# NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an Annual and Special Meeting of Shareholders of Cara Operations Limited (the "**Company**") will be held at Novotel Toronto Vaughan Centre, 200 Bass Pro Mills Dr., Vaughan, Ontario, L4N 0B9 on Friday, May 11, 2018 at 11:00 a.m. (Toronto time) for the following purposes:

(a) to receive the audited consolidated financial statements of the Company for the financial year ended December 31, 2017 and the auditors' report thereon;

(b) to consider and, if deemed appropriate, to pass, with or without variation, an ordinary resolution (the "**By-laws Resolution**") confirming the repeal of the Company's current By-law No. 1 and the adoption of an amended and restated By-law No. 1 (the "**Amended and Restated By-law No. 1**");

(c) to elect directors;

(d) to appoint the auditors and authorize the directors to fix the auditors' remuneration;

(e) to consider and, if deemed appropriate, to pass, with or without variation, a special resolution (the "**Name Change Resolution**") approving an amendment to the Company's articles to change the Company's name from "Cara Operations Limited" to "Recipe Unlimited Corporation";

(f) to consider and, if deemed appropriate, to pass, with or without variation, a special resolution (the "**Share Option Plan Resolution**") ratifying unallocated entitlements under the Company's share option plan and the Company's director share option plan for the ensuing three (3) years; and

(g) to transact such other business as may properly come before the meeting.

By Order of the Board,

Dave Lantz
Vice President, General Counsel & Corporate Secretary

April 10, 2018

If you cannot be present to vote in person at the meeting, please complete and sign the enclosed form of proxy and return it in the envelope provided to Computershare Trust Company of Canada at 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1 (if delivered by mail or by hand); at (416) 263-9524 or (866) 249-7775 (if delivered by fax); or vote by Internet at www.investorvote.com so that it is received by 11:00 a.m. (Toronto time) on Wednesday, May 9, 2018. Please refer to the accompanying Management Proxy Circular for further information regarding completion and use of the proxy and other information pertaining to the meeting.

**MANAGEMENT PROXY CIRCULAR**

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SECTION I – GENERAL AND VOTING INFORMATION

**Solicitation of Proxies**

**Our management is soliciting the enclosed proxy for use at the Annual and Special Meeting of Shareholders to be held on May 11, 2018 and at any adjournment or postponement thereof.** We will bear the cost of soliciting proxies. We will reimburse brokers, custodians, nominees and other fiduciaries for their reasonable charges and expenses incurred in forwarding proxy material to beneficial owners of shares. In addition to solicitation by mail, certain of our officers and employees may solicit proxies personally or by a means of telecommunication. These persons will receive no compensation beyond their regular salaries for so doing.

**Date of Information**

The information contained in this Management Proxy Circular is given as at March 30, 2018, except where otherwise noted.

**Currency**

Dollar amounts in this Management Proxy Circular are in Canadian dollars except as otherwise indicated.

**Provisions Relating to Proxies**

A properly executed proxy delivered to our transfer agent, Computershare Trust Company of Canada, at 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1 (if delivered by mail or by hand); at (416) 263-9524 or (866) 249-7775 (if delivered by fax); or by Internet at www.investorvote.com, so that it is received before 11:00 a.m. (Toronto time) on Wednesday, May 9, 2018 (or, in the event of an adjournment or postponement, the last business day prior to the adjourned or postponed meeting); or to the chair or secretary of the meeting for which the proxy is given before the time of voting, will be voted or withheld from voting, as appropriate, at the meeting and, if a choice is specified in respect of any matter to be acted upon, will be voted or withheld from voting in accordance with the direction given. In the absence of such direction, such proxy will be voted with respect to the election of directors, appointment of auditors, the ratification of unallocated entitlements under the Share Option Plan (as defined herein) and Director Share Option Plan (as defined herein) and the confirmation of the repeal of By-law No. 1 and the adoption of the Amended and Restated By-law No. 1 as described above.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the date of this Management Proxy Circular, our management knows of no such amendments, variations or other matters.

The persons named in the enclosed proxy are two of our officers. **If you wish to appoint some other person to represent you at the meeting, you may do so either by inserting such other person's name in the blank space provided in the enclosed proxy or by completing another form of proxy.** Such other person need not be a shareholder.

