Cara Operations Limited

ANNUAL INFORMATION FORM

March 24, 2017

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

*All forward-looking statements in this Annual Information Form ("**AIF**") are made as of March 24, 2017 and are qualified by these cautionary statements.*

This AIF contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information may relate to the Company's future outlook and anticipated events or results and may include information regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, plans and objectives of the Company. Particularly, information regarding future results, performance, achievements, prospects or opportunities of the Company or the Canadian market is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

Discussions containing forward-looking information may be found, among other places, under the headings "Description of the Business", "Development of the Business" and "Risk Factors". These forward-looking statements include, among other things, statements relating to:

- the Company's expectations regarding its revenue, expenses and operations;
- the Company's future growth plans, including expansion of Cara's current brands and acquisitions;
- the Company's expectations with respect to advancement in its technologies;
- the Company's expectations with respect to retail sales;
- the Company's expectations with respect to growth resulting from its off-premise sales initiatives;
- the Company's expectations with respect to SRS Growth (as defined herein) and to growth of System Sales (as defined herein) and Operating EBITDA (as defined herein);
- the Company's expectations with respect to restaurant closures and new restaurant openings;
- the Company's intention to declare dividends;
- the Company's expectations with respect to strategic partnerships;
- the Company's expectations with respect to its ability to leverage its scale to reduce costs;
- the Company's expectations with respect to savings realized as a result of implementing improved scheduling practices;
- anticipated trends and challenges in the Company's business and the market in which it operates; and
- the market price for the Company's subordinate voting Shares (the "Subordinate Voting Shares").

These statements and other forward-looking information are based on opinions, assumptions and estimates made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct.

Forward-looking information is necessarily based on a number of the opinions, assumptions and estimates that, while considered reasonable by the Company as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the following factors described in greater detail in "Risk Factors": potential volatility of Subordinate Voting Share price; payment of dividends; forward-looking information; significant ownership by the Principal Shareholders (as defined herein); future sales of Shares by the Principal Shareholders; dilution; limited voting rights of the Subordinate Voting Shares; quarterly operating results may fluctuate; securities analysts' research or reports could impact the price of Subordinate Voting Shares; restaurant industry; competition with other franchisors; quality control and health concerns; food safety; security breaches of confidential guest information; public safety issues; damage to the Company's reputation; availability and quality of raw materials; reliance on suppliers; growth of the Company; franchisees; franchise fees and other revenue; franchisee relations; revenue reporting risks; opening new restaurants; potential inability to consummate acquisitions; integration of acquisitions and brand expansion; achieving expected synergies from acquisitions; retail licensing opportunities; seasonality and weather; regulations governing alcoholic beverages; laws concerning employees; dependence on key personnel; attracting and retaining quality employees; unionization activities may disrupt Company operations; reliance on information technology; intellectual property; lawsuits; regulation; and Company's insurance may not provide adequate levels of coverage. These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the Company. These factors and assumptions, however, should be considered carefully.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information contained herein, except as required by applicable securities laws.

GENERAL

In this AIF, unless the context requires otherwise, references to the "**Company**" or "**Cara**" means Cara Operations Limited. Unless otherwise indicated, all information in this AIF is provided as at December 25, 2016.

Financial data is prepared in accordance with IFRS and unless otherwise noted, these non-IFRS measures are defined below. All currency amounts are presented in Canadian dollars, unless otherwise noted.

NON-IFRS MEASURES

This AIF makes reference to certain non-IFRS measures. These measures are not recognized measures under International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**") and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including "System Sales", "SRS Growth", "EBITDA", "Operating EBITDA", "Operating EBITDA Margin", "Operating EBITDA Margin on System Sales", "Adjusted Net Earnings", "Adjusted Basic EPS", and "Adjusted Diluted EPS", to provide investors with supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. The Company's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets, and to determine components of management compensation. See the Company's management discussion and analysis for the financial year ended December 25, 2016 for further discussion of these non-IFRS financial measures and for a reconciliation of these measures to their most directly comparable IFRS measure.

"**System Sales**" represents top-line sales from restaurant guests at both corporate and franchise restaurants including take-out and delivery customer orders. System Sales includes sales from both established restaurants as well as new restaurants. System Sales also includes sales received from its food processing and distribution division. Management believes System Sales provides meaningful information to investors regarding the size of Cara's restaurant network, the total market share of the Company's brands sold in restaurant and grocery and the overall financial performance of its brands and restaurant owner base, which ultimately impacts Cara's consolidated financial performance.

"**System Sales Growth**" is a metric used in the restaurant industry to compare System Sales over a certain period of time, such as a fiscal quarter, for the current period against System Sales in the same period in the previous year.

"**SRS Growth**" (Same Restaurant Sales Growth) is a metric used in the restaurant industry to compare sales earned in established locations over a certain period of time, such as a fiscal quarter, for the current period against sales in the same period in the previous year. SRS Growth helps explain what portion of sales growth can be attributed to growth in established locations and what portion can be attributed to the opening of net new restaurants. Cara defines SRS Growth as the percentage increase or decrease in sales during a period of restaurants open for at least 24 complete fiscal months relative to the sales of those restaurants during the same period in the prior year. Cara's SRS Growth results exclude (i) the majority interest in Original Joe's Franchise Group Inc. as the transaction was completed on November 28, 2016; (ii) Casey's restaurants as the Company is in the process of winding down its operations and will either convert certain locations to other Cara brands or close; and (iii) sales from international operations from 45 New York Fries and 3 U.S. East Side Mario's restaurants.

"**EBITDA**" is defined as net earnings (loss) before: (i) net interest expense and other financing charges; (ii) loss (gain) on derivative; (iii) write-off of financing fees; (iv) income taxes; (v) depreciation of property, plant and equipment; (vi) amortization of other assets.

"**Operating EBITDA**" is defined as net earnings (loss) from continuing operations before: (i) net interest expense and other financing charges; (ii) gain (loss) on derivative; (iii) write-off of financing fees; (iv) income taxes; (v) depreciation of property, plant and equipment; (vi) amortization of other assets; (vii) impairment of assets, net of reversals; (viii) losses on early buyout / cancellation of equipment rental contracts; (ix) restructuring; (x) conversion fees; (xi) net (gain) / loss on disposal of property, plant and equipment; (xii) stock based compensation; (xiii) changes in onerous contract provision; (xiv) lease costs and tenant inducement amortization; (xv) expense impact from fair value inventory adjustment resulting from the St-Hubert acquisition relating to inventory sold during the period; and (xvi) acquisition related transaction costs.

"**Operating EBITDA Margin**" is calculated as Operating EBITDA divided by total gross revenue from continuing operations.

"**Operating EBITDA Margin on System Sales**" is defined as Operating EBITDA Margin divided by System Sales.

"**Adjusted Net Earnings**" is defined as net earnings plus (i) deferred income tax expense (reversal); (ii) non-cash amortization of inventory fair value increases from the St-Hubert acquisition determined at acquisition date related to inventory sold during the period; (iii) one-time transaction costs; and (iv) non-cash impairment charges.

"**Adjusted Basic EPS**" is defined as Adjusted Net Earnings divided by the weighted average number of shares outstanding.

"**Adjusted Diluted EPS**" is defined as Adjusted Net Earnings divided by the weighted average number of shares outstanding plus the dilutive effect of stock options and warrants issued.

CORPORATE STRUCTURE

The Company was amalgamated under the *Business Corporations Act* (Ontario) ("**OBCA**") on April 10, 2015, and is the successor to Canadian Railway News Company, which commenced operations in 1883 and was incorporated as Cara Operations Limited in 1961. The Company's head and registered office is located at 199 Four Valley Drive, Vaughan, Ontario, L4K 0B8, Canada. The Company holds its interest in certain restaurants, intellectual property and other assets through directly and indirectly owned companies. The only subsidiary of the Company which exceeds 10% of the consolidated assets or consolidated revenues of the Company is Groupe St-Hubert Inc. ("**St-Hubert**") a corporation existing under the laws of Quebec.

DEVELOPMENT OF THE BUSINESS

Founded by the Phelan family in 1883 as the Canada Railway News Company Limited, Cara initially provided newspapers, food, snacks and other supplies to travellers on the railways and steamship lines operating in Southern Ontario. Cara expanded its operations throughout the 1900s to include, among others, the operation of hotels and restaurants, airline catering services and specialty coffee. Cara was listed on the Toronto Stock Exchange (the "**TSX**") between 1968 and 2004 and taken private by the Phelan family in 2004. Following Cara's privatization in 2004, the Company refocused operations by divesting non-core businesses and transitioning to a pure-play branded restaurant company. Divestitures included Cara's coffee business, its air terminal restaurants business, its food distribution business and Cara's airline catering and logistics operations.

Cara's financial performance during the period from 2004 to 2012 declined significantly, resulting in the decrease of Cara's EBITDA from $129 million to $52.8 million, driven by the loss of contribution from asset sales, the impact of the financial crisis beginning in 2008 on Cara's growing central fixed cost structure and the loss of higher corporate restaurant profits in return for lower franchise royalty income.

Despite the challenges experienced by Cara, the resilience of its iconic brands was evident in that Cara's network was still able to experience modest growth and increased System Sales from $1.1 billion in our 2004 fiscal year to $1.3 billion in our 2012 fiscal year. By the end of our 2012 fiscal year, leverage reached 6.4x in terms of total net debt-to-EBITDA. With Cara facing severely constrained financial flexibility in 2013, Fairfax Financial Holdings Limited and its affiliates ("**Fairfax**") — a leading Canadian holding company listed on the TSX — led a recapitalization of Cara by investing $100 million in Cara and selling its interest in Prime Restaurants Inc. ("**Prime**") to Cara for approximately $69.6 million. Fairfax had acquired Prime, whose well known restaurant brands included East Side Mario's, Casey's, Prime Pubs and the Bier Markt in January 2012.

Since Fairfax's investment in Cara, the Company has undergone a successful transformation of the business through the appointment of a new management team and board which have implemented a disciplined culture focused on growing Operating EBITDA as a leading Canadian full-service restaurant operator with iconic brands.

On December 18, 2014, the Company completed the acquisition of 55% of the issued and outstanding common shares of 2446502 Ontario Inc. ("**The Landing Group**") for a purchase price of approximately $18.3 million, which was settled in cash. On June 26, 2015, the Company bought the remaining 45% interest in The Landing Group for a purchase price of $21.2 million, which was settled for a combination of approximately $14.1 million and approximately $7.1 million in Subordinate Voting Shares. At the time of purchase, The Landing Group was comprised of three upscale casual restaurants in Southern Ontario. As at December 25, 2016, there were a total of seven Landing restaurants ("**Landing**").

On April 10, 2015, the Company completed its initial public offering (the "**IPO**") of 8,700,000 Subordinate Voting Shares at a price of $23.00 per share, for total gross proceeds of approximately $200 million. On April 14, 2015, the underwriters exercised in full their over-allotment option to purchase an additional 1,305,000 Subordinate Voting Shares, bringing the aggregate gross proceeds of the IPO to approximately $230 million. The aggregate gross proceeds from the IPO were entirely used by Cara to repay existing Company debt.

On October 31, 2015, the Company completed the acquisition of a 100% interest in the assets of the New York Fries business from 122164 Canada Ltd. for a purchase price of approximately $40.6 million, which was settled in cash (less a $4 million holdback). The acquisition added an additional 120 restaurants in Canada and 36 restaurants internationally to the Company's restaurant portfolio. As at December 25, 2016, there were a total of 167 New York Fries locations.

On September 2, 2016, the Company completed the acquisition of St-Hubert, a leading full-service restaurant operator in Quebec as well as a fully integrated food manufacturing and distribution business, for total consideration of approximately $537 million. The transaction was funded through the issuance of 1,788,034 Subordinate Voting Shares (or $53.9 million in Subordinate Voting Shares) to the vendor and certain management shareholders, approximately $230.0 million from the proceeds of the offering of subscription receipts of the Company ("Subscription Receipts"), on a private placement basis, and through upsizing the Company's credit facility with a syndicate of lenders. On closing of the St-Hubert transaction, each Subscription Receipt was automatically exchanged, on a one-for-one basis, for Subordinate Voting Shares, resulting in the issuance of 7,863,280 Subordinate Voting Shares.

On September 2, 2016, the Company amended and extended the terms of its existing term credit facility. Cara's fourth amended and restated term credit facility is comprised of a revolving credit facility in the amount of $400 million with an accordion feature of up to $50 million maturing on September 2, 2021 and a non-revolving term credit facility in the amount of $150 million maturing on September 2, 2019.

On November 28, 2016, the Company completed the acquisition of a majority ownership interest in Original Joe's Franchise Group Inc. for cash consideration of approximately $93.0 million. Original Joe's Franchise Group Inc. operates and franchises 99 full-service restaurants in Canada and the United States across three brands - Original Joe's Restaurant & Bar ("**Original Joe's**"), State & Main Kitchen Bar ("**State & Main**") and Elephant & Castle Pub and Restaurant ("**Elephant Castle**" and, collectively with Original Joe's and State & Main, the "**Original Joe's Group**"). The transaction was settled by drawing on the Company's revolving credit facility.

DESCRIPTION OF THE BUSINESS

Cara is a full-service restaurant company that franchises and operates iconic restaurant brands. As at December 25, 2016, Cara had 14 brands (not including Casey's) and 1,236 restaurants, 1,182 of which were located in Canada with the remaining 54 located internationally. Cara's international operations are not material relative to its operations as a whole. The significant majority of Cara's restaurants are located across Canada, with 83% operated by franchisees and 55% based in Ontario. Cara's restaurant network includes Harvey's, Swiss Chalet, Kelsey's, East Side Mario's, Montana's, Milestones, Prime Pubs, Casey's, Bier Markt, Landing, New York Fries, St-Hubert, Original Joe's, State & Main and Elephant & Castle restaurants. Cara's iconic brands have established Cara as a nationally recognized franchisor of choice.

Cara's first significant transaction in 2016 was the acquisition of St-Hubert which was originally founded by the Léger family in 1951. Today, St-Hubert is one of Québec's most admired and recognized restaurant companies and is known for its great tasting rotisserie chicken, courteous service and warm, trendy atmosphere. Based on total sales, St-Hubert is Québec's top full-service restaurant operator and Canada's fourth largest full-service restaurant operator. As at December 25, 2016, St-Hubert had 123 restaurants comprised of both full-service and express locations. 89% of St-Hubert restaurants are operated by franchisees and 92% are based in Québec. In addition to its restaurant business, St-Hubert manufactures and distributes fresh, frozen and non-perishable food products under the St-Hubert brand name as well as under several private label brands. Approximately 34% of sales from the food operations division are internal to the St-Hubert restaurant network and approximately 66% are to external customers, including national grocery chains that include Sobeys, Loblaws, Costco and Metro. St-Hubert operates 2 manufacturing plants in Boisbriand and Blainville, Québec, and 2 distribution centers in Anjou and Boisbriand, Québec. St-Hubert also has a valuable owned real estate portfolio consisting of 28 owned properties including the 2 manufacturing plants. As the St-Hubert transaction was a "significant acquisition" under applicable securities laws, a Business Acquisition Report dated November 10, 2016 was filed by the Company, which is available on SEDAR at www.sedar.com.

