)</sup>	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
<b>Alix Box</b> President and Chief Executive Officer	400,000	\$4.32	2024/05/21	-	-	-	-
<b>Barbara Mallon</b> Vice President of Finance and Chief Financial Officer	50,000	\$3.82	2025/06/14	-	-	-	-
<b>Chris Sonnen</b> Vice President of Coffee	50,000	\$4.54	2024/06/09	-	-	-	-
<b>Vanda Provato</b> Vice President of Marketing	15,000 35,000	\$3.60 \$3.53	2025/08/15 2024/12/14	-	-	-	-

Notes:

- (1) The stock option plan was adopted on March 21, 2014.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by securityholders	715,000	\$4.10	275,304
Equity compensation plans not approved by securityholders	-	-	-
Total	715,000	\$4.10	275,304



## Employment Agreements, Severance and Other Termination Benefits

The following employees entered into employment agreements with the Corporation, which govern certain terms relating to their employment. Each of these agreements remains in effect until terminated by either party pursuant to its terms.

Ms. Box's employment with the Corporation commenced on February 24, 2014. Pursuant to Ms. Box's employment agreement, she will receive a base salary of \$475,000 per annum. Ms. Box received a one-time signing bonus of \$250,000. Ms. Box is eligible for a bonus each year. See "Executive and Other Compensation – Short-Term Incentive Plan/Annual Bonus". The Corporation has granted Ms. Box an option to acquire 400,000 Shares, with 80,000 of such options vesting on January 1, 2015 and each January 1 thereafter for the next four years, and with such options expiring 10 years after the date of grant.

Ms. Box's employment agreement provides that upon termination of her employment with the Corporation, without cause, she will be entitled to: (i) a severance payment equal to 18 months base salary, payable on a regular payroll basis over the 18 months immediately following the date of termination, (ii) continue to participate in the Corporation's executive benefits plan and receive other allowances generally provided to senior executives of the Corporation for 18 months from the date of termination, and (iii) her options to acquire Shares, which will continue to vest and be exercisable for 18 months from the date of termination. Accordingly, termination without cause would result in an estimated incremental payment of \$848,000 to Ms. Box. Notwithstanding the foregoing, if Ms. Box replaces any benefits through alternative employment following the date of termination then the Corporation will not be required to further continue such benefit. As a condition precedent to any termination/severance payment or benefits or allowances being made or provided, Ms. Box's employment agreement requires her to deliver a full and final general release in favour of the Corporation, its affiliates, subsidiaries and related organizations, and all of their respective shareholders, directors, officers and employees. Ms. Box's employment agreement contains certain customary non-competition, non-solicitation and confidentiality provisions in favour of the Corporation.

Ms. Mallon's employment with the Corporation commenced on June 15, 2015. Ms. Mallon's employment agreement provides that upon termination of her employment with the Corporation, without cause, she will be entitled to an amount equal to 6 months base salary, such sum payable on a lump sum basis; and (ii) in the event she has not obtained alternative employment prior to the date which is 6 months from the date of termination, the Company will, as of such date, pay her an amount equal to her base salary on a regular payroll basis until the earlier of: (a) 12 months from the date of termination; and (b) the date that she commences alternative employment. It is estimated that this arrangement would result in the incremental payment of \$235,000 to Ms. Mallon in the event that she is terminated without cause.

Mr. Sonnen's employment with the Corporation commenced on June 9, 2014. Mr. Sonnen's employment agreement provides that upon termination of his employment with the Corporation, without cause, his base salary will continue on a regular basis until the earlier of (i) 12 months from termination or (ii) the date of alternative employment. He will be entitled to a lump sum payment from the Corporation equal to 50% of the balance of the severance/continuation payments not received. It is estimated that this arrangement would result in the incremental payment of \$215,000 to Mr. Sonnen in the event that he is terminated without cause.