Under governing law, only registered holders of our subordinate voting shares and multiple voting shares (collectively, the "**Shares**"), or the persons they appoint as their proxies, are permitted to attend and vote at the meeting. However, in many cases, our subordinate voting shares beneficially owned by a holder (a "**Non-Registered Holder**") are registered either:

(a) in the name of an intermediary that the Non-Registered Holder deals with in respect of the shares, such as, among others, banks, trust companies, securities dealers, brokers, or trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or

(b) in the name of a depository (such as CDS Clearing and Depository Services Inc. or Depository Trust Company).

In accordance with Canadian securities law, we are distributing copies of the notice of meeting, this Management Proxy Circular, the form of proxy, the audited consolidated financial statements of the Company for the financial year ended December 31, 2017 and the related management's discussion and analysis (collectively, the "**meeting materials**") to the depositories and intermediaries for onward distribution to Non-Registered Holders. The Company does not intend to pay for

intermediaries to forward the meeting materials to Non-Registered Holders and Non-Registered Holders will not receive the meeting materials unless the intermediary assumes the cost of delivery.

Intermediaries are required to forward meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, intermediaries will use service companies to forward the meeting materials to Non-Registered Holders. Non-Registered Holders who have not waived the right to receive meeting materials will:

A. be given a proxy which has already been signed by the intermediary (typically by a facsimile, stamped signature) which is restricted to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it as described above; or

B. more typically, receive, as part of the meeting materials, a voting instruction form which must be completed, signed and delivered by the Non-Registered Holder in accordance with the directions on the voting instruction form (which may in some cases permit the completion of the voting instruction form by telephone or through the Internet).

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares they beneficially own. Should a Non-Registered Holder who receives either a proxy or a voting instruction form wish to attend and vote at the meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their intermediaries and their service companies.**

If you have given a proxy, you may revoke it by an instrument in writing executed by you or by your attorney authorized in writing or, if you are a corporation, under your corporate seal or by an officer or attorney duly authorized, and deposited either at our head office at any time up to and including the last business day preceding the day of the meeting, or any adjournment or postponement thereof, at which the proxy is to be used or with the chair or secretary of the meeting on the day of the meeting or any adjournment or postponement thereof. The exercise of a proxy does not constitute a written objection for the purposes of subsection 185(6) of the *Business Corporations Act* (Ontario) (the "**OBCA**").

A Non-Registered Holder may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary is not required to act on a revocation of voting instruction form or of a waiver of the right to receive meeting materials and to vote that is not received by the intermediary at least seven days prior to the meeting.

**Voting Shares and Principal Holders Thereof**

As of March 30, 2018, we have 27,966,723 subordinate voting shares and 34,396,284 multiple voting shares outstanding (these are our only voting securities). Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Each multiple voting share carries twenty-five votes per share at all meetings of shareholders except in certain circumstances (which have not occurred) and except for separate meetings of holders of another class of shares. The multiple voting shares are convertible into subordinate voting shares on a one-for-one basis at any time at the option of the holders thereof and automatically in certain other circumstances. The outstanding subordinate voting shares currently represent approximately 3.1% of the total votes attached to all classes of our outstanding voting securities.

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 Toronto Stock Exchange (the "**TSX**"), the Company entered into a coattail agreement on April 10, 2015 with the holders of the multiple voting shares 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.

Each holder of our subordinate voting shares or multiple voting shares of record at the close of business on April 6, 2018 (the "**record date**" established for notice of the meeting and for voting in respect of the meeting) will be entitled to vote at the meeting or any adjournment or postponement thereof, either in person or by proxy. At least two shareholders, representing in person or by proxy at least 15% of our outstanding voting shares constitute a quorum at any meeting of shareholders.

Fairfax Financial Holdings Limited and its affiliates ("**Fairfax**") owns 7,224,180 subordinate voting shares and 19,903,378 multiple voting shares, representing approximately 56.85% of the total votes attached to all classes of our voting shares (approximately 25.8% of the total votes attached to the subordinate voting shares and approximately 57.9% of the total votes attached to the multiple voting shares).