Cara's second transaction in 2016 was a majority investment (89.2%) in Original Joe's Franchise Group Inc. a multi-brand restaurant company based in Calgary, Alberta, founded in 2000. As at December 25, 2016, Original Joe's Franchise Group Inc. had 99 restaurants, comprised of 65 Original Joe's, 24 State & Main and 10 Elephant & Castle locations. Original Joe's restaurants have a large bar with an extensive selection of beers, wines and cocktail choices. It is also known for quality, made-from-scratch, classic and trending comfort food such as burgers, steaks, hand-cut fries, salads, rice bowls, and fish tacos. State & Main offers a similar menu to Original Joe's and while its restaurants are anchored by a grand bar, restaurants also include a separate family seating area. Elephant & Castle locations are British-style restaurant pubs that offer large portions of freshly prepared North American comfort food along with classic pub dishes like fish 'n chips and shepherd's pie. 6 Elephant & Castle and 1 State & Main location are located in the United States – Original Joe's Franchise Group Inc. remaining 92 locations are located in Canada and are predominantly in Western Canada. Of the 92 Canadian locations, 20 are in British Columbia, 50 are in Alberta, 8 are in Saskatchewan, 5 are in Manitoba and 9 are in Ontario. Of Original Joe's Franchise Group Inc.'s 99 total locations, 20% are franchised, 44% are corporate-owned and 36% are partially owned as a joint venture with independent owner-operators. Original Joe's Franchise Group Inc. also owns and operates a company that specializes in commercial retail/restaurant construction with a strong emphasis on design-build, utilizing an in-house design department.

Cara is a consolidator of brands in the restaurant industry and currently has a portfolio of 14 distinctive brands (not including Casey's), each of which is outlined below:

Brand[1]	**Year Founded**	**Units**[4]	**Percent Franchised**
Swiss Chalet …………………………………………	1954	215	96%
Harvey's ……………………………………………	1959	271	95%
Montana's ………………………………………….	1995	103	87%
East Side Mario's …………………………………	1980	77	97%
Milestones ………………………………………….	1989	54	46%
Kelsey's …………………………………………….	1978	70	81%
New York Fries[5] …………………………………..	1984	167	90%
Prime Pubs …………………………………………	1996	37	86%
Bier Markt …………………………………………..	1999	7	----
The Landing Group ………………………………..	2010	7	----
St-Hubert[2] …………………………………………..	1951	122	89%
Original Joe's[3] ………………………………………	1998	66	26%
State & Main[3] ……………………………………….	2011	23	13%

Elephant & Castle³ …………………………………	1977	10	----
Casey's ………………………………………………	1980	5	100%
Total		**1,234**	

Notes:

(1) Information for all brands is presented as at and for the 52 week period ended December 25, 2016.

(2) Cara acquired St-Hubert on September 2, 2016.

(3) Cara acquired a majority interest in Original Joe's, State & Main, and Elephant & Castle on November 28, 2016.

(4) Unit count excludes East Side Mario's restaurants located in the United States.

(5) Excludes international locations.

Multiple Brand Strategy Provides Significant Competitive Advantages

Multi-Brand Strategy Provides Diversification

Cara's current portfolio of 14 distinctive yet highly complementary restaurant brands (which excludes the Casey's brand that the Company is currently in the process of winding down) offers a variety of unique menus and dining experiences to customers in both the full-service restaurant and limited-service restaurant segments. The Company's brands target a broad spectrum of customers across various demographics, dayparts and price points. The diversity of restaurant concepts and their appeal to different target markets enables Cara to operate multiple brands in the same geographic area without directly competing against each other. This also provides Cara with the flexibility to adapt to rapidly evolving customer tastes across Canada. Cara's multiple brands platform allows it to consider converting existing locations from one brand to another and to do so at a lower cost than constructing a new restaurant.

Brand-Specific Dedicated Team and Focus — the "Best" of a Single Brand Strategy

Each Cara brand has a dedicated team responsible for developing and delivering a superior customer experience and SRS Growth. The multidisciplinary brand teams include an operations lead, a chef and a marketing lead whose attention is devoted solely on matters specific to their brand. They are responsible for all aspects of the brand, from menu development and innovation to restaurant ambiance to advertising campaigns. In turn, Cara is committed to ensuring the continued strength of each brand by providing a number of centralized resources and shared services. This approach allows the Company to provide support to both corporate and franchised restaurants to improve profitability and operating leverage while allowing them to "live and breathe the brand 24/7," focusing on banner-specific opportunities and customer-facing initiatives.

Providing Scale and Shared Services Infrastructure — the "Best" of a Multi-Brand Strategy

Cara aims to utilize its scale to provide its restaurants with competitive advantages which are not available to independent restaurant operators. Functions that are not brand-specific are centralized and pooled, providing significant opportunities to leverage the Company's scale and relationships to reduce operating and capital expenditures and increase efficiency, thereby increasing restaurant profitability. As a result of this support, management believes that it has struck the optimal value balance with franchisees making Cara the franchisor of choice.

Each Cara brand benefits from:

- *Lower Costs:*
    - Cara has focused and will continue to focus on expense reduction for all central and restaurant-level expense categories, by using its scale, relationships and management discipline:

- Strategic Sourcing: strategically source all supplies and services, including food products and beverages, to negotiate the best possible prices for its restaurants;

- Real Estate: negotiate lease terms that are more competitive than what could be negotiated by a franchisee independently by acting as head lessee for franchised locations;

- Other Operating Costs: focus on other expense items such as labour, utilities, repairs, supplies and information technology;

- Construction and Renovation: negotiate construction contracts and oversee renovation projects to reduce costs and minimize construction and renovation time;

- Bank Financing: obtain lower-cost operating and capital financing with banks through Cara-negotiated national franchisee financing programs; and

- Marketing: provide consolidated marketing services to Cara's brands, including the purchase of blocks of advertising on television, radio, digital and in print, enabling it to generate more media impressions per marketing dollar spent.

- *Strategic Partnerships and Initiatives:*

  - Cara's strategic partnerships and initiatives include:

    SCENE:

    - On February 28, 2015, Cara executed a Marketing Partnership Agreement with SCENE to become SCENE's exclusive restaurant partner;

    - SCENE is one of Canada's fastest growing loyalty programs with more than 8 million members;

    - with approximately 22% of participating Cara restaurants within one kilometer and approximately 62% of participating Cara restaurants within five kilometers of a Cineplex Entertainment movie theatre, management believes this program will add significant value to its brands; and

    - Cara's customers will be able to earn and redeem SCENE points at nine of its brands for food and beverage purchases.

    Ultimate Dining Card®:

    - Cara's proprietary multi-brand gift card program offers consumers great variety and choice as it is redeemable in all of Cara's brands excluding St-Hubert, Original Joe's, State & Main and Elephant & Castle restaurants.

    Canadian Automobile Association ("**CAA**")

    - On September 14, 2015, Cara executed a Partnership Agreement with CAA.

    - The Partnership Agreement allows Cara to provide exclusive offers to CAA's approximately 6.2 million members, as its national dining partner.

- *Information Technology and Innovation:*

  - Cara provides both restaurant-level technology systems (point of sale, back office systems, payment processing, and security) and a centralized data centre and help desk for maximizing system up-time and performance.

  - Cara has industry-leading off-premises order and delivery support infrastructure, consisting of a call centre and online and mobile ordering technologies currently being used by Swiss Chalet and East Side Mario's.

- *Know-How and Operational Discipline:*

  - Cara's senior management team, with its extensive retail and restaurant knowledge and experience, is responsible for strategic direction and operational support for Cara's brands and restaurants;

  - Cara's brands share information and best practices gained from experience across Cara's portfolio;

  - Cara provides centralized training, audit and review processes to ensure quality control and consistency across restaurants;

    - highly-trained front-line associates are fundamental to providing a high quality guest experience as these individuals represent both the particular restaurant and the brand to each guest; and

  - Cara provides tools and resources for managing labour and monitoring performance;

    - Management undertook efforts to realize labour savings in its corporate restaurants, mainly from improved scheduling practices. In 2015, Cara's corporate restaurants achieved meaningful labour savings compared to the prior year. In 2016, Management continued to manage labour as efficiently as possible while continuing to ensure that exceptional guest experiences are delivered.

Significant Opportunities for Growth

Management believes that by 2020 to 2022, an opportunity exists for SRS Growth between 0.5% and 4%, and to open 30 to 50 net new restaurants per year (excluding the Casey's brand closure) in order to achieve System Sales between $2.9 billion and $3.7 billion, up from approximately $2.1 billion (as at December 25, 2016) and to deliver Operating EBITDA Margin on System Sales between 7% and 8% (approximately 7.1% for the year ended December 25, 2016). The addition of the St-Hubert retail food manufacturing and distribution business will help Cara achieve Operating EBITDA Margin at the high end of the 7% - 8% range. See "Cautionary Notice Regarding Forward-Looking Information", "Risk Factors – Forward-Looking Information", and "Non-IFRS Measures".

Drive SRS Growth

Management believes that Cara can drive SRS Growth with the following strategies and resources:

- *Menu:* Offer compelling menus of "craveable" food items including appetizers, sides and mains and a variety of beverage choices and new menu items;

- *Customer Service:* Gather and implement feedback on guest experience so that front line associates are self-aware and have an ability to continually improve customer service;

- *Renovations:* Update restaurant concepts with brand-appropriate renovations, both interior, exterior and patio (where applicable). Accelerate the rollout of renovations after testing and optimizing new brand-specific renovation concepts in corporate restaurants;

- *Marketing:* Effective marketing programs and making of strategic “over-investments” in marketing above and beyond the brands’ marketing funds to drive increased traffic with brand specific marketing plans combining traditional, digital and social channels;

- *Digital Initiatives:* Expand digital channels and tools to reach consumers in new and more relevant ways to expand digital relationships and enable digital transactions. Digital initiatives to include offering free “Wi-Fi” in all restaurants, building a guest contact database that can be leveraged by an in-house team to manage customer relationships, and greater digital media spend across all brands along with elevated quality of digital content and targeted digital marketing;

- *Strategic Partnerships:* Leverage and pursue strategic partnerships to drive customer traffic, such as the relationships with SCENE and CAA, which management believes will, over time, add significant value to its brands without any additional significant investment required by Cara; and

- *Off-Premise Service:* Leverage the existing Swiss Chalet off-premise infrastructure for Cara’s other brands, including online and mobile ordering and in-house call centre, including:

  - Increase in-house resources to develop eCommerce platforms (e.g. mobile apps) across all brands;

  - Leverage and develop strategic partnerships with food and delivery aggregators to grow delivery sales;

  - expanded off-premise service was recently completed at East Side Mario’s and is currently being planned for Montana’s, Kelsey’s and Harvey’s which offer a menu, price point and a suitable customer order platform for off-premise growth; and

  - During the year ended December 25, 2016, approximately 42.7% of Swiss Chalet’s sales and approximately 37.4% of St-Hubert’s sales were derived from off-premise services compared to only approximately 5.9% of East Side Mario’s sales and approximately 2% of Montana’s sales, representing a significant opportunity for the Company.

Add New Franchise and Corporate Locations

Cara’s management believes the opportunity exists to significantly expand Cara’s restaurant network in Canada. During the year ended December 25, 2016, Cara opened 19 net new restaurants and added 222 restaurants through the acquisition of St-Hubert in September 2016 and the Original Joe’s Group in November 2016. Management is targeting growth of 30 to 50 net new restaurants per year, excluding the Casey’s brand closure. New restaurant openings will consist of both corporate and franchised restaurants, both in new markets where Cara’s restaurants currently do not exist and from the infill of new restaurants in existing, well-developed markets. Management expects that new restaurants for Bier Markt, The Landing Group and select Milestones will be corporate restaurants.

Cara’s network growth will be primarily driven by the addition of franchised restaurants. Growth of the East Side Mario’s, Swiss Chalet, Harvey’s, St-Hubert, Kelsey’s and Prime Pubs brands will be primarily through the development of franchised restaurants. Cara will seek to own and operate corporate restaurants that have higher sales volumes and greater capital requirements, such as those under the Bier Markt and The Landing Group brands. Management expects that Milestones will continue to be a mix of franchised and corporate locations. Management expects to selectively open new corporate restaurants with a targeted annual contribution margin from new corporate restaurants of approximately 10% to 15%. As a result, Cara expects its total corporate contribution margin to steadily increase over the next four to six years.

Cara’s management believes that there is growth potential for all of its banners in all regions of Canada. In addition to regional expansion, the Company plans to identify new location opportunities for its Swiss Chalet/Harvey’s and new St-Hubert/Harvey’s combination restaurant concepts.

Further Improve Network Health and Profitability

Cara’s scale and centralized restaurant support infrastructure will allow it to continue to reduce operating expenses for its corporate and franchised locations. A significant portion of restaurant expenses are fixed in nature, and accordingly, SRS Growth will also improve operating margins. This will in turn improve the investment return for franchisees and thereby facilitate franchisee recruitment. New profitable locations will be added to the network and unprofitable ones closed upon expiry of their lease terms. As the network expands, System Sales will grow and contribution to the marketing fund will increase, which should in turn drive more SRS Growth.

As network health and profitability improve and System Sales grow, management believes that Cara will: (i) reduce the need for franchisee subsidy support, which, combined with the end of certain contractual subsidies, will increase the effective royalty recovery rate from the historical Cara brands to closer to the 5.0% standard royalty rate as compared to the current recovery rate of approximately 4.0% (St-Hubert’s standard royalty rate is 4%), (ii) sustain and grow contribution from corporate restaurants in the range of 10% to 15% over the next four to six years by (a) adding more Landing and Bier Markt restaurants to the restaurant portfolio; (b) divesting of corporate restaurants in franchise brands; (c) improving contribution from the St-Hubert and Original Joe’s Group restaurants as management realizes operating synergies in these brands, which currently operate at lower than the 10% target contribution.