Ms. Provato's employment with the Corporation commenced on July 7, 2014. Ms. Provato's employment agreement provides that upon termination of her employment with the Corporation, without cause, she will be entitled to a severance payment on the date of termination determined in an amount equal to six months base salary. This arrangement would equate to an estimated incremental payment of \$105,000 that the Company would make to Ms. Provato in the event of termination without cause.

## INDEBTEDNESS OF DIRECTORS

No Director, Nominee, officer of the Corporation or any of their associates is currently or was at any time during the fiscal year ended December 26, 2015, 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 2015 with a policy limit of \$40 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 2014 Annual Information Form under the heading “Audit Committee” and in Appendix A of the Corporation's 2015 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 six Directors (all of whom have been nominated for election at the Meeting). The Board of Directors has determined that all of the Nominees other than Alix Box, the President and Chief Executive Officer of the Corporation, 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.

During the most recently completed financial year, the independent Directors did not hold regularly

scheduled meetings in the absence of Ms. Box, the non-independent Director and sole member of management on the Board. To facilitate open and candid discussion among its independent directors, the Board's independent directors are encouraged to, and do, communicate with each other directly to discuss ongoing issues pertaining to the Corporation. The Board is comprised of a majority of independent directors, who regularly attend Board and committee meetings, which also encourages open, candid discussion. Furthermore, important matters are considered by the Corporation's Audit Committee and the Governance Committee, which are both comprised entirely of independent directors.

In addition, from time to time as circumstances dictate, the non-independent directors and any representatives of management in attendance at meetings of the Board will be excused. It is anticipated that independent directors' meetings will be held as deemed appropriate during 2016.

Directors also have the ability, where warranted, to engage outside professional advisers at the Corporation's expense to assist in the fulfilment of their duties. The independent Chair is responsible for authorizing all requests for professional advisers by individual Directors, the Board of Directors or any committee of the Board of Directors.

As part of its mandate, the Governance Committee will review on an annual basis the contributions of the Directors and consider whether the 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 other than Alix Box. On February 24, 2014, Ms. Box became the President and Chief Executive Officer and a Director of the Corporation.

The Corporation acknowledges the value of the contribution of women on the Board of Directors and in the ranks of our executive officers. Currently, one of the six members of the Board of Directors (or 17%) is a woman, being Alix Box, the Chief Executive Officer. Four of the executive officers (or 57%) are women, including both the Chief Executive Officer and the Chief Financial Officer. While the Corporation has not adopted a written policy relating specifically to the identification and nomination of women Directors, the mandate of the Governance Committee ensures that the most suitable candidates are identified and nominated based on competency, integrity, skills and breadth of experience, regardless of gender. Specific targets have not been set regarding the level of representation of women directors; as such, the proportion of women on the Board of Directors does not influence the nomination of candidates.

Where warranted, Directors have the ability to engage outside professional advisers at the Corporation's expense to assist in the fulfillment of their duties. The Chair is responsible for authorizing all requests for professional advisers 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 strategic plan for the Corporation; 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 Directors' 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 believes 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.

### **Renewal of Directors**

The Governance Committee, in addition to identifying and nominating candidates for the Board of Directors, is also responsible for identifying the need to renew the Board. The Company has not adopted term limits relating to the duration of service of Directors as a mechanism of Board renewal. Alternatively, the Governance Committee performs a periodic review to determine whether or not changes are required to the composition of the Board of Directors, and makes recommendations accordingly. The review for renewal considers such factors as Director competencies, skills and personal qualities, as well as the contributions made by each individual Director to the effective operation of the Board.

### **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 Board of Directors and its committees are able to function independently of management of the Corporation.

## **Audit Committee**

The Audit Committee for the fiscal year 2015 consisted of Rael Merson (chair), Stephen Kelley and Michael Bregman. All Directors who served on the Audit Committee in the fiscal year 2015 were 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 2015 annual information form of the Corporation.

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

The auditor of the Corporation is PricewaterhouseCoopers LLP, Chartered Professional Accountants and Licensed Public Accountants.