The Phelan family, through Cara Holdings Limited and its affiliates ("**Cara Holdings**"), owns 14,492,906 multiple voting shares, representing approximately 40.81% of the total votes attached to all classes of our voting shares (approximately 42.1% of the total votes attached to the multiple voting shares).

To the knowledge of our directors and officers, there are no other persons who (directly or indirectly) beneficially own, or control or direct, shares carrying 10% or more of the votes attached to any class of our voting shares.

**Additional Information**

You may obtain a copy of our latest annual information form, our audited consolidated financial statements for the financial year ended December 31, 2017 together with the report of the auditors thereon, management's discussion and analysis of our financial condition and results of operations for the financial year ended December 31, 2017, any of our interim consolidated financial statements for periods subsequent to the end of our 2017 fiscal year and this Management Proxy Circular, upon request to our Corporate Secretary. If you are one of our securityholders, there will be no charge to you for these documents. You can also find these documents as well as additional information relating to the Company on our website (*www.cara.com*) or on SEDAR (*www.sedar.com*). Financial Information is provided on the Company's consolidated financial statements and related management's discussion and analysis for its most recently completed financial year.

**Shareholder Proposals for Next Year's Annual Meeting of Shareholders**

The OBCA permits certain eligible shareholders to submit shareholder proposals to us, which proposals may be included in a management proxy circular relating to an annual meeting of shareholders. The final date by which we must receive shareholder proposals for our annual meeting of shareholders to be held in 2019 is February 21, 2019.

## SECTION II – BUSINESS OF THE MEETING

We will address six items at the meeting:

1. receiving the audited consolidated financial statements of the Company for the financial year ended December 31, 2017 and the auditors' report thereon;
2. an ordinary resolution repealing the Company's current By-law No. 1 and adopting the Amended and Restated By-law No. 1;
3. electing directors;
4. appointing the auditors and authorizing the directors to fix the auditors' remuneration;
5. a special resolution approving an amendment to the Company's Articles to change the Company's name from "Cara Operations Limited" to "Recipe Unlimited Corporation"; and
6. a special resolution ratifying the unallocated entitlements under the Share Option Plan and Director Share Option Plan for the ensuing three (3) years.

We will also consider other business that may properly come before the meeting.

**1. Receiving the Audited Consolidated Financial Statements**

The audited consolidated financial results for the financial year ended December 31, 2017 and the auditors' report thereon will be presented at the meeting and shareholders will be given the opportunity to discuss these results with management.

**2. Repeal and Adoption of the Amended and Restated By-law No. 1**

At the meeting, shareholders will be asked to consider and, if deemed advisable, to pass, with or without amendment, an ordinary resolution, set out in Schedule "B" of this Management Proxy Circular, confirming the repeal of the Company's current By-law No. 1, and the adoption of the Amended and Restated by-law No. 1, a copy of which is attached to this Management Proxy Circular as Schedule "C".

The purpose of amending the Company's current by-laws, which were adopted in 2015, is to among other things facilitate the election of the current slate of 8 directors. The current by-laws provide that the number of directors of the Company shall be a minimum of 6 and a maximum of 7. By amending this provision of the By-laws, the number of directors that may be elected will be a minimum of 8 and a maximum of 9.

**The Board recommends that shareholders vote in favour of the repeal of the Company's By-law No. 1, and the adoption of the Amended and Restated By-law No. 1. In order to be effective, the resolution to adopt the Amended and Restated By-law No. 1 must be approved by not less than a majority of the votes cast by the shareholders of the Company who vote in respect of the resolution. Unless a shareholder specifies otherwise in a proxy, the persons named in the accompanying proxy intend to vote in favour of such resolution.**

**3. Election of Directors**

A board of eight directors (the "**Board**") is to be elected at the meeting to serve until the next annual meeting. Each nominee is voted for on an individual basis. Unless a shareholder specifies otherwise in a proxy, the persons named in the accompanying proxy intend to vote in favour of such resolution. However, in case any of the nominees should become unavailable for election for any presently unforeseen reason, the persons named in the proxy will have the right to use their discretion in selecting a substitute. The following information is submitted with respect to the nominees for director:

| **Names of nominees, offices held in Cara (or significant affiliates) and principal occupations** | **Director since** | **Ownership or control over voting securities (subordinate voting shares) of Cara[(1)(2)]** |
|---|---|---|
| David Aisenstat<br>President, Chief Executive Officer and Corporate Director of The Keg Restaurants Ltd.<br>British Columbia, Canada | N/A | 401,284 |
| Christy Clark<br>Former Premier of British Columbia<br>British Columbia, Canada | N/A | – |
| William D. Gregson<br>Chair and Chief Executive Officer of Cara Operations Limited<br>Ontario, Canada | October 31, 2013 | 1,075,269 |
| Stephen K. Gunn[(3)]<br>Co-Founder and Co-Chair of Sleep Country Canada Inc.<br>Ontario, Canada | March 26, 2013 | 32,258 |

| Names of nominees, offices held in Cara (or significant affiliates) and principal occupations | Director since | Ownership or control over voting securities (subordinate voting shares) of Cara[1][2] |
|---|---|---|
| Christopher D. Hodgson[3][4]<br>President, Ontario Mining Association<br>Ontario, Canada | April 10, 2015 | – |
| Michael J. Norris[3]<br>Corporate Director<br>Ontario, Canada | January 2, 2012 | 32,258 |
| John A. Rothschild[4]<br>Corporate Director<br>Ontario, Canada | October 31, 2013 | 259,110 |
| Sean Regan[4]<br>President of Cara Holdings Limited<br>Ontario, Canada | April 10, 2015 | – |

(1) Details on all outstanding options and share-based awards held by our directors are described under "Executive Compensation Discussion and Analysis – Outstanding Option-Based Awards and Share-Based Awards" and "Director Compensation – Outstanding Options-Based Awards and Share Based Awards". None of the option-based or share-based awards mentioned in this footnote are included in the numbers of subordinate voting shares shown in the above table.

(2) Mr. Regan is the President of Cara Holdings Limited, which beneficially owns, controls or directs, directly or indirectly, 14,492,906 multiple voting shares, representing approximately 42.1% of our issued and outstanding multiple voting shares.

(3) Member of the Audit Committee (Chair — Stephen K. Gunn).

(4) Member of the Governance, Compensation and Nominating Committee (Chair — John A. Rothschild).

The information as to shares beneficially owned or controlled by each nominee, and certain of the biographical information provided below, not being within our knowledge, has been furnished by such nominee.

*Legend:*

*BD — Board of Directors* *AC—Audit Committee* *GC&NC — Governance, Compensation and Nominating Committee*

**David Aisenstat –** Mr. Aisenstat is the President, Chief Executive Officer and Director of Keg Restaurants Ltd. ("**KRL**"). Mr. Aisenstat has held his current position with The Keg since June 1997. Mr. Aisenstat previously served on the Board of Directors and Executive Committee of KRL from 1982 to 1987 when The Keg was acquired by Whitbread PLC. Mr. Aisenstat has also served as President of Hy's of Canada Ltd., a fine dining steakhouse restaurant chain, and owns other fine dining restaurants such as Ki Modern Japanese & Bar, The Shore Club and Joe Fortes Seafood & Chop House.

**Christy Clark** – The Honorable Christy Clark led Canada's third largest province for over six years - managing a government with $52B in revenues, 18 ministries, 27 crown corporations and over 125,000 employees. Throughout her tenure, Ms. Clark demonstrated the strongest performance of any Canadian Premier for economic growth, fiscal management and job creation. Ms. Clark retired from political life in 2017 as the longest serving female Premier in Canadian history and the only woman in Canada ever to be re-elected.

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|---|---|
| **William D. Gregson** — Mr. Gregson is the Chief Executive Officer of the Company, a position he has held since October, 2013 and has been the Chair of the Board since April 10, 2015. Mr. Gregson served as the Executive Chair of the board of directors of The Brick Ltd. from January, 2012 until March, 2013. Mr. Gregson was appointed President and Chief Executive Officer of The Brick Warehouse LP on July 10, 2009 and held that office until December 31, 2011. Prior to that, Mr. Gregson was the President and Chief Operating Officer of Forzani, where he worked for 11 years. Mr. Gregson is the Chair of the board of Golf Town Limited, a director of Peak Achievement Athletics and a former director of The Keg Restaurants Ltd., MEGA Brands Inc. and Shop.ca Network Inc. Mr. Gregson has a long and distinguished track record of over 30 years in retail operations. Mr. Gregson holds a Bachelor of Commerce degree from the University of Toronto. | Meetings Attended in 2017<br>9 of 9 BD |
| **Stephen K. Gunn** — Mr. Gunn is the Co-Chair of Sleep Country Canada Inc., a position he has held since 1997. 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 and he is a director 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. | Meetings Attended in 2017<br>9 of 9 BD<br>4 of 4 AC |
| **Christopher D. Hodgson** — Mr. Hodgson is the President of the Ontario Mining Association, President of Chris Hodgson Enterprises, a director of Fairfax India Holdings Corporation, Fairfax Africa Holdings Corporation and a director of Canadian Orebodies Inc. Mr. Hodgson previously served as 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. Previously, he enjoyed a career in municipal government and real estate development and is an Honours Bachelor of Arts graduate from Trent University. | Meetings Attended in 2017<br>9 of 9 BD<br>4 of 4 AC<br>2 of 2 GC&NC |
| **Michael J. Norris** — Mr. Norris has been a director of the Company since January 2, 2012 and acted as Interim Chair of the Board from October 31, 2013 to April 10, 2015. He was Deputy Chair of RBC Capital Markets from 2003 through 2012. Prior to his appointment as Deputy Chair, Mr. Norris held numerous positions with RBC Capital Markets, including Head of the Energy Practice from 1992 through 1998 and Head of Global Investment Banking from 1998 through 2003. Prior to his career at RBC Capital Markets, Mr. Norris had a successful career with Mobil Oil and Gulf Canada. Mr. Norris currently sits on the board of Keyera Corporation and a number of private and non-profit organizations. Mr. Norris holds a B.Sc. degree in Civil Engineering from Queen's University and holds a Master of Business Administration from the University of Western Ontario. | Meetings Attended in 2017<br>9 of 9 BD<br>4 of 4 AC |
| **John A. Rothschild** — Mr. Rothschild has been a board member of the Company since October, 2013. He retired from his position as Senior Vice President, Restaurant Development of the Company in November 2014, a position he had held since October 2013. Mr. Rothschild was the former Chief Executive Officer of Prime Restaurants Inc. ("**Prime**") from 1992 to 2014. Mr. Rothschild has been a senior officer and member of the Boards of Directors of Prime's predecessors since 1988. From 1979 until 1993, Mr. Rothschild worked for Claridge Inc. (formerly Cemp Investments Ltd.), rising to become Vice President of Investments, and then President of one of that company's subsidiaries specializing in investing in small to medium sized businesses. Mr. Rothschild also sits on the boards of directors of several Canadian companies. Mr. Rothschild holds a Bachelor of Arts from the University of Toronto, a Master of Business Administration from the University of Western Ontario, and is a FCPA/FCA. | Meetings Attended in 2017<br>9 of 9 BD<br>2 of 2 GC&NC |

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|---|---|
| **Sean Regan** — Mr. Regan is the President of Cara Holdings Limited, a position he has held since 2013. Mr. Regan was most recently Senior Vice President, Corporate Development at the Company in 2013, where he was responsible for acquisition and partnership opportunities and the Company's gift card program. Prior to that, Mr. Regan ran the IT Group including the Call Centre Business at the Company from 2009 to 2013, at which time he led the Company's business transformation process to the current cloud computing environment. Prior to his work at the Company, Mr. Regan was a commercial helicopter pilot operating in British Columbia. Mr. Regan holds a Master of Business Administration from the University of Western Ontario. | Meetings Attended in 2017<br>9 of 9 BD<br>2 of 2 GC&NC |

As of the date hereof, to the knowledge of the Company and based upon information provided to it by the nominees for election to the Board of Directors, no such nominee 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 or 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 Mr. Gunn who 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.

**4. Appointment of Auditor and Remuneration**

Information concerning fees paid to our external auditors for services they have rendered to us in each of the last two fiscal years can be found in our Annual Information Form under the heading "Audit Committee – External Auditor Service Fees", which is available on SEDAR (*www.sedar.com*).

Unless a shareholder specifies otherwise in a proxy, the persons named in the accompanying proxy intend to vote in favour of the appointment of KPMG LLP as our auditors to hold office until the next annual meeting and authorize the directors to fix KPMG LLP's remuneration. In order to be effective, the resolution to appoint KPMG LLP as our auditors and to authorize the directors to fix the auditors' remuneration must be passed by a majority of the votes cast in person or by proxy at the meeting.

**5. Approval of Name Change from Cara Operations Limited to Recipe Unlimited Corporation**

***Background***

On February 22, 2018, the Company merged with Keg Restaurants Ltd. In connection therewith, Cara announced its intention to change its corporate name to better reflect what the Company has become since Fairfax invested in the Company in 2013, including: the Company's initial public offering in 2015; the acquisition of St-Hubert, Original Joe's and New York Fries; and the recent merger with The Keg.

***Approval***

At the Meeting, shareholders will be asked to consider, and, if deemed appropriate, approve a special resolution approving an amendment to the Articles of the Company to change the Company's name from "Cara Operations Limited" to "Recipe Unlimited Corporation". A copy of the Name Change Resolution is set out in Schedule "D" of this Management Proxy Circular.

**The Board unanimously recommends that shareholders vote in favour of the Name Change Resolution. In order to be effective, the Name Change Resolution must be approved by not less than two thirds of the votes cast at the Meeting. Unless a shareholder specifies otherwise in a proxy, the persons named in the accompanying proxy intend to vote in favour of such resolution.**

Although shareholder approval of the Name Change Resolution is being sought at the Meeting, such name change would become effective at a date in the future to be determined by the Board when it considers it to be in the best interests of the Company to implement such a change of name. The proposed change of name is also subject to certain regulatory approvals, including the approval of the TSX and the approval of the Director under the OBCA. The Board may, in its sole discretion, determine not to implement the Name Change Resolution at any time after the Meeting and after receipt of necessary regulatory approvals, but prior to the issuance of a certificate of amendment, without further notice to or action on the part of the shareholders. Subject to the exercise of such direction by the Board, the Company will file articles of amendment in the prescribed form with the Director under the OBCA. The change of name will become effective on the date shown on the certificate issued by the Director under the OBCA. Under the OBCA, shareholders of the Company do not have dissent and appraisal rights with respect to the Name Change Resolution.

**6. Shareholder Ratification of Unallocated Entitlements under the Share Option Plan and Director Share Option Plan**

At the Meeting, shareholders will be asked to consider, and, if deemed appropriate, ratify a resolution approving the unallocated entitlements under the Share Option Plan and Director Share Option Plan. A copy of the Share Option Plan Resolution is set out in Schedule "E" of this Management Proxy Circular.

Shareholders are referred to the information on the Share Option Plan and Director Share Option Plan contained in the Compensation Discussion and Analysis section of this document. Pursuant to requirements of the TSX, the Share Option Plan and Director Share Option Plan must be presented to the shareholders of the Company for ratification of the unallocated entitlements every three years. As such, the Share Option Plan and Director Share Option Plan are herein presented to the shareholders of the Company at this meeting for the purposes of considering, and if deemed appropriate, approving the unallocated entitlements under the evergreen Share Option Plan and Director Share Option Plan for the ensuing three (3) years.

**The Board has determined that approval of the unallocated entitlements under the Share Option Plan and Director Share Option Plan is in the best interests of the Company and its shareholders. The Board recommends that shareholders vote in favour of the adoption of the Share Option Plan Resolution. Unless a shareholder specifies otherwise in a proxy, the persons named in the accompanying proxy intend to vote in favour of such resolution.**

**In accordance with the rules of the TSX, in order to be effective, the resolution must be passed by the affirmative vote of the majority of the voting shares cast at the Meeting with respect to such resolution. If approval is not obtained at the Meeting, Options and Director Options which have not been allocated as of May 11, 2018 and Options and Director Options which are outstanding as of May 11, 2018 and are subsequently cancelled, terminated or exercised will not be available for a new grant of options. Previously allocated options will continue to be unaffected by the approval or disapproval of the resolution.**

**Other Business**

Our management is not aware of any other matters which are to be presented at the meeting. However, if any matters other than those referred to herein should be presented at the meeting, the persons named in the enclosed proxy are authorized to vote the shares represented by the proxy in their discretion and in accordance with their best judgment.

## SECTION III – EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

**Overview**

The following discussion describes the significant elements of the compensation of the Company's Chief Executive Officer; Chief Financial Officer; President, Family Dining Division; Sr. Vice President, Casual Dining Division; and President, Groupe St-Hubert (collectively, the "**named executive officers**" or "**NEOs**"), namely:

- William D. Gregson, Chief Executive Officer;
- Kenneth J. Grondin, Chief Financial Officer;
- Kenneth Otto, President, Family Dining Division;
- Grant Cobb, Sr. Vice President, Casual Dining Division; and
- Pierre Rivard, President, Groupe St-Hubert.

**Compensation Discussion and Analysis**

***Overview***

The Governance, Compensation and Nominating Committee, in consultation with the Chief Executive Officer, is responsible for establishing, reviewing and overseeing the compensation policies of the Company and compensation of the executive officers. The Company's executive compensation program is designed to attract, retain and motivate highly qualified executives while also aligning the interests of the executives with the Company's shareholders.

Our executive compensation program is designed to (i) align the interests of our executives with our shareholders by linking compensation with our performance, and (ii) to be competitive on a total compensation basis in order to attract and retain executives. The remuneration of our NEOs consists of an annual base salary, an annual bonus and long-term equity incentives, consisting of options granted from time to time under the Company's 2015 share option plan (the "**Share Option Plan**"). Perquisites and personal benefits are not a significant element of compensation of our executive officers.

Each year, our Chief Executive Officer makes compensation recommendations to the Governance, Compensation and Nominating Committee in consideration of the achievements of our executive team during the year and our corporate objective to achieve a high rate of return on invested capital and build long-term shareholder value. The Governance, Compensation and Nominating Committee evaluates the factors considered by our Chief Executive Officer along with information provided by the Company's human resources department gathered from third party sources and surveys detailing market compensation ranges for executive officers of similar enterprises and decides whether to approve or adjust the recommendations for compensation of our executive officers. The Governance, Compensation and Nominating Committee separately considers the compensation for our Chief Executive Officer, as more fully described below.

Mr. Gregson proposed to our Governance, Compensation and Nominating Committee the remuneration of our executive officers for 2017. The Governance, Compensation and Nominating Committee considered the proposals by Mr. Gregson, which included a description of the accomplishments of our executives. The Governance, Compensation and Nominating Committee evaluated and approved the compensation of our executive officers for 2017. Details of the compensation awarded to our named executive officers for 2015 to 2017 are shown in the "Summary Compensation Table" below.

***Compensation Risk***

In reviewing the compensation policies and practices of the Company each year, the Governance, Compensation and Nominating Committee seeks to ensure that the executive compensation program provides an appropriate balance of risk and reward consistent with the risk profile of the Company. The Governance, Compensation and Nominating Committee also seeks to ensure that the Company's compensation practices do not encourage excessive risk-taking behaviour by the executive team. The Company's long-term incentive plan has been designed to focus on the long-term performance of the Company, which discourages executives from taking excessive risks in order to achieve short-term, unsustainable performance.

All of the Company's executives, including the NEOs, directors and senior employees are subject to the Company's insider trading policy, which prohibits trading in the securities of the Company while in possession of material undisclosed information about the Company. Under this policy, such individuals are also be prohibited from entering into certain types of hedging transactions involving the securities of the Company, such as short sales, puts and calls, that are designed to hedge or offset any decrease in market value of our equity securities. Furthermore, the Company permits executives, including the NEOs, to trade in the Company's securities, including the exercise of options, only during prescribed trading windows.

***Base salaries***

A primary element of the Company's compensation program is base salary. The Company's view is that a competitive base salary is a necessary element for attracting and retaining qualified executive officers. The amount payable to an executive officer is determined based on the scope of the executive's responsibilities and prior experience, while taking into account competitive market compensation and overall market demand for such executives at the time of hire.

Base salaries are reviewed annually and increased for merit reasons based on the executive's success in meeting or exceeding Company and individual objectives. Additionally, base salaries can be adjusted as warranted throughout the year

to reflect promotions or other changes in the scope or breadth of an executive's role or responsibilities, as well