Pursue Acquisitions / New Concepts

Management will continue to pursue new concepts and acquisitions of brands that complement Cara’s existing brands, are appropriately valued and provide an opportunity to realize additional synergies. For example, in September, 2016, Cara completed the acquisition of St-Hubert, which added a leading full-service restaurant operator as well as a fully-integrated food manufacturer and distributor opening up new opportunities for Cara in Québec and the opportunity to drive a retail food program across Canada, with experienced management whose know-how will be leveraged across other Cara brands. In November 2016, Cara acquired a majority interest in Original Joe’s Franchise Group Inc. with restaurants located in Western Canada and in the United States, where Cara’s brands were previously under-represented. Management will also consider: (i) selective limited-service restaurant concepts, and (ii) establishing a presence in the “fast casual” segment. The development and launch of new concepts may provide additional opportunities for growth.

New Retail Licensing Opportunities

Cara currently licences a limited number of its products, such as Swiss Chalet Dipping Sauce and Gravy mix, which are sold through select grocery stores and retail outlets including Sobeys, Wal-Mart and Loblaws. With the acquisition of St-Hubert, Cara now has the opportunity to leverage its iconic brands and to drive a retail food program across Canada with more grocery offerings without competing with the core menu items offered through its restaurant network. St-Hubert management will lead the Cara retail food program for all of Canada.

Operating Leverage on Sales Growth

Cara's centralized brand support infrastructure is highly scalable making revenue growth achievable with limited additional overhead costs required. Due to the existing support infrastructure, management expects System Sales to grow at a faster rate than central support costs.

Strategic Long-Term Shareholder

Fairfax is a leading Canadian holding company with an outstanding track record of being a committed partner. Fairfax's corporate objective is to build long-term shareholder value by achieving a high rate of compound growth in book value per share over the long term. Management believes that Fairfax is viewed by the Canadian restaurant industry as a "must-call" for market participants initiating a restaurant sales process and is therefore well positioned to identify acquisition opportunities.

Cara's Operations

Marketing Excellence

Cara provides consolidated marketing services to its brands, including the purchase of blocks of advertising on radio, television and print to leverage Cara's scale, resulting in more impressions for each marketing dollar allocated to media.

Each Cara brand has a dedicated marketing team which focuses on brand positioning, pricing, promotions and advertising. Marketing initiatives are primarily financed by each brand's marketing fund. Each corporate and franchise location provides a percentage of its gross sales to the relevant brands' marketing fund. The largest portion of the marketing expenditures is spent on regional and national media advertising (television, radio, digital and print) as the most efficient and effective method for brand building by communicating a consistent and regular message to the maximum number of people possible. Each brand also manages local area advertising campaigns that combines social media, community engagement and public relations to increase local brand awareness. In addition to contributing to the brand marketing fund, a franchisee is required to make expenditures on local advertising and promotion of the restaurant. More localized digital and social marketing is being deployed for smaller brands that don't yet have regional or national scale.

Cara's strategic partnership with SCENE allowed it to become SCENE's exclusive restaurant partner. SCENE is the first and only entertainment rewards program in Canada — points earned on Scotiabank SCENE branded debit and credit card transactions and purchases at Cineplex Entertainment theatres can be redeemed towards Cineplex Entertainment movie tickets, concessions and more. The SCENE program has more than 8 million members, making it one of Canada's fastest growing loyalty programs. Pursuant to the Cara-SCENE Marketing Partnership Agreement, Cara's customers will be able to earn and redeem SCENE points at nine of its brands for food purchases. Cara will have the ability to offer bonus point promotions concurrent with major movie releases at Cineplex Entertainment theatres. With approximately 22% of participating Cara's restaurants located within one kilometer and approximately 62% of participating Cara's restaurants within five kilometers of a Cineplex Entertainment movie theatre, management believes that the program will add significant value to Cara's customers and to its brands over time, without any additional significant investment required by Cara.

The "Ultimate Dining Card", Cara's proprietary multi-brand gift card program, offers consumers great variety and choice as it is redeemable in all of Cara's brands excluding St-Hubert, Original Joe's, State & Main and Elephant & Castle restaurants. Gift cards are widely available for sale, including in Cara restaurants, through third party retailers who sell gift cards, through Cara's corporate sales group and on-line, making the "Ultimate Dining Card" one of the top selling gift cards in Canada.

Cara's strategic partnership with CAA allows Cara to provide exclusive offers to CAA's over 6.2 million members, as its national dining partner.

Strategic Sourcing

Cara sources food products, beverages and other supplies and services for the benefit of both franchised and corporate restaurants across all brands but Cara (other than St-Hubert and Original) does not itself sell or supply products to individual restaurants in its network. Cara is able to use its scale and relationships with suppliers and distributors to negotiate beneficial prices for Cara's network of restaurants that cannot generally be obtained if the restaurants were to purchase the items independently. Restaurants then directly order and purchase menu specific products from the Cara designated vendors based on their restaurant's requirements. Cara's franchisees benefit from the favourable pricing made available through these supply arrangements and Cara earns volume rebates and allowances through these programs.

There are typically multiple supplier or distributor choices for the supplies and services used by Cara's restaurants. Cara's supply arrangements use multi-sourcing rather than single-sourcing supply contracts where appropriate for certain products and services. Management believes that Cara is not dependent on any one supplier for its key products and services. See "Risk Factors".

Cara also sources and negotiates vendor contracts (service level terms and prices) for other expense categories to provide corporate and franchise restaurants with low-cost options and programs to reduce operating and overhead costs, including occupancy costs, restaurant maintenance and repair contracts, communication and information technology costs, insurance, credit card processing, employee benefits, and bank financing costs.

Fairfax and the Company are parties to a shared services agreement (the "**Shared Services Agreement**"). Under this agreement, Fairfax is authorized to enter into negotiations on behalf of the Company (and Fairfax associated restaurants) to source shared services and purchasing arrangements for any aspect of Cara's operations, including food and beverage, information technology, payment processing, marketing and advertising and other logistics. To date, Cara and Fairfax have not entered into any purchasing arrangements under the Shared Services Agreement.

Restaurant Development

Cara leads in the development of new restaurants for each of its brands by, among other things: (i) identifying suitable franchisee candidates based on experience, commitment and financial capacity; (ii) identifying, securing and managing the acquisition of targeted sites for franchised and corporate restaurants; (iii) negotiating competitive lease terms on behalf of franchisees that are better than the franchisee can obtain independently, by taking advantage of Cara's scale and by virtue of Cara being on the headlease; and (iv) overseeing design, construction and renovation of corporate restaurants and setting standards of design, development, construction and renovation for franchised locations. Cara has strong relationships with the major landlords and real estate developers across Canada and has access to key real estate demographic analytics to ensure that new restaurants are placed in the right locations. Cara has a franchise sales team consisting of 6 people who are responsible for marketing Cara's brands to potential franchisees.

As part of Cara's standardized approach to restaurants, the Company has designs for prototypical restaurants across all brands, which enables new restaurants to be developed quickly and efficiently and allows the Company to rebrand a restaurant location, if necessary, to satisfy local market demands. Cara also maintains flexibility to convert existing third party restaurants by re-branding them as one of Cara's brands, and adapting Cara's standardized design to the restaurant premises. By converting an existing restaurant, Cara is able to reduce the capital requirements associated with a new location and take advantage of local market opportunities where either an exceptional real estate opportunity exists or it may not be practical to develop a greenfield location.

Management was able to grow its network by 19 net new openings in 2016 and is targeting growth of 30 to 50 net new restaurants per year thereafter (excluding the Casey's brand closure).

Information Technology

Cara has made significant investments in both restaurant level technology systems and a centralized data centre. For all Cara brands, the strategy is for restaurant level systems to provide a common (i) point of sale ("**POS**") system with a complete and current brand menu, price list and promotional offers for entering customer orders, recording sales and generating payment receipts, (ii) restaurant back-office system to manage labour and food cost, (iii) payment processing systems including "pay-at-the-table" devices and "pay-at-the-door" systems for off-site payment processing, (iv) high level security to protect customer data and transactions from third party intrusion risk and (v) high speed and back-up communication systems to minimize downtime at each restaurant. The POS system provides detailed sales activity reports to Cara and restaurant managers (including franchisees) in regular intervals, including sales details for individual menu items by restaurant. The POS system allows Cara to centrally manage menu offerings including menu changes and promotions, so network-wide menu changes can be quickly implemented for new items and limited time offers. The restaurant back office system includes workforce management, which provides a tool for managing labour costs in half hour increments by matching labour requirements to predicted guest counts, and food cost & inventory management modules to help restaurant managers and chefs manage food cost and inventory quantities through detailed comparisons of standard recipe costs to actual costs. Management believes that these information technology initiatives and features allow Cara to enhance sales processing, menu updates and operating margins for its franchised and corporate restaurants.

Cara's data centre provides a centralized network to optimize Cara's restaurant-level systems, to manage and control the storage and retrieval of all restaurant transactions and to manage Cara's "high speed and high availability" network. In addition to managing the Cara communications network and restaurant applications, Cara's data centre team provides 22 x 7 help desk support so franchisees and restaurant managers have technical support at all hours restaurant staff are working. Management believes that Cara's information technology systems, applications and support provides franchisees with market leading tools to maximize sales and operating margins.

Franchise Operations

Cara protects its interests by entering into franchise agreements with franchisees, providing significant training, support and oversight of franchisee operations with the expectation that franchisees are operating in a manner consistent with the Company's values and standards.

Customer Experience

Cara focuses extensively on operational excellence to ensure that guests are satisfied each and every time they dine at one of the Company's restaurants and are excited to come back. The Company offers a compelling dining experience across all of its brands by providing great food, attentive service and unique ambiance at competitive prices. Cara consistently works to improve its customer experience and value offering at both the corporate and franchise level. The Company's quality control standards are of utmost importance and help ensure consistent quality of product at both the brand and individual restaurant level.

Quality control procedures are both internal and external. Internal quality controls include: (i) significant franchisee and associate training; (ii) comprehensive support systems, including regional operational managers and Cara's shared services infrastructure; (iii) continuous restaurant support audit process by Cara's internal audit department, which focuses on both operating standards and financial controls; (iv) associate health and safety education and programs; and (v) loss prevention programs.

Third party controls are brand specific and can include: (i) a mystery shopper program conducted by an independent third party, pursuant to which mystery shoppers review restaurants on a regular basis; (ii) a customer feedback program operated by Cara and a third party to encourage feedback from customers, thereby allowing Cara to monitor customer satisfaction at Cara branded restaurants in order to ensure a perfect guest experience; and (iii) food safety and operational audits completed by independent third party audit firms.

Intellectual Property

Cara owns several key brand names, logos, slogans and products in connection with the Company's operations, including the trademarks for the Cara corporate name and design, the name and principal design for Swiss Chalet, Harvey's, Montana's, Kelsey's, Milestones, Prime Pubs (including Fionn MacCool's, D'Arcy McGee's, Paddy Flaherty's and Tir nan ´Og), the Bier Markt, East Side Mario's, The Landing Group (including Williams Landing, Harpers Landing, Hunters Landing, Jacksons Landing, Carters Landing, Taylors Landing and Baxters Landing), St-Hubert, Original Joe's, Elephant & Castle, State & Main and New York Fries. The Company has also trademarked certain of its well-known promotions and slogans, such as The Festive Special (Swiss Chalet) and It's a Beautiful Thing (Harvey's). The Company also has rights in other names, logos, slogans and intellectual property used in connection with its restaurant operations, such as restaurant and menu design. These key brand identifiers strengthen the recognition of Cara's brands and Cara's ability to increase future sales by maintaining brand consistency and customer goodwill among the Company's target markets. From time to time, the Company takes action against other parties that it believes are misappropriating Cara's intellectual property. The Company's policy is to protect and defend vigorously its intellectual property rights in order to preserve the value of its brands.

Properties

There are Cara-branded restaurants located in each of the provinces of Canada. The majority of the locations are leased, with a typical term of 10 years with a 10 year renewal option. Cara typically acts as the head lessee for franchised locations. Cara's lease portfolio is not materially concentrated with any one landlord. St-Hubert owns 26 restaurant locations in Quebec and 2 manufacturing plants, in Boisbriand and Blainville, Québec, and 2 distribution centers, in Anjou and Boisbriand, Québec.

Employees

Cara employed over 9,100 people at the head office and at corporate owned restaurants as at December 25, 2016, a significant portion were part-time hourly employees working at its corporate restaurants. There are four collective agreements covering employees at approximately 86 franchised Cara branded restaurants. There are 5 corporate restaurants covered by a collective bargaining agreement. Management believes that the Company has good relationships with its employees.

Seasonality

Cara's restaurants experience seasonal fluctuations, which are inherent in the restaurant industry in Canada. Seasonal factors such as better weather, which allows Cara's restaurants to open their patios and which generally encourages customers to get out of their homes, commonly drive an increase in revenue in the spring and summer months compared to the winter period. During the winter period, while the take-out and delivery business generally sustains revenue for the Swiss Chalet and St-Hubert brands, in-restaurant dining at all of the brands generally experiences reduced patronage.

Government Regulation

Cara's operations are subject to various federal, provincial and local laws affecting its business, including licensing and regulation regarding liquor, health, smoking, sanitation, safety, fire, building codes and other matters in the provinces or municipalities in which restaurants are located. Developing new limited-service and full-service restaurants in certain locations requires licences and land use approval, and development could be delayed in any given circumstance by difficulties in obtaining such licences and approvals or by more stringent requirements of local government bodies with respect to zoning, land use and licensing.

Food Product Regulation

Cara and its suppliers must comply with applicable federal and provincial regulations relating to the manufacturing, preparation and labelling of food products.

Chicken Marketing Boards

Swiss Chalet and St-Hubert purchases its fresh chicken based on prices established provincially by various provincial chicken marketing boards.

Regulations Governing Alcoholic Beverages

Liquor control regulations require that Cara, its subsidiaries or a Cara franchisee, as the case may be, apply to a provincial or a municipal authority for a licence or permit to sell alcoholic beverages on the premises and, in certain locations, to provide service for extended hours and on Sundays. Licences are subject to renewals, typically on an annual basis, and liquor control regulators retain the right to suspend or revoke authorizations for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of a Cara full-service restaurant, including the minimum age of patrons and employees, service standards, hours of operation, advertising, purchasing, inventory control, and handling, storage and dispensing of alcoholic beverages.

Franchise Regulation

Certain provinces have enacted laws and regulations that require certain disclosure to be made with respect to the offer, sale and renewal of franchises. These laws require that Cara furnish prospective and renewing Cara franchisees with a disclosure document containing information prescribed by these laws.

Employment Regulations

Cara and franchisees of Cara restaurants are subject to provincial labour and employment laws that govern their relationship with associates, such as minimum wage requirements, overtime and working conditions.

Regulations Governing Smoking

Cara restaurants are subject to various laws that prohibit or limit smoking on the premises and that impose fines for failure to adhere to such laws.

Menu Labelling

Ontario recently enacted new menu labelling legislation that has the effect of requiring Cara brands with more than 20 locations in Ontario to list the calorie content of its standard food items on all menus and certain advertising.

Competition

The Canadian commercial foodservice industry is highly competitive. Competition with Cara's brands may come from established chains and potential new market entrants, including restaurant chains based in the United States and other regions of Canada. Competition, in the broadest perspective, includes limited-service restaurants and full-service restaurants, coffee shops, take-out operations, delivery operations and grocery stores that offer home meal replacements. More specifically, each Cara brand competes within its segment (quick service, fast casual, midscale or casual/upscale casual dining). The principal competitors to each Cara brand vary from market to market and include independent operators, as well as regional and national chains.

Cara competes with other restaurants for attractive real estate sites as well as for qualified individuals as potential franchisees. Competition for customers is based on quality, variety and value perception of the menu items, as well as through the perception of the quality of the dining experience, including restaurant location and quality of facilities.

DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of the material attributes and characteristics of the Company's authorized share capital.

The Company's authorized share capital consists of (i) an unlimited number of multiple voting shares ("**Multiple Voting Shares**") that may only be issued to Fairfax and the Phelan family through Cara Holdings Limited and its affiliates (each, a "**Principal Shareholder Group**" and, together, the "**Principal Shareholders**"), (ii) an unlimited number of Subordinate Voting Shares and (iii) an unlimited number of preference shares ("**Preference Shares**"), issuable in series. As at March 24, 2017, there were 25,586,270 Subordinate Voting Shares, 34,396,284 Multiple Voting Shares and no Preference Shares outstanding. Except as provided in any special rights or restrictions attaching to any series of Preference Shares issued from time to time, the holders of Preference Shares will not be entitled to receive notice of, attend or vote at any meeting of the shareholders of the Company. The Subordinate Voting Shares and the Preference Shares may, at the option of the Company, be issued in fully registered form, in bearer form, or in "book-entry" form.

The Subordinate Voting Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws. Under applicable Canadian law, an offer to purchase Multiple Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares. In accordance with the rules of the TSX, the Company entered into a coattail agreement on April 10, 2015 with the Principal Shareholders and a trustee (the "**Coattail Agreement**"). The Coattail Agreement is designed to ensure that, in the event of a take-over bid, the holders of Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Multiple Voting Shares. The Coattail Agreement contains provisions customary for dual class, TSX-listed companies designed to prevent transactions that would otherwise deprive the holders of Subordinate Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Multiple Voting Shares had been Subordinate Voting Shares.

Multiple Voting Shares and Subordinate Voting Shares

Dividend Rights

Holders of Multiple Voting Shares and Subordinate Voting Shares will be entitled to receive dividends out of the assets of the Company legally available for the payment of dividends at such times and in such amount and form as the board of directors of the Company (the "**Board**") may from time to time determine and the Company will pay dividends thereon on a *pari passu* basis, if, as and when declared by the Board.

Voting Rights

The Multiple Voting Shares will be entitled to 25 votes per Multiple Voting Share, and the Subordinate Voting Shares will be entitled to one vote per Subordinate Voting Share.

Automatic Conversion of Multiple Voting Shares

A Multiple Voting Share will convert, without any further action on the part of the Company or the holder of such Multiple Voting Shares, automatically into a Subordinate Voting Share on a one-for-one basis in the event that such Multiple Voting Share is transferred to, or held by any person that is not a

Permitted Assign, as such term is defined in a shareholders agreement dated April 10, 2015 between the Company and the holders of the Multiple Voting Shares (the "**Principal Shareholders Agreement**").

All Multiple Voting Shares held directly or indirectly by the Phelan Group Shareholders, as such term is defined in the Principal Shareholders Agreement, will convert, without any further action on the part of the Company or the holder of such Multiple Voting Shares, into Subordinate Voting Shares on the date on which the Phelan Group Shareholders beneficially own, directly or indirectly and in the aggregate, less than 50% of the number of Multiple Voting Shares held by them on April 10, 2015, being the closing date of the IPO (subject to adjustment in the case of share splits, consolidations or similar changes affecting the number of outstanding Multiple Voting Shares).

All Multiple Voting Shares will convert, without any further action on the part of the Company or the holder of such Multiple Voting Shares, into Subordinate Voting Shares on the date on which the Fairfax Group Shareholders, as such term is defined in the Principal Shareholders Agreement, beneficially own, directly or indirectly and in the aggregate, less than 50% of the number of Multiple Voting Shares held by them on April 10, 2015 (subject to adjustment in the case of share splits, consolidations or similar changes affecting the number of outstanding Multiple Voting Shares).

Meetings of Shareholders

Holders of Multiple Voting Shares and Subordinate Voting Shares will be entitled to receive notice of any meeting of shareholders and may attend and vote at such meetings, except those meetings where only the holders of shares of another class or of a particular series are entitled to vote. A quorum for the transaction of business at a meeting of shareholders shall be two persons present and each entitled to vote at the meeting who, together, hold or represent by proxy not less than 15% of the votes attaching to the outstanding voting securities of the Company entitled to vote at the meeting.

Pre-Emptive, Redemption and Conversion Rights

Holders of Subordinate Voting Shares will have no pre-emptive, redemption or conversion rights. Other than as described below, holders of Multiple Voting Shares will have no pre-emptive rights. Multiple Voting Shares, however, are convertible at any time at the option of the holder into fully-paid, non-assessable Subordinate Voting Shares on a one-for-one basis. In accordance with the Company's amended articles, Multiple Voting Shares may only be issued to the Principal Shareholders or their Affiliates, as such term is defined in the Principal Shareholders Agreement.

In the event that the Company decides to issue additional Subordinate Voting Shares or securities convertible into or exchangeable for Subordinate Voting Shares or an option or other right to acquire any such securities ("**Issued Securities**"), the articles of the Company provide each Principal Shareholder Group, for as long as each such Principal Shareholder Group owns, in the aggregate, at least 50% of the Multiple Voting Shares owned by such Principal Shareholder Group on April 10, 2015 (subject to adjustment in the case of share splits, consolidations or similar changes affecting the number of outstanding Multiple Voting Shares), with pre-emptive rights to purchase that number of Issued Securities as is necessary to maintain, after such issuance of Issued Securities, each such Principal Shareholder Group's effective *pro rata* voting interest prior to the issuance of the Issued Securities. The pre-emptive right will not apply to the issuance of Subordinate Voting Shares in certain circumstances, including: (i) in respect of the exercise of options, warrants, rights or other securities issued under the Company's security-based compensation arrangements; (ii) in connection with a subdivision of then-outstanding Subordinate Voting Shares into a greater number of Subordinate Voting Shares, provided that an equivalent change is made to the Multiple Voting Shares; (iii) the issuance of equity securities of the Company in lieu of cash dividends, if any; (iv) the exercise by a holder of a conversion, exchange or other similar privilege pursuant to the terms of a security in respect of which such Principal Shareholder Group did not exercise, failed to exercise, or waived its pre-emptive right or in respect of which the pre-emptive right did not apply; (v) pursuant to a shareholders' rights plan of the Company, if any; and (vi) to any subsidiary of the Company or an affiliate of any of them.

If the Company proposes to offer for sale any Issued Securities, the Company will deliver a written notice to each Principal Shareholder Group offering the opportunity to subscribe for Issued Securities pursuant to the pre-emptive rights described above. In order to exercise such rights, a Principal Shareholder Group must respond within the applicable time period provided in the articles of the Company. Each Principal Shareholder Group will be entitled to subscribe for Issued Securities pursuant to the exercise of such pre-emptive rights at the same price and on the most favourable terms as such Issued Securities are to be offered to any party, excluding commissions and other transaction expenses paid by the Company.

Liquidation Rights

Upon the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of Multiple Voting Shares and Subordinate Voting Shares, without preference or distinction, will be entitled to receive rateably all of the Company's assets remaining after payment of all debts and other liabilities, subject to the prior rights of the holders of any other prior ranking shares that may be outstanding at such time.

Subdivision, Consolidation and Issuance of Rights

No subdivision or consolidation of the Multiple Voting Shares or Subordinate Voting Shares may occur unless the shares of both classes are concurrently subdivided or consolidated and in the same manner and proportion. Other than as described in this AIF, no new rights to acquire additional shares or other securities or property of the Company will be issued to holders of Multiple Voting Shares or Subordinate Voting Shares unless the same rights are concurrently issued to the holders of shares of both classes.

Nomination of Directors

The Principal Shareholders Agreement provides that the Company will have six directors. Pursuant to that agreement, each of the Principal Shareholders will be entitled to identify three director nominees for election and the Principal Shareholders have agreed that they will vote the Multiple Voting Shares held by them for the election of such nominees.

Preference Shares

The Preference Shares may at any time and from time to time be issued in one or more series, each series to consist of such number of Preference Shares as may, before the issue thereof, be determined by resolution of the Board. Subject to the provisions of the OBCA, the Board may, by resolution, fix from time to time before the issue thereof the designation, rights, privileges, restrictions and conditions attaching to the Preference Shares of each series including, without limitation, any right to receive dividends (which may be cumulative or non-cumulative and variable or fixed) or the means of determining such dividends, the dates of payment thereof, any terms or conditions of redemption or purchase, any conversion rights, any retraction rights, any rights on the liquidation, dissolution or winding up of the Company and any sinking fund or other provisions, the whole to be subject to the filing of articles of amendment setting forth the designation, rights, privileges, restrictions and conditions attaching to the Preference Shares of the series. Except as required by law, the Preference Shares will not be entitled to receive notice of, attend or vote at any meeting of the shareholders of the Company.

Preference Shares of each series, if and when issued, will generally, with respect to the payment of dividends, rank on a parity with the Preference Shares of every other series and will be entitled to preference over the Multiple Voting Shares, the Subordinate Voting Shares or any other shares of the Company ranking junior to the Preference Shares with respect to payment of dividends. If any amount of cumulative dividends (whether or not declared) or any amount payable on any such distribution of assets constituting a return of capital in respect of the Preference Shares of any series is not paid in full, the

Preference Shares of such series shall participate rateably with the Preference Shares of every other series in respect of all such dividends and amounts.

In the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of Preference Shares will generally be entitled to preference with respect to distribution of the property or assets of the Company over the Multiple Voting Shares, the Subordinate Voting Shares or any other shares of the Company ranking junior to the Preference Shares with respect to the repayment of paid-up capital remaining after payment of all outstanding debts on a *pro rata* basis, and the payment of any or all declared but unpaid cumulative dividends, or any or all declared but unpaid non-cumulative dividends, on the Preference Shares. The Company currently anticipates that there will be no pre-emptive, subscription, redemption or conversion rights attaching to any series of Preference Shares issued from time to time.

RISK FACTORS

Prospective investors in the Company's securities should carefully consider the following risks, as well as other information contained in this AIF. Other risks and uncertainties that the Company does not presently consider to be material, or of which the Company is not presently aware, may become important factors that affect the Company's future financial condition and results of operations. The occurrence of any of the risks discussed below could materially adversely affect the business, prospects, financial condition, results of operations or cash flow of the Company including the Company's ability to declare and pay cash dividends. The Company's securities are only suitable for investors (i) who understand the potential risk of capital loss, (ii) for whom an investment in the Company's securities is part of a diversified investment program, and (iii) who fully understand and are willing to assume the risks involved in such an investment program. Prospective purchasers of the Company's securities should carefully consider the following risks before investing in the Company.

Risks Related to the Canadian Restaurant Industry or the Company's Restaurants

Restaurant Industry

The financial performance of the Company is subject to a number of factors that affect the commercial food service industry generally and the full-service restaurant and limited-service restaurant segments of this industry in particular. The Canadian restaurant industry is intensely competitive with respect to price, value proposition, service, location and food quality. There are many well-established competitors, including those with greater financial and other resources than the Company. Competitors include national and regional chains, as well as numerous individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual dining segment of this industry in which many of the Company's restaurants operate. Some of the Company's competitors may have restaurant brands with longer operating histories or may be better established in markets where the Company's restaurants are located or may be located. If the Company is unable to successfully compete in the segments of the Canadian restaurant industry in which it operates, the financial condition and results of operations of the Company may be adversely affected.

The Canadian restaurant industry business is also affected by changes in demographic trends, traffic patterns, and the type, number and locations of competing restaurants. In addition, factors such as inflation, increased food, labour and benefit costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and the Company in particular. Changing consumer preferences and discretionary spending patterns and factors affecting the availability of certain foodstuffs could force the Company to modify its restaurant content and menu and could result in a reduction of revenue. Even if the Company is able to successfully compete with other restaurant companies, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a restaurant concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the restaurant profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous other factors affecting discretionary consumer spending, including general economic conditions, disposable consumer income, consumer confidence and consumer concerns over food safety, the genetic origin of food products, public health issues and related matters. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which would adversely affect the financial condition and results of operations of the Company.

Competition with Other Franchisors

The Company competes with other companies, including other well-capitalized franchisors with extensive financial, technological, marketing and personnel resources and high brand name recognition and awareness. There can be no assurance that the Company will be able to respond to various competitive factors affecting the franchise operations of the Company.

Quality Control and Health Concerns

The Company's business can be materially and adversely affected by publicity resulting from illness, injury, cleanliness, poor food quality or safety or any other health concerns or operating issues relating to a single restaurant or a limited number of restaurants. Such publicity or concerns could reduce guest traffic at one or more restaurants, reducing gross revenues of the restaurant. The Company has a number of procedures in place for managing food safety and quality. Nevertheless, the risk of food borne illness or contamination cannot be completely eliminated. Any outbreak of such illness or contamination at a restaurant or within the food service industry more generally (even if it does not affect any of the restaurants in the Cara network), or the perception of such an outbreak, could have a material adverse effect on the financial condition and results of operations of the Company.

Security Breaches of Confidential Guest Information

The Company's business requires the collection, transmission and retention of large volumes of guest and employee data, including credit and debit card numbers and other personally identifiable information, in various information technology systems that the Company maintains and in those maintained by third parties with whom the Company contracts to provide services. The integrity and protection of that guest and employee data is critical to the Company. Further, the Company's guests and employees have a high expectation that the Company and its service providers will adequately protect their personal information.

The information, security and privacy requirements imposed by governmental regulation are increasingly demanding. The Company's systems may not be able to satisfy these changing requirements and guest and employee expectations, or may require significant additional investments or time in order to do so. Efforts to hack or breach security measures, failures of systems or software to operate as designed or intended, viruses, operator error or inadvertent releases of data all threaten the Company and its service provider's information systems and records. A breach in the security of the Company's information technology systems or those of the Company's service providers could lead to an interruption in the operation of its systems, resulting in operational inefficiencies or a loss of revenues or profits. Additionally, a significant theft, loss or misappropriation of, or access to, guests' or other proprietary data or other breach of the Company's information technology systems could result in fines, legal claims or proceedings, including regulatory investigations and actions, or liability for failure to comply with privacy and information security laws, which could disrupt the Company's operations, damage its reputation and expose it to claims from guests and employees, any of which could have a material adverse effect on the Company's financial condition and results of operations.

Public Safety Issues

Adverse conditions, such as the threat of terrorist attacks, acts of war, pandemics or other outbreaks or perceived outbreaks of disease (including avian flu, H2N1, SARS or mad cow disease), may have a negative impact on the restaurant industry and the economy in general. These incidents can adversely affect restaurant traffic, discretionary consumer spending and consumer confidence, which may result in decreased patronage in the Company's restaurants or force the Company to reduce or cap prices. The occurrence, re-occurrence, continuation or escalation of such local, regional, national or international events or circumstances could reduce revenue for the Company which could have an adverse effect on its financial condition and results of operations.

Damage to the Company's Reputation

There has been a marked increase in the use of social media platforms and similar channels, including weblogs (blogs), social media websites and other forms of Internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and many social media platforms publish user-generated content without filters or independent verification as to the accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning the Company or one or more of its brands may be posted on such platforms at any time. Information posted may be adverse to the Company's interests or may be inaccurate, each of which may harm the Company's performance, prospects or business. The harm may be immediate without affording the Company an opportunity for redress or correction.

Ultimately, the risks associated with any such negative publicity or incorrect information cannot be completely eliminated or mitigated and may materially harm the Company's reputation, business, financial condition and results of operations.

Availability and Quality of Raw Materials; Reliance on Suppliers

Sales by Cara's restaurants and food distribution business are dependent upon the availability and quality of the raw materials, food, services and products used in the products sold by such restaurants and food distribution business. The availability and price of these commodities are subject to fluctuation and may be affected by a variety of factors affecting the supply and demand of the raw materials used in these products.

Unfavourable trends or developments, including among others, fluctuations in the price of raw materials, a significant reduction in the availability or quality of raw materials purchased by restaurants and food distribution business, the unavailability of certain products, transportation disruptions, strikes, lock-outs, labour unrest and financial difficulties affecting the Company's suppliers, may cause a significant reduction in the availability or quality of products or services purchased by restaurants and food distribution business in Cara's network. There is no assurance that the Company will be able to find alternate suppliers, which could have a material adverse impact and/or other adverse effects on the Company and restaurants in its network.

Growth of the Company; Franchisees

The growth of the Company is dependent upon the ability of the Company to (i) maintain and grow the current system of franchised and corporate-owned restaurants, (ii) execute its current strategy for growth, (iii) locate new retail sites in prime locations and (iv) obtain qualified operators to become franchisees. The Company faces competition for retail locations and franchisees from its competitors and from franchisors of other businesses. The Company's inability to successfully obtain qualified franchisees could adversely affect its business development. The opening and success of franchised restaurants is dependent upon a number of factors, including availability of suitable sites, operating costs, negotiations of acceptable lease or purchase terms for new locations, permitting and government regulatory compliance and the ability to meet construction schedules. Prospective franchisees may not have all the business abilities or access to financial resources necessary to open a franchise or to successfully develop or operate a Company restaurant in a manner consistent with the Company's standards.

The Company provides training and support to franchisees, but the quality of franchised operations may be diminished by any number of factors beyond the Company's control. Consequently, franchisees may not successfully operate outlets in a manner consistent with the Company's standards and requirements, or may not hire and train qualified managers and other restaurant personnel. If they do not, the image and reputation of the Company may suffer, and sales of restaurants in Cara's network could decline. There can be no assurance that the Company will be able to effectively manage its expanding operations.

Franchise Fees and Other Revenue

The Company's financial performance is dependent, in part, on its franchisees' ability to generate revenue and to pay franchise fees, royalties and other amounts to the Company. Failure to achieve adequate levels of collection from franchisees could have a material effect on the revenue and cash flow of the Company.

Under various provincial franchise statutes, a franchisee may rescind a franchise agreement for late or lack of proper provision of a disclosure document (as defined under the applicable statute) within certain prescribed time periods. Rescission claims by such franchisees could have a material adverse effect on the revenue of the Company.

Franchisee Relations

The Company's success is dependent on its relationship with its franchisees. There can be no assurances that the Company will be able to maintain positive relationships with all of its franchisees. In addition, in certain jurisdictions in which the Company has restaurants, franchisees are permitted to establish associations among themselves. There can be no assurances that franchisees have not or will not in the future organize an association in order to act together to lobby the Company. Adverse publicity resulting from such activities may affect the sales of the restaurants, regardless of whether such publicity is accurate. In addition, any challenges in the relationships with franchisees may have an adverse impact on the performance of affected restaurants and the ability of the Company to undertake new initiatives, and could result in the diversion of management resources and increased administrative costs.

For certain franchisees, the Company acts as the "head lessee" under the lease for the restaurant. A default by the franchisee under the lease could result in increased costs and could have a negative impact on the Company's business and results of operations. The Company from time to time is also subject to litigation claims from franchisees. See "Legal Proceedings and Regulatory Actions".

Revenue Reporting Risks

Certain franchisees report sales to the Company on an ongoing basis via the Company's central POS system. There can be no assurance, however, that sales reported by franchisees are accurate and in accordance with the terms of the franchise agreements, which could have a negative impact on revenues and cash flows.

Opening New Restaurants

The consumer target area of the Company's restaurants varies by location, depending on a number of factors, including population density, other local retail and business attractions, area demographics and geography. As a result, the opening of a new restaurant in or near markets in which the Company already has restaurants could adversely impact sales at the Company's existing restaurants. Existing restaurants could also make it more difficult to build the Company's consumer base for a new restaurant in the same market. The opening and success of a new restaurant will also be dependent on a number of factors, including availability of suitable sites, negotiation of acceptable lease or purchase terms for new locations, permitting and government regulatory compliance and the ability to meet construction schedules.

The Company may not be able to support sustained new restaurant growth or open all of its planned new restaurants, and the new restaurants that the Company does open may not be profitable or as profitable as its existing restaurants. New restaurants typically experience an adjustment period before sales levels and operating margins normalize, and even sales at successful newly-opened restaurants generally do not make a significant contribution to profitability in their initial months of operation. The opening of new restaurants can also have an adverse effect on sales levels at existing restaurants.

Potential Inability to Consummate Acquisitions

The Company does not currently have any agreement or commitment to acquire any businesses. However, Cara continues to seek opportunities to acquire or invest in restaurant businesses, such as its recent investments in St-Hubert and Original Joe's, that could expand, complement or otherwise relate to its current or future restaurant operations. Cara may also consider, from time to time, opportunities to engage in business collaborations with third parties to address particular purchasing requirements, such as the Shared Services Agreement. The pursuit of these activities may divert the attention of management and cause the Company to incur various expenses in identifying, investigating and pursuing suitable acquisitions or business arrangements, whether or not they are consummated. The Company may also be precluded from pursuing such transactions as a result of financial or other covenants in agreements to which it is a party. The Shared Services Agreement, in particular, includes provisions that would restrict the Company from engaging in negotiations with respect to a potential investment in certain Canadian foodservice companies if Fairfax is already engaged in negotiations with respect to that opportunity. In these circumstances, the interests of Fairfax (and of other restaurant operators in which it may hold an investment, such as The Keg), may conflict with the Company's interests.

Integration of Acquisitions and Brand Expansion

The consummation of an acquisition, investment or other business collaboration may create risks such as: (i) the need to integrate and manage the businesses, brands and/or products acquired with the Company's business, brands and products; (ii) additional demands on the Company's resources, systems, procedures and controls, (iii) disruption of the Company's ongoing business, (iv) adverse effects on the Company's existing business relationships; and (v) potential loss of key employees. While each of the Company's brands and restaurants are subject to the risks and uncertainties described herein, there is an enhanced level of risk and uncertainty related to the operation and expansion of the Company's smaller, newer brands, such as The Landing Group and any future-acquired brands. These brands and business ventures may have not yet proven their long-term viability or growth potential and will continue to be subject to the risks that accompany any new restaurant brand or new business initiative.

Moreover, an acquisition, investment or other business collaboration could involve: (i) substantial investment of funds or financings by issuance of debt or equity securities; (ii) substantial investment with respect to technology transfers and operational integration; and (iii) the acquisition or disposition of product lines or businesses. Also, such activities could result in one-time charges and expenses and have the potential to either dilute the interests of existing shareholders or result in the issuance of, or assumption of, debt. Such acquisitions, investments or other business collaborations may involve significant commitments of the Company's financial and other resources. Any such activity may not be successful in generating revenue, income or other returns to the Company. Additionally, if the Company is unable to access capital markets on acceptable terms or at all, the Company may not be able to consummate acquisitions, or may have to do so on the basis of a less than optimal capital structure. The Company's inability to (i) take advantage of growth opportunities for its business or its products, or (ii) address risks associated with acquisitions or investments in businesses, may negatively affect its operating results. Finally, any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges to earnings associated with any acquisition or investment activity, may materially reduce Cara's earnings which, in turn, may have a material adverse effect on the price of the Subordinate Voting Shares. If the Company does complete such transactions, it cannot be sure that it will ultimately strengthen its competitive position or that it will not be viewed negatively by customers, security analysts or investors.

Retail Licensing Opportunities

Cara currently licences a limited number of branded products which are sold through select grocery stores and other retail outlets. There can be no assurance that Cara will be successful in identifying or in capitalizing on opportunities to expand sales of its existing branded products or to introduce additional branded products in the manner and on the timelines anticipated by management or at all.

Seasonality and Weather

The restaurant industry is affected by weather and seasonal conditions. Adverse or unusual weather patterns may negatively affect operations of businesses in the restaurant industry. Favourable weather tends to increase guest traffic at the Company's restaurants, particularly in summer seasons at restaurants with patios or outdoor seating. Additionally, certain holidays and observances also affect guest dining patterns, both favourably or unfavourably.

Dependence on frequent deliveries of fresh produce and groceries subjects businesses in the restaurant industry to the risk that shortages or interruptions in supply caused by adverse weather conditions could adversely affect the availability, quality and cost of ingredients. Severe cold weather increases consumption of electricity and may cause an increase in oil and natural gas prices, which may result in markedly higher utility prices for the Company's restaurants. Severe hot weather leads to higher air conditioning costs. Any one of these consequences of adverse or unusual weather conditions, as well as water or electricity supply disruptions, may adversely affect the operations of the Company's restaurants by increasing operating costs and/or reducing revenue.

Regulations Governing Alcoholic Beverages

A portion of the Company's revenue is attributable to the sale of alcoholic beverages and the ability to serve such beverages is an important factor in attracting customers. Alcoholic beverage control regulations require each restaurant to apply to provincial and/or municipal authorities for a licence or permit to sell alcoholic beverages on the premises and, in certain locations, to provide service for extended hours and on Sundays. Typically, licences must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of restaurants including minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling and storage and dispensing of alcoholic beverages.

The failure of the Company or a restaurant to retain a licence to serve liquor could adversely affect the restaurant's operations and reduce the Company's revenue. Changes to laws regulating alcoholic beverages may also adversely affect operations of restaurants and reduce the Company's revenue by increasing costs, reducing the potential customer base or reducing the hours of operations of such restaurants.

The Company or a restaurant may be subject in certain provinces to "dram-shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. The Company carries liquor liability coverage as part of its existing comprehensive general liability insurance.

Product Safety and Public Health

Sale of the Company's products may expose it to risks associated with product safety and defects and product handling in relation to the manufacturing, packaging and labeling, storage, distribution, and display of products. The Company cannot assure that active management of these risks, including maintaining strict and rigorous controls and processes in its manufacturing facilities, storage, refrigeration and distribution systems, will eliminate all the risks related to food and product safety. The Company could be adversely affected in the event of a significant outbreak of food-borne illness or food safety issues including food tampering or contamination. In addition, failure to trace or locate any contaminated or defective products could affect the Company's ability to be effective in a recall situation. The Company is also subject to risk associated with errors made through medication dispensing or errors related to patient services or consultation. The occurrence of such events or incidents, as well as the failure to maintain the cleanliness and health standards at store level, could result in harm to customers, negative publicity or could adversely affect the Company's brands, reputation, operations or financial performance and could lead to unforeseen liabilities from legal claims or otherwise.

Regulatory Compliance

The Company is subject to a wide variety of laws, regulations and orders across all countries in which it does business, including those laws involving product liability, labour and employment, anti-trust and competition, food safety, intellectual property, privacy, environmental and other matters. The Company is subject to taxation by various taxation authorities in Canada and the United States. Changes to any of the laws, rules, regulations or policies applicable to the Company's business, including tax laws, and laws affecting the production, processing, preparation, distribution, packaging and labelling of food, beverages and general merchandise products, could adversely affect the operations or financial condition or performance of the Company.

Failure by the Company to comply with applicable laws, regulations and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect reputation, operations or financial condition or performance of the Company. In the course of complying with changes to laws, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business.

The Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. These reassessments could result in a material adverse effect on the Company's reputation, operations or financial condition or performance.

Laws Concerning Employees

The operations of restaurants are subject to minimum wage laws governing such matters as working conditions, overtime and tip credits. Significant numbers of restaurants' food service and preparation personnel are paid at rates related to the minimum wage and, accordingly, further increases in the minimum wage could increase the restaurants' labour costs. The franchisees may also hire foreign workers through the Canadian federal government's Temporary Foreign Worker Program, and accordingly, changes to this program could increase labour costs.

Dependence on Key Personnel

The success of the Company depends upon the personal efforts of senior management, including their ability to retain and attract appropriate franchisee candidates. The loss of the services of such key personnel could have a material effect on the operations of the Company. In addition, the Company's continued growth depends on its ability to attract and retain skilled management and employees and the ability of its key personnel to manage the Company's growth. Certain key personnel are not bound by non-competition covenants. If such personnel depart the Company and subsequently compete with the Company or determine to devote significantly more time to other business interests, such activities could have a material adverse effect on the Company's results of operations.

Attracting and Retaining Quality Employees

The Company and its franchisees' business is dependent upon attracting and retaining a large number of quality employees who reflect the Company's various brand images and culture. Many of these employees are in entry level or part-time positions with historically high rates of turnover. The inability of the Company and its franchisees to hire, train and retain employees may adversely affect the operations of the Company's restaurants and could have a material adverse effect on the Company's revenue.

The Company's ability to meet its labour needs while controlling the costs associated with hiring and training new employees is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. Changes that adversely impact the Company's ability to attract and retain quality employees could adversely affect its business.

Unionization Activities May Disrupt Company Operations

Although only the employees at approximately 86 franchised restaurants, 5 corporate restaurants, 2 manufacturing plants, in Boisbriand and Blainville, Québec, and 2 distribution centers, in Anjou and Boisbriand, Québec are currently covered under collective bargaining agreements, the Company's employees may elect to be represented by labour unions in the future. If a significant number of the Company's employees were to become unionized and collective bargaining agreement terms were significantly different from the Company's current compensation arrangements, it could adversely affect the Company's business, financial condition or results of operations. In addition, a labour dispute involving some or all of the Company's employees or the employees of franchisees may harm Cara's reputation, disrupt its operations and reduce its revenues, and resolution of disputes may increase its costs. Further, if the Company enters into a new market with unionized construction companies, or the construction companies in the Company's current markets become unionized, construction and build out costs for new Company restaurants in such markets could materially increase.

Reliance on Information Technology

The Company relies heavily on information systems, including point-of-sale processing in its restaurants, for management of its supply chain, accounting, payment of obligations, collection of cash, credit and debit card transactions, upkeep of Cara's in-house call centre and other processes and procedures. The Company's ability to efficiently and effectively manage its business depends significantly on the reliability and capacity of these systems. The Company's operations depend upon its ability to protect its computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding the Company's systems as it grows or a breach in security of these systems could result in interruptions to or delays in the Company's business and guest service and reduce efficiency in its operations. If the Company's information technology systems fail and its redundant systems or disaster recovery plans are not adequate to address such failures, or if the Company's business interruption insurance does not sufficiently compensate the Company for any losses that it may incur, the Company's revenues and profits could be reduced and the reputation of its brands and its business could be materially adversely affected. In addition, remediation of such problems could result in significant, unplanned capital investments.

Intellectual Property

The ability of the Company to maintain or increase its revenue will depend on its ability to maintain "brand equity", including through the use of the Company's trade-marks. If the Company fails to enforce or maintain any of its intellectual property rights, the Company may be unable to capitalize on its efforts to establish brand equity. All registered trade-marks in Canada can be challenged pursuant to provisions of the *Trade-marks Act* (Canada), and if any Company trade-marks are ever successfully challenged, this may have a material adverse impact on the Company.

The Company owns the Company's trade-marks in Canada, and owns trade-marks used in New York Fries', State & Main and Elephant & Castle international operations. However, it may not own identical and similar trade marks in other jurisdictions. Third parties may use such trade-marks in jurisdictions other than Canada in a manner that diminishes the value of such trade-marks. If this occurs, the value of the Company's trade-marks may suffer and the results of operations of the Company could be impacted. Similarly, negative publicity or events associated with the Company in jurisdictions outside of Canada may negatively affect the image and reputation of the Company in Canada, resulting in a material adverse effect on the Company.

Lawsuits

The Company and the franchisees may, from time to time, become party to a variety of legal claims and regulatory proceedings in Canada or elsewhere in the ordinary course of its business, including, but not limited to, complaints or litigation from guests alleging food-related illness, injuries suffered on the premises or other food quality, health or operational concerns. The Company is also subject to a variety of other claims arising in the ordinary course of its business, including personal injury claims, contract claims, class action claims, claims from franchisees (which tend to increase when franchisees experience declining sales and profitability) and claims alleging violations regarding workplace and employment matters, discrimination and similar matters. The existence of such claims against the Company or its affiliates, directors or officers could have various adverse effects, including the incurrence of significant legal expenses defending such claims, even those claims without merit. The Company may also be named in lawsuits primarily directed at a franchisee. Adverse publicity resulting from such allegations may materially affect the sales or results of operations of restaurants, regardless of whether such allegations are true or whether the Company or a franchisee is ultimately held liable. See "Legal Proceedings and Regulatory Actions".

Regulation

The Company and each restaurant is subject to various licensing, laws and regulations governing its business, employment standards, taxes and other matters, including but not limited to, laws and regulations relating to alcoholic beverage control, smoking laws, accessibility and regulations of health and safety and fire agencies. It is possible that future changes in applicable federal, provincial or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Company (including with retroactive effect). Any changes in the laws to which the Company is subject, including but not limited to, changes to the minimum wage, the Canadian federal government's Temporary Foreign Worker Program and informed dining regulations could materially adversely affect the Company's overall business. In addition, difficulties in obtaining or failures to obtain the required licences or approvals could delay or prevent the development of a new restaurant in a particular area. It is impossible to predict whether there will be any future changes in the regulatory regimes to which the Company will be subject or the effect of any such change.

As the owner or operator of real property, the Company and its franchisees are subject to federal, provincial and local governmental regulations relating to the use, storage, discharge, emission and disposal of waste and hazardous materials. Failure to comply with environmental laws could result in the imposition of severe penalties or restrictions on operations by governmental agencies or courts of law which could adversely affect the Company's operations.

The Company's Insurance May Not Provide Adequate Levels of Coverage

The Company believes that it maintains insurance customary for businesses of its size and type. However, there are types of losses that the Company may incur that cannot be insured against or that the Company believes are not economically reasonable to insure. Such losses could have a material adverse effect on the Company's business and results of operations.

Foreign Currency Exchange Rates

The Company is exposed to foreign exchange risk. A depreciating Canadian dollar relative to the U.S. dollar will have an adverse impact on the cost of produce, information technology equipment and services, and other goods imported from the U.S., while an appreciating Canadian dollar relative to the U.S. dollar will have the opposite impact. Foreign exchange rate fluctuations may materially affect the Company's results of operations in future periods.

Forward-Looking Information

The forward-looking information relating to, among other things, future results, performance, achievements, prospects or opportunities of the Company or the Canadian market included in this AIF is based on opinions, assumptions and estimates made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Actual results of the Company in the future may vary significantly from the historical and estimated results and those variations may be material. There is no representation by the Company that actual results achieved by the Company in the future will be the same, in whole or in part, as those included in this AIF. For more information, see "Cautionary Notice Regarding Forward-Looking Statements."

Risks Related to the Company's Securities

Potential Volatility of Subordinate Voting Share Price

The market price for Subordinate Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including, but not limited to, the following: (i) actual or anticipated fluctuations in the Company's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Company; (iv) addition or departure of the Company's executive officers and other key personnel; (v) sales or anticipated sales of additional Multiple Voting Shares or Subordinate Voting Shares; (vi) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and (vii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Subordinate Voting Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Subordinate Voting Shares by those institutions, which could materially adversely affect the trading price of the Subordinate Voting Shares.

There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, the trading price of the Subordinate Voting Shares may be materially adversely affected.

Payment of Dividends

Payment of dividends is dependent on cash flows of the business and subject to change. The declaration and payment of future dividends will be at the discretion of the Board, are subject to restrictions under the Company's credit facilities and may be affected by various other factors, including the Company's earnings, financial condition, acquisitions and legal or contractual restrictions. There can be no assurance that the Company will be in a position to pay dividends at the same rate (or at all) in the future.

Significant Ownership by the Principal Shareholders

The Principal Shareholders, either directly or indirectly, hold a 97.5% voting interest in the Company through ownership of all of the Multiple Voting Shares. For so long as the Principal Shareholders, either directly or indirectly, maintain a significant voting interest in the Company, the Principal Shareholders will have the ability to exercise substantial influence with respect to the Company's affairs and significantly affect the outcome of shareholder votes, and may have the ability to prevent certain fundamental transactions. In addition, the Fairfax Group Shareholders, as such term is defined in the Principal Shareholders Agreement, have the right to appoint one additional director to the Board of the Company in the event of a Deadlock, as such term is defined in the Principal Shareholders Agreement. This gives the Fairfax Group Shareholders additional control over matters to be considered by the Board. The Subordinate Voting Shares may be less liquid and trade at a discount relative to the trading that could occur in circumstances where the Principal Shareholders did not have the ability to significantly influence or determine matters affecting the Company. Additionally, the Principal Shareholders' significant voting interest in the Company may discourage transactions involving a change of control of the Company, including transactions in which an investor, as a holder of Subordinate Voting Shares, might otherwise receive a premium for its Subordinate Voting Shares over the then-current market price.

Future Sales of Shares by the Principal Shareholders

No prediction can be made as to the effect, if any, of future sales of shares by the Principal Shareholders on the market price of the Subordinate Voting Shares. However, the future sale of a substantial number of shares by the Principal Shareholders, or the perception that such sales could occur, could adversely affect prevailing market prices for the Subordinate Voting Shares. Pursuant to the Principal Shareholders Agreement, each of the Principal Shareholders have certain demand registration rights which can be exercised at any time.

Dilution

The issuance of additional Subordinate Voting Shares may have a dilutive effect on the interests of shareholders. The number of Multiple Voting Shares and Subordinate Voting Shares that the Company is authorized to issue is unlimited. The Company may, in its sole discretion, subject to applicable law and the rules of the TSX, issue additional Multiple Voting Shares or Subordinate Voting Shares from time to time (including pursuant to the Company's equity-based compensation plans), and the interests of shareholders may be diluted thereby.

Limited Voting Rights of the Subordinate Voting Shares

Holders of Subordinate Voting Shares and Multiple Voting Shares will generally have similar rights, except that holders of Subordinate Voting Shares will be entitled to one vote per Subordinate Voting Share whereas holders of Multiple Voting Shares will be entitled to 25 votes per Multiple Voting

Share. The different voting rights of the Subordinate Voting Shares and Multiple Voting Shares could diminish the value of the Subordinate Voting Shares to the extent that investors or any potential future purchasers of Subordinate Voting Shares attribute value to the superior voting or other rights of the Multiple Voting Shares. Holders of Subordinate Voting Shares will only have a right to vote, as a class, in the limited circumstances provided for in the OBCA. The Board will determine major policies and strategies, including policies and strategies regarding financing, growth, debt capitalization and any future dividends to shareholders. Generally, the Board may amend or revise these and other policies and strategies without a vote of the holders of Subordinate Voting Shares. The Board's broad discretion in setting policies and strategies and the limited ability of holders of Subordinate Voting Shares to exert control over those policies and strategies increases the uncertainty and risks of an investment in the Company. In addition, the Fairfax Group Shareholders, as such term is defined in the Principal Shareholders Agreement, have the right to appoint one additional Director to the Board in the event of a Deadlock, as such term is defined in the Principal Shareholders Agreement. This gives the Fairfax Group Shareholders additional control over matters to be considered by the Board.

Quarterly Operating Results May Fluctuate

The Company's quarterly operating results may fluctuate significantly due to numerous factors, including, but not limited to:

- the timing of restaurant openings and closures;
- royalty recovery rates and the extent to which Cara provides financial assistance to franchisees;
- restaurant operating costs for corporate-owned restaurants;
- labor availability and costs for hourly and management personnel at corporate-owned restaurants;
- profitability of the corporate-owned restaurants, particularly in new markets;
- changes in interest rates;
- increases and decreases in SRS Growth;
- impairment of long-lived assets and any loss on restaurant closures for corporate-owned restaurants;
- macroeconomic conditions, both nationally and locally;
- changes in consumer preferences and competitive conditions;
- expansion into new markets;
- increases in fixed costs; and
- fluctuations in commodity prices.

Seasonal factors and the timing of holidays cause the Company's revenue to fluctuate from quarter to quarter. Revenue per restaurant is typically slightly lower in the fourth quarter due to holiday closures. Adverse weather conditions may also affect customer traffic. In addition, the Company has outdoor seating at some of its restaurants, and the effects of adverse weather may impact the use of these areas and may negatively impact the Company's revenue.

Securities Analysts' Research or Reports Could Impact the Price of Subordinate Voting Shares

The trading market for the Company's Subordinate Voting Shares will rely in part on the research and reports that industry or financial analysts publish about the Company or the Company's business. If one or more of the analysts covering the Company's business downgrade their evaluations of the Company's shares or share price, the price of the Company's Subordinate Voting Shares could decline. If one or more of these analysts cease to cover the Company's Subordinate Voting Shares, the Company could lose visibility in the market for its shares, which in turn could cause the Company's Subordinate Voting Share price to decline.

DIVIDENDS AND DISTRIBUTIONS

Subject to financial results, capital requirements, available cash flow and any other factors that the Board may consider relevant, it is the intention of the Board to declare quarterly cash dividends, following the announcement of the Company's quarterly results, for payment on the fifteenth day of the following month or, if such day is not a business day, the immediately preceding business day for shareholders of record as of the last business day of the month in which a dividend is declared. All dividends expected to be paid by the Company, unless otherwise indicated, are designated as eligible dividends in accordance with subsection 89(14) of the *Income Tax Act* (Canada) and any applicable corresponding provincial or territorial provisions. For more information, see "Risk Factors — Payment of Dividends".

The Company anticipates paying quarterly cash dividends, with annualized aggregate dividend payments of approximately $24 million. Dividends will be declared and paid in arrears. The amount and timing of the payment of any dividends are not guaranteed and are subject to the discretion of the Board. For more information, see "Risk Factors — Payment of Dividends".

Following completion of the Company's IPO on April 10, 2015, the Company declared and paid cash dividends aggregating $0.19342 per Subordinate Voting Share and per Multiple Voting Share for the year ended December 27, 2015 and $0.40680 per Subordinate Voting Share and per Multiple Voting Share for the year ended December 25, 2016.

The following summarizes the annualized dividend payments of the Company in the last three years. Following the completion of the Company's IPO, the Company only has Subordinate Voting Shares and Multiple Voting Shares outstanding.

	2016		2015[1]		2014	
	Cash[2]	Dividends per share	Cash[2]	Dividends per share	Cash	Paid-In-Kind
Subordinate Voting Shares	$7,108,565	$0.41	$2,273,747	$0.19	—	—
Multiple Voting Shares	$13,992,064	$0.41	$7,233,189	$0.19	—	—
Common Shares	—	—	$3,043,836	$0.06	$11,000,000 [3]	—
Preferred — Class A	—	—	$ 1,855,159	$0.06	$ 2,968,255	$ 2,835,494
Preferred — Class B	—	—	$ 1,673,847	$0.10	$ 2,678,155	$ 2,510,020
Total	$21,100,629		$16,079,778		$16,646,410	$ 5,345,514
Total Per Year	$21,100,629		$16,079,778			$21,991,924

(1) On March 29, 2015, the Company's Board declared a dividend of $3,043,836 to holders of all the issued voting common shares of the Company immediately prior to certain pre-closing capital changes associated with the Company's IPO. The Company's Board also approved a dividend of $1,855,159 to holders of the Class A preferred shares and $1,673,846 to holders of the Class B preferred shares of the Company immediately prior to certain pre-closing capital changes associated with the Company's IPO. Dividends on preferred shares of the Company were recorded as interest expense on long-term

debt in the Company's financial statements. Dividend per share information has not been presented for prior years as it would not be comparable to post-IPO information as a result of the pre-closing capital changes associated with the Company's IPO.

(2) Includes cash dividends that were applied to share purchases under the DRIP (as defined below).

(3) Includes dividends and return of capital.

On March 2, 2017, the Board declared a dividend of $0.10169 payable on April 15, 2017, for shareholders of record as of March 31, 2017.

Dividend Reinvestment Plan

On May 5, 2016, the Board suspended the Company's Dividend Reinvestment Plan (the "**DRIP**") which provided holders of Subordinate Voting Shares and Multiple Voting Shares the option, to acquire additional Subordinate Voting Shares by reinvesting all of their cash dividends at a purchase price discount of 3%.

The Company reviews its dividend policy on a quarterly basis and may reinstate the DRIP in the future.

PRICE RANGE AND TRADING VOLUME OF SUBORDINATE VOTING SHARES

The Subordinate Voting Shares are listed for trading on the TSX under the symbol "CARA". The following table lists the price ranges and volume traded for the Subordinate Voting Shares on the TSX, on a monthly basis during the year ended December 25, 2016, as reported by the TSX.

Subordinate Voting Shares	High ($)	Low ($)	Volume
2016			
January[1]	31.15	24.00	470,200
February	25.87	22.85	398,600
March	30.93	24.28	795,800
April	33.59	28.87	1,027,000
May	32.50	28.70	514,000
June	30.05	27.53	457,800
July	30.64	29.88	340,600
August	30.97	29.69	381,000
September	30.53	27.20	1,252,300
October	28.47	26.58	373,800
November	27.35	23.66	489,000
December (1 to 25)	25.99	24.00	684,600

Notes:

(1) Represents the period from December 28, 2015 to January 31, 2016.

PRIOR SALES

Immediately prior to the Company's IPO on April 10, 2015, the Company converted all voting common shares under either Fairfax's beneficial ownership or Cara Holdings Limited's ownership at a ratio of 2.79 to 1 into Multiple Voting Shares representing an issuance, in the aggregate, of 37,396,284 Multiple Voting Shares.

On December 2, 2015, Cara Holdings Limited completed a secondary offering of 3,000,000 Subordinate Voting Shares through a syndicate of underwriters. The Subordinate Voting Shares sold in the offering were delivered by Cara Holdings Limited following the exchange of 3,000,000 Multiple Voting Shares. After giving effect to the offering, Cara Holdings Limited owns 14,492,906 Multiple Voting Shares.

On April 15, 2016, the Company completed an offering of 7,863,280 Subscription Receipts, on a private placement basis, at a price of $29.25 per Subscription Receipt for gross proceeds of approximately $230 million. Net proceeds of the private placement were used by Cara to finance a portion of the purchase price in respect of its approximately $537 million acquisition of St-Hubert. As part of the private placement, Fairfax purchased 3,487,180 Subscription Receipts, accounting for approximately $102 million of the total $230 million gross proceeds, resulting upon conversion of the Subscription Receipts into Subordinate Voting Shares upon completion of the St-Hubert transaction, in Fairfax maintaining their approximately 40% equity interest and approximately 57% voting interest in Cara. In conjunction with the closing of the St-Hubert transaction on September 2, 2016, each Subscription Receipt was automatically exchanged, on a one-for-one basis, for Subordinate Voting Shares, resulting in the issuance of 7,863,280 Subordinate Voting Shares.

The following table set forth the grants of options by Cara pursuant to the Company's share option plan, which was implemented upon completion of the Company's IPO, during the 52 weeks ended December 25, 2016:

Grant Date	Number of Options Granted	Exercise Price	Vesting Period[1]	Term of Grant
February 1, 2016	8,134	$25.35	3 years	8 years
April 4, 2016	3,276	$29.37	3 years	8 years
May 1, 2016	1.641	$32.52	3 years	8 years
August 15, 2016	1,644	$30.19	3 years	8 years
August 29, 2016	46,478	$30.02	3 years	8 years
September 2, 2016	12,636	$30.14	3 years	8 years
September 6, 2016	1,443	$30.15	3 years	8 years
September 12, 2016	1,365	$30.09	3 years	8 years
September 26, 2016	1,196	$29.69	3 years	8 years
October 3, 2016	577	$27.58	3 years	8 years
November 7, 2016	593	$26.03	3 years	8 years
Total	**80,611**			

Notes:

(1) Each vested option becomes exercisable on the later of (i) January 1, 2019, and (ii) the third anniversary date of grant.

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

The names and municipalities of residence of the directors, officers and senior management of the Company, their respective positions and offices held with the Company and their principal occupation for the last five or more years are shown below as at March 24, 2017. Directors are elected to serve until the next annual meeting of shareholders or until their successors are elected or appointed, unless their office is earlier vacated.

Name and Province/State and Country of Residence	Office	Principal Occupations During the Last Five Years	Period Served
William D. Gregson Ontario, Canada	Director, Chair and Chief Executive Officer	Director, Chair and Chief Executive Officer of Cara; Executive Chair of the Board of Directors and President and Chief Executive Officer of The Brick Ltd.	Chief Executive Officer and Director since October, 2013 Chair since April, 2015
Stephen K. Gunn[1] Ontario, Canada	Director	Corporate Director of Cara; Co-Chair, Sleep Country Canada Inc.	Director since March, 2013
Christopher D. Hodgson[2][4] Ontario, Canada	Director	Corporate Director of Cara; President of the Ontario Mining Association; President of Chris Hodgson Enterprises;	Director since April, 2015
Michael J. Norris[2] Ontario, Canada	Director	Corporate Director of Cara; Deputy Chair, RBC Capital Markets	Director since January, 2012
John A. Rothschild[3] Ontario, Canada	Director	Corporate Director of Cara; Senior Vice President, Restaurant Development; Chief Executive Officer,	Director since October, 2013

Name and Province/State and Country of Residence	Office	Principal Occupations During the Last Five Years	Period Served
		Prime Restaurants Inc.	
Sean Regan[4] Ontario, Canada	Director	Corporate Director of Cara; President, Cara Holdings Limited; Senior Vice President, Corporate Development of Cara	Director since April, 2015
Kenneth J. Grondin Ontario, Canada	Chief Financial Officer	Chief Financial Officer of Cara; Chief Financial Officer and President, Financial Operations of The Brick Ltd., Chief Financial Officer, Parkland Fuel Corporation	Chief Financial Officer since October, 2013
Kenneth Otto Ontario, Canada	President, Family Dining Division, and Chief Development Officer	President, Family Dining Division, and Chief Development Officer of Cara; Chief Operating Officer, Boston Pizza International Inc.	President, Family Dining Division, and Chief Development Officer since September, 2014
Grant Cobb Ontario, Canada	Senior Vice President, Casual Dining Division	Senior Vice President, Casual Dining Division of Cara; Senior Vice President, Brand Management of Prime Restaurants Inc.	Senior Vice President, Casual Dining Division since September, 2008
Steven J. Pelton Ontario, Canada	Senior Vice President, Milestones, and Chief Executive Officer, The Landing Group	Senior Vice President, Milestones; Chief Executive Officer, The Landing Group	Senior Vice President, Milestones since July, 2015
Warren Price Ontario, Canada	Executive Vice President, New York Fries	Executive Vice President, New York Fries	Executive Vice President, New York Fries since November, 1998

Notes

(1) Chair of the Audit Committee
(2) Member of the Audit Committee
(3) Chair of the Governance, Compensation and Nominating Committee
(4) Member of the Governance, Compensation and Nominating Committee

Ownership of Securities

As at March 24, 2017, the directors and executive officers of the Company, as a group, beneficially owned, or controlled or directed, directly or indirectly 1,949,052 Subordinate Voting Shares of the Company, representing approximately 7.5% of the issued and outstanding Subordinate Voting Shares. None of the directors or officers beneficially owned, or controlled or directed, directly or indirectly any Multiple Voting Shares. Mr. Regan is the President of Cara Holdings Limited, which beneficially owned, or controlled or directed, directly or indirectly 14,492,906 Multiple Voting Shares, representing approximately 42% of issued and outstanding Multiple Voting Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company and based upon information provided to it by the Company's directors and executive officers, none of such directors or executive officers is or has been, in the last 10 years, a director or executive officer of any company that, while such person was acting in that capacity: (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except for the following:

(i) Mr. Gunn, a director of the Company, was previously a director of Golf Town Canada Inc., which was the issuer of equity securities and certain secured notes pursuant to an indenture dated July 24, 2012. Golf Town Canada Inc., together with certain of its Canadian affiliates (collectively, "**Golf Town**"), sought and obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to an Initial Order of the Ontario Superior Court of Justice dated September 14, 2016. In connection with the CCAA proceedings, Golf Town completed a going concern sale of substantially all of its business and assets to an entity owned by Fairfax Financial Holdings Limited and certain funds managed by CI Investments Inc.

AUDIT COMMITTEE

The Audit Committee consists of three directors, all of whom are persons determined by the Company to be both independent and financially literate within the meaning of National Instrument 52-110 – *Audit Committee* and all of whom are residents of Canada. The Audit Committee is comprised of Stephen K. Gunn, who acts as Chair of this committee, Michael J. Norris and Christopher D. Hodgson. Each of the Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The Board has adopted a written charter for the Audit Committee, in the form set out under Appendix A to this AIF, which sets out the Audit Committee's responsibilities. The Audit Committee's responsibilities include: (i) reviewing the Company's procedures for internal control with the Company's auditors and Chief Financial Officer; (ii) reviewing and approving the engagement of the auditors; (iii) reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including the Company's annual information form and management's discussion and analysis; (iv) assessing the Company's financial and accounting personnel; (v) assessing the Company's accounting policies; (vi) reviewing the Company's risk management procedures; (vii) reviewing any significant transactions outside the Company's ordinary course of business and any legal matters that may significantly affect the Company's financial statements; (viii) overseeing the work and confirming the independence of the external auditors; and (ix) reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. The Audit Committee reviews the Company's quarterly results and makes a recommendation to the Board with respect to approving such quarterly results.

The Audit Committee has direct communication channels with the Chief Financial Officer and the external auditors of the Company to discuss and review such issues as the Audit Committee may deem appropriate.

Relevant Education and Experience

Stephen K. Gunn is the Chair of the Audit Committee and has been a director of the Company since March 26, 2013. Mr. Gunn is the Co-Chair of Sleep Country Canada Inc. He co-founded Sleep Country Canada in 1994 and served as its Chief Executive Officer from 1997 to 2014. Mr. Gunn was a management consultant with McKinsey & Company from 1981 to 1987 and then co-founded and was President of Kenrick Capital. Mr. Gunn has served as the Lead Director of Dollarama Inc. since 2009. He is also a Director and Audit Committee Chair of Canada Goose Holdings Inc. Mr. Gunn holds a Master of Business Administration from the University of Western Ontario and a B.Sc. degree in Electrical Engineering from Queen's University.

Michael J. Norris has been a director of the Company since January, 2012 and acted as the Interim Chair of the Board from October 31, 2013 to April 10, 2015. Previously, Mr. Norris was Deputy

Chair of RBC Capital Markets and prior to that held numerous positions with RBC Capital Markets, including Head of the Energy Practice and Head of Global Investment Banking. Mr. Norris holds a Master of Business Administration from the University of Western Ontario and a B.Sc. (Hons) in Civil Engineering from Queen's University.

Christopher D. Hodgson is a director of the Company, the President of the Ontario Mining Association and President of Chris Hodgson Enterprises. Previously, he served as the Lead Director for The Brick Ltd. As a member of Ontario's provincial parliament, Mr. Hodgson served as Minister of Natural Resources, Minister of Northern Development and Mines, Chairman of the Management Board of Cabinet, Commissioner of the Board of Internal Economy, and Minister of Municipal Affairs and Housing. Mr. Hodgson holds a BA (Hons) from Trent University.

Pre-Approval Policies and Procedures

The Audit Committee must pre approve any permitted non-audit services to be provided by the external auditor to Cara or its subsidiaries, provided that no approval will be provided for any service that is prohibited under the rules of the Canadian Public Professional Accountability Board or the Independence Standards of the Canadian Institute of Chartered Accountants.

External Auditor Service Fees

KPMG LLP has been the Company's external auditor since 2010. From time to time, KPMG LLP also provides the Company with advisory and other-non audit services.

Fees incurred for services performed by KPMG LLP for the years ended December 25, 2016 and December 27, 2015 were as follows:

	Fiscal year ended	
	December 25, 2016	December 27, 2015
Annual audit fees (1)…………………	$ 742,575	$ 1,060,250
Audit related fees (2)………………	$ 686,617	$ 33,000
Tax fees (3)……………………………	$ 407,400	$ 257,238
All other fees (4)……………………	$ 34,125	$ 42,500
	$ 1,870,717	$ 1,392,988

(1) Fees for audit service on an accrued basis, including IPO costs.

(2) Fees for due diligence assistance related to acquisitions, assurance and related services not included in audit service above.

(3) Fees for tax compliance, tax advice and tax planning, including tax related due diligence services for the St-Hubert and Original Joe's transactions.

(4) All other fees not included above.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

As part of its normal course of operations, the Company is involved in and potentially subject to a variety of legal claims and proceedings. Since litigation is inherently uncertain, the outcome of any such proceedings and claims resulting therefrom is unknown. However, based on information currently available, these matters, individually and in the aggregate, are not expected to have a material impact on the Company. In the event that management's assessment of the materiality of current claims and proceedings proves inaccurate or litigation that is material arises in the future, there may be a material adverse effect on the Company's operations, revenues and financial performance. The Company is not aware of any penalties or sanctions imposed by a court or securities regulatory body against the Company, nor has the Company entered into any settlement agreements before a court or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as noted below, there are no material interests, direct or indirect, of any director or executive officer of the Company, any shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of the Company's outstanding voting securities, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

On October 31, 2013, Fairfax entered into a subscription agreement with Cara, under which Fairfax acquired 8,196,721 class A preferred shares, 16,393,443 class B preferred shares and $25,000,000 aggregate principal amount of subordinated debentures, together with warrants to acquire voting common shares at a price of $3.05 per share, for an aggregate purchase price of $100,000,000. Also on that date, 7948883 Canada Inc., a wholly-owned subsidiary of Fairfax, and Grant Cobb, an officer of Cara, Nicholas Perpick, a former officer of Cara, and a corporation controlled by John Rothschild, a director and former officer of Cara (together with Grant Cobb and Nicholas Perpick, the "**Prime Shareholders**") entered into an agreement with Cara under which Cara acquired all of the issued and outstanding shares of Prime for a purchase price of $69.6 million. The purchase price was satisfied by the issuance of an aggregate of 22,819,672 class A preferred shares, together with warrants to acquire voting common shares at a price of $3.05 per share. In connection with the transaction, Fairfax and the Prime Shareholders entered into an agreement with respect to the Prime Shareholders' investment in Cara. Cara also entered into the Shared Services Agreement with Fairfax, as described under the headings "Description of the Business" and "Risk Factors — Potential Inability to Consummate Acquisitions".

Cara financed the acquisition of St-Hubert through the combination of cash pursuant to a draw down by the Company on its upsized revolving credit facility, the issuance of approximately $53.9 million in Subordinate Voting Shares to the vendor and certain St-Hubert management, and through a $230 million private placement of Subscription Receipts. On March 30, 2016, the Company entered into an Equity Commitment Agreement with Fairfax, whereby Fairfax provided a commitment that Fairfax would either exercise its pre-emptive right in full to purchase its *pro rata* share of any Subordinate Voting Shares that the Company offers to the public provided that the offering price does not exceed $30.00 per share or, alternatively, would purchase $200 million of Subordinate Voting Shares at a price of $26.20. Fairfax also agreed to maintain its pre-emptive right to purchase its *pro rata* share of any Subordinate Voting Shares the Company offered to the public at a price above $30.00. In consideration for Fairfax's commitment, the Company paid Fairfax a fee of $4.0 million. On April 15, 2016, Fairfax purchased 3,487,180 Subscription Receipts, accounting for approximately $102 million of the total $230 million gross proceeds. On September 2, 2016, the Subscription Receipts were automatically exchanged, on a one-for-one basis into Subordinate Voting Shares, resulting in Fairfax maintaining its approximately 40% equity interest and approximately 57% voting interest in Cara.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, will be contained in the Company's Management Information Circular in connection with its Annual Meeting of Shareholders to be held later this year. Additional financial information is provided in the Company's comparative financial statements and Management's Discussion & Analysis for its most recently completed fiscal year. A copy of such documents may be obtained, without charge, upon written request to the Corporate Secretary of the Company at 199 Four Valley Drive, Vaughan, Ontario, L4K 0B8, (905) 760-2244.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Subordinate Voting Shares is Computershare Trust Company of Canada at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The following are the material contracts of the Company that are in effect (other than certain agreements entered into in the ordinary course of business):

- the Coattail Agreement, particulars of which are provided under the heading “Description of Capital Structure”; and

- the Principal Shareholders Agreement, particulars of which are provided under the heading “Description of Capital Structure — Automatic Conversion of Multiple Voting Shares”.

Copies of the foregoing documents are available on SEDAR at www.SEDAR.com.

EXPERTS

KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, is the auditor of the Company and has confirmed that it is independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

Raymond Chabot Grant Thornton LLP, Chartered Professional Accountants, Licensed public Accountants, is the auditor of Sogelec Inc. (parent company of Groupe St-Hubert Inc.), who has issued an independent auditor’s report dated December 17, 2015 in respect of the audited consolidated financial statements for the year ended September 30, 2015 which is included in the Business Acquisition Report of the company dated November 10, 2016 in connection with the St-Hubert transaction.

APPENDIX A: AUDIT COMMITTEE CHARTER

1. Statement of Purpose

The Audit Committee (the "**Committee**") of Cara Operations Limited ("**Cara**") has been established by the Board of Directors of Cara (the "**Board**") for the purpose of overseeing the accounting and financial reporting processes of Cara, including the audit of the financial statements of Cara.

The Committee is responsible for assisting with the Board's oversight of (1) the quality and integrity of Cara's financial statements and related disclosure, (2) Cara's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications, performance and independence and (4) the integrity of the internal controls at Cara.

2. Committee Membership

Members

The Committee will consist of as many members of the Board as the Board may determine but, in any event, not less than three members, a majority of whom shall be resident Canadians. Members of the Committee will be appointed by the Board, taking into account any recommendation that may be made by the Governance, Compensation and Nominating Committee. Any member of the Committee may be removed and replaced at any time by the Board, and will automatically cease to be a member if he or she ceases to meet the qualifications set out below. The Board will fill vacancies on the Committee by appointment from among qualified members of the Board, taking into account any recommendation that may be made by the Governance, Compensation and Nominating Committee. If a vacancy exists, the remaining members of the Committee may exercise all of its powers so long as there is a quorum and subject to any legal requirements regarding the minimum number of members of the Committee.

Chair

Each year, the Board will designate one of the members of the Committee to be the Chair of the Committee, taking into account any recommendation that may be made by the Governance, Compensation and Nominating Committee. If, in any year, the Board does not appoint a Chair, the incumbent Chair shall continue in office until a successor is appointed. The Board will adopt and approve a position description for the Chair which sets out his or her role and responsibilities.

Qualifications

All of the members of the Committee shall be selected based upon the following, to the extent that the following are required under the applicable law: (i) each member shall be an Independent Director; and (ii) each member shall be financially literate. For the purpose of this Charter, the terms "independent" and "financially literate" shall have the meanings attributed thereto in National Instrument 52-110 — *Audit Committees*, as the same may be amended from time to time.

Tenure

Each member of the Committee shall hold office until his or her term as a member of the Committee expires or is terminated.

Ex Officio Members and Management Attendance

The Committee may invite, at its discretion, members of management to attend any meetings of the Committee. Any member of management will attend a Committee meeting if invited by the Committee.

The Chair, if not already a member of the Committee, will be entitled to attend each meeting of the Committee as an observer.

3. Committee Operations

Frequency of Meetings

The Chair, in consultation with the other members of the Committee, will determine the schedule and frequency of meetings of the Committee, provided that the Committee will meet at least once per quarter.

Agenda and Reporting to the Board

The Chair will establish the agenda for meetings in consultation with the other members of the Committee and the Chair of the Board. To the maximum extent possible, the agenda and meeting materials will be circulated to the members in advance to ensure sufficient time for study prior to the meeting. The Committee will report to the Board at the next meeting of the Board following each Committee meeting.

Minutes

Regular minutes of Committee proceedings will be kept and will be circulated to all Committee members and the Chair of the Board (and to any other director that requests that they be sent to him or her) on a timely basis for review and approval.

Quorum

A quorum at any meeting will be a simple majority.

Procedure

The procedure at meetings will be determined by the Committee.

Transaction of Business

The powers of the Committee may be exercised at a meeting where a quorum is present or by resolution in writing signed by all members of the Committee.

Absence of Chair

In the absence of the Chair, the Committee may appoint one of its other members to act as Chair of that meeting.

Exercise of Power Between Meetings

Between meetings, and subject to any applicable law, the Chair of the Committee, or any member of the Committee designated for this purpose, may, if required in the circumstance, exercise any power delegated by the Committee. The Chair or other designated member will promptly report to the other Committee members in any case in which this interim power is exercised.

4. Committee Duties and Responsibilities

The Committee is responsible for performing the duties set out below and any other duties that may be assigned to it by the Board and performing any other functions that may be necessary or appropriate for the performance of its duties.

Independent Auditor's Qualifications and Independence

a. The Committee must recommend to the Board at all appropriate times the independent auditor to be nominated or appointed for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Cara and approve the compensation to be paid to the independent auditor.

b. The Committee is directly responsible for overseeing the work of the independent auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Cara, including the resolution of disagreements between management and the independent auditor regarding financial reporting. The independent auditor will report directly to the Committee and the Committee will evaluate and be responsible for Cara's relationship with the independent auditor.

c. The Committee must pre-approve any permitted non-audit services to be provided by the independent auditor to Cara or its subsidiaries, provided that no approval will be provided for any service that is prohibited under the rules of the Canadian Public Professional Accountability Board or the Independence Standards of the Canadian Institute of Chartered Accountants. The Committee may delegate to one or more of its members the authority to pre-approve those permitted non-audit services provided that any such pre-approval must be presented to the Committee at its next meeting and that the Committee may not delegate pre-approval of any non-audit internal control related services. The Committee may also adopt specific policies and procedures relating to pre-approval of permitted non-audit services to satisfy the pre- approval requirement provided that the procedures are detailed as to the specific service, the Committee is informed of each non-audit service and the procedures do not include the delegation of the Committee's responsibilities to management or pre-approval of non-audit internal control related services. The Committee will review with the lead audit partner whether any of the audit team members receive any discretionary compensation from the audit firm with respect to non-audit services performed by the independent auditor.

d. The Committee will obtain and review with the lead audit partner and a more senior representative of the independent auditor, annually or more frequently as the Committee considers appropriate, a report by the independent auditor describing: (a) the independent auditor's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry, review or investigation by governmental, professional or other regulatory authorities, within the preceding five years, respecting independent audits carried out by the independent auditor, and any steps taken to deal with these issues; and (c) in order to assess the independent auditor's independence, all relationships between the independent auditor and Cara and the independent auditor's objectivity and independence in accordance with the rules, policies and standards applicable to auditors.

e. After reviewing the report referred to above and the independent auditor's performance throughout the year, the Committee will evaluate the independent auditor's qualifications, performance and independence. The evaluation will include a review and evaluation of the lead partner of the independent auditor. In making its evaluation, the Committee will take into account the opinions of management and Cara's internal auditors (or other personnel responsible for the internal audit function). The Committee will also consider whether, in order to assure continuing auditor independence, there should be a rotation of the audit firm itself. The Committee will present its conclusions to the Board.

f. The Committee will review with the Board any issues that arise with respect to the performance and independence of the independent auditor and, where issues arise, make recommendations about whether Cara should continue with that independent auditor.

g. The Committee has the responsibility for approving the independent auditor’s fees. In approving the independent auditor’s fees, the Committee should consider, among other things, the number and nature of reports issued by the independent auditor, the quality of the internal controls, the impact of the size, complexity and financial condition of Cara on the audit work plan, and the extent of internal audit and other support provided by Cara to the independent auditor.

h. The Committee will ensure the regular rotation of members of the independent auditor’s team as required by law.

i. The Committee will establish hiring policies for employees and former employees of its independent auditor.

Financial Statements and Financial Review

a. The Committee will review the annual audited financial statements and quarterly financial statements with management and the independent auditor, including MD&A, before their release and their filing with securities regulatory authorities. The Committee will also review all news releases relating to annual and interim financial results prior to their public release. The Committee will also consider, establish, and periodically review policies with respect to the release or distribution of any other financial information, including earnings guidance and any financial information provided to ratings agencies and analysts, and review that information prior to its release.

b. The Committee will review all other financial statements of Cara that require approval by the Board before they are released to the public, including, without limitation, financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities. The Committee will review the Annual Information Form and Management Proxy Circular of Cara prior to its filing.

c. The Committee will meet separately and periodically with management, the internal auditors (or other personnel responsible for the internal audit function) and the independent auditor.

d. The Committee will oversee management’s design and implementation of an adequate and effective system of internal controls at Cara, including ensuring adequate internal audit functions. The Committee will review the processes for complying with internal control reporting and certification requirements and for evaluating the adequacy and effectiveness of specified controls. The Committee will review the annual and interim conclusions of the effectiveness of Cara’s disclosure controls and procedures and internal controls and procedures (including the independent auditor’s attestation that is required to be filed with securities regulators).

e. The Committee will review with management and the independent auditor: (A) major issues regarding accounting principles and financial statement presentations, including critical accounting principles and practices used and any significant changes to Cara’s selection or application of accounting principles, and major issues as to the adequacy of

Cara's internal controls and any special audit steps adopted in light of material control deficiencies; (B) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analysis of the effects of alternative GAAP methods on the financial statements of Cara and the treatment preferred by the independent auditor; (C) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of Cara; and (D) the type and presentation of information to be included in earnings press releases (including any use of "*pro forma*" or "adjusted" non-GAAP information).

f. The Committee will regularly review with the independent auditor any difficulties the auditor encountered in the course of its audit work, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management. The Committee will also review with the independent auditor any material communications with the independent auditor, including any management letter or schedule of unadjusted differences.

g. The Committee will review with management, and any outside professionals as the Committee considers appropriate, important trends and developments in financial reporting practices and requirements and their effect on Cara's financial statements.

h. The Committee will review with management and the independent auditor the scope, planning and staffing of the proposed audit for the current year. The Committee will also review the organization, responsibilities, plans, results, budget and staffing of the internal audit departments. In addition, management of Cara's subsidiaries will consult with the Committee, on the appointment, replacement, reassignment or dismissal of personnel in the respective internal audit departments.

i. The Committee will meet with management to discuss guidelines and policies governing the process by which Cara and its subsidiaries assess and manage exposure to risk and to discuss Cara's major financial risk exposures and the steps management has taken to monitor and control such exposures.

j. The Committee will review with management, and any internal or external counsel as the Committee considers appropriate, any legal matters (including the status of pending litigation) that may have a material impact on Cara and any material reports or inquiries from regulatory or governmental agencies.

k. The Committee will review with the Board any issues that arise with respect to the quality or integrity of Cara's financial statements, compliance with legal or regulatory requirements, or the performance of the internal audit function.

Additional Oversight

a. The Committee will establish procedures for (a) the receipt, retention and treatment of complaints received by Cara regarding accounting, internal accounting controls, auditing matters or potential violations of law and (b) the confidential, anonymous submission by employees of Cara of concerns regarding questionable accounting, internal accounting controls or auditing matters or potential violations of law. This will include the establishment of a whistleblower policy.

b. The Committee will annually review the expenses of the CEO and the CFO.

4. Access to Advisors

The Committee may, in its sole discretion, retain counsel, auditors or other advisors in connection with the execution of its duties and responsibilities and may determine the fees of any advisors so retained. Cara will provide the Committee with appropriate funding for payment of compensation to such counsel, auditors or other advisors and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

5. The Committee Chair

In addition to the responsibilities of the Chair described above, the Chair has the primary responsibility for monitoring developments with respect to financial reporting in general, and reporting to the Committee on any significant developments.

6. Committee Evaluation

The performance of the Committee will be evaluated by the Governance, Compensation and Nominating Committee as part of its annual evaluation of the Board committees.