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

## **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Other than the election of Directors, none of the Directors or executive officers of the Corporation who have been a Director or executive officer since the commencement of the Corporation's last financial year, the Nominees ,

nor any associate or affiliate of any of the foregoing, has any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

#### **INTEREST OF EXPERTS**

The Corporation's annual financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants and Licensed Public 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 2015 annual information form, its audited financial statements for the year ended December 26, 2015 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 Chief Financial Officer of the Corporation: 6303 Airport Road, Mississauga, Ontario, L4V 1R8 (telephone 905-362-1818 or email [investor@secondcup.com](mailto:investor@secondcup.com)). Financial information is provided in the Corporation's financial statements and management's discussion and analysis for the year ended December 26, 2015.

#### **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 24th day of March, 2016.

**BY ORDER OF THE DIRECTORS**

Michael Bregman  
Chair of the Board of Directors

**APPENDIX A: CHARTER FOR THE BOARD OF DIRECTORS**

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

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## **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 and Compensation Committee of the Corporation. 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 the 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.

## APPENDIX B: ADVANCE NOTICE POLICY

### INTRODUCTION

The purpose of this Advance Notice Policy (the “Policy”) is to provide shareholders, directors and management of the Corporation with a clear framework for nominating directors. This Policy fixes a deadline by which beneficial owners of the common shares of the Corporation must submit director nominations to the Corporation prior to any annual or special meeting of shareholders, and sets forth the information to be provided and other procedures to be followed, in respect of such nomination.

IT IS THE POSITION OF THE CORPORATION THAT THIS POLICY IS IN THE BEST INTERESTS OF THE CORPORATION. THIS POLICY WILL BE SUBJECT TO AMENDMENT FROM TIME TO TIME.

#### Section 1.1

Only persons who are nominated in accordance with the procedures set out in this Policy shall be eligible for election as directors to the board of directors (the “Board”) of the Corporation. Nominations of persons for election to the Board may only be made at an annual meeting of shareholders, or at a special meeting of shareholders called for any purpose which includes the election of directors to the Board, as follows:

- a) by or at the direction of the Board or an authorized officer of the Corporation, including pursuant to a notice of meeting;
- b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the *Business Corporations Act* (Ontario) (the “Act”) or a requisition of shareholders made in accordance with the provisions of the Act; or
- c) by any person entitled to vote at such meeting (a “Nominating Shareholder”), who: (A) is, at the close of business on the date of giving notice provided for in Section 1.3 below and on the record date for notice of such meeting, either entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (B) has given timely notice in proper written form as set forth in this Policy.

#### Section 1.2

For the avoidance of doubt, the foregoing Section 1.1 shall be the exclusive means for any person to bring nominations for election to the Board before any annual or special meeting of shareholders of the Corporation.

#### Section 1.3

For a nomination made by a Nominating Shareholder to be timely notice (a “Timely Notice”), the Nominating Shareholder’s notice must be received by the corporate secretary of the Corporation at the principal executive offices of the Corporation:

- a) in the case of an annual meeting of shareholders, not later than the close of business on the 30th day and not earlier than the opening of business on the 65th day before the date of the meeting; provided, however, if the first public announcement made by the Corporation of the date of the annual meeting is less than 50 days prior to the meeting date, not later than the close of business on the 10th day following the day on which the first public announcement of the date of such annual meeting is made by the Corporation; and
- b) in the case of a special meeting (which is not also an annual meeting) of shareholders called for any purpose which includes the election of directors to the Board, not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting is made by the Corporation.

Section 1.4

The time periods for giving of a Timely Notice shall in all cases be determined based on the original date of the annual meeting or the first public announcement of the annual or special meeting, as applicable. In no event shall an adjournment or postponement of an annual meeting or special meeting of shareholders or any announcement thereof commence a new time period for the giving of a Timely Notice.

Section 1.5

To be in proper written form, a Nominating Shareholder's notice to the corporate secretary must comply with all the provisions of this Policy and:

- a) disclose or include, as applicable, as to each person whom the Nominating Shareholder proposes to nominate for election as a director (a "Proposed Nominee"):
  - i. their name, age, business and residential address, principal occupation or employment for the past five years, status as a "resident Canadian" (as such term is defined in the Act);
  - ii. their direct or indirect beneficial ownership in, or control or direction over, any class or series of securities of the Corporation, including the number or principal amount and the date(s) on which such securities were acquired;
  - iii. any relationships, agreements or arrangements, including financial, compensation and indemnity related relationships, agreements or arrangements, between the Proposed Nominee or any affiliates or associates of, or any person or entity acting jointly or in concert with, the Proposed Nominee or the Nominating Shareholder;
  - iv. any other information that would be required to be disclosed in a dissident proxy circular or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to the Act or applicable securities law; and
  - v. a duly completed personal information form in respect of the Proposed Nominee in the form prescribed by the principal stock exchange on which the securities of the Corporation are then listed for trading; and
- b) disclose or include, as applicable, as to each Nominating Shareholder giving the notice and each beneficial owner, if any, on whose behalf the nomination is made:
  - i. their name, business and residential address, direct or indirect beneficial ownership in, or control or direction over, any class or series of securities of the Corporation, including the number or principal amount and the date(s) on which such securities were acquired;
  - ii. their interests in, or rights or obligations associated with, an agreement, arrangement or understanding, the purpose or effect of which is to alter, directly or indirectly, the person's economic interest in a security of the Corporation or the person's economic exposure to the Corporation;
  - iii. any proxy, contract, arrangement, agreement or understanding pursuant to which such person, or any of its affiliates or associates, or any person acting jointly or in concert with such person, has any interests, rights or obligations relating to the voting of any securities of the Corporation or the nomination of directors to the Board;
  - iv. a representation that the Nominating Shareholder is a holder of record of securities of the Corporation, or a beneficial owner, entitled to vote at such meeting, and intends to appear in person or by proxy at the meeting to propose such nomination;
  - v. a representation as to whether such person intends to deliver a proxy circular and/or form of proxy to any shareholder of the Corporation in connection with such nomination or otherwise solicit proxies or votes from shareholders of the Corporation in support of such nomination; and
  - vi. any other information relating to such person that would be required to be included in a dissident proxy circular or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to the Act or as required by applicable securities law.

## Section 1.6

Any notice, or other document or information required to be given to the corporate secretary pursuant to this Policy may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the corporate secretary for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the corporate secretary at the address of the principal executive offices of the Corporation, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

## Section 1.7 Additional Matters

- a) The chair of any meeting of shareholders of the Corporation shall have the power to determine whether any proposed nomination is made in accordance with the provisions of this Policy, and if any proposed nomination is not in compliance with such provisions, must declare that such defective nomination shall not be considered at any meeting of shareholders.
- b) Despite any other provision of this Policy, if the Nominating Shareholder (or a qualified representative of the shareholder) does not appear at the meeting of shareholders of the Corporation to present the nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such nomination may have been received by the Corporation.
- c) Nothing in this Policy shall obligate the Corporation or the Board to include in any proxy statement or other shareholder communication distributed by or on behalf of the Corporation or Board any information with respect to any proposed nomination or any Nominating Shareholder or Proposed Nominee.
- d) The Board may, in its sole discretion, waive any requirement of this Policy.
- e) For the purposes of this Policy, “public announcement” means disclosure in a press release disseminated by the Corporation through a national news service in Canada, or in a document filed by the Corporation for public access under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com).
- f) Despite any other provision of this Policy, this Policy shall not apply to the annual meeting of shareholders of the Corporation to be held on May 3, 2013 or any adjournment or postponement thereof.

Approved by the Governance, Human Resources and Compensation Committee and Board

March 22, 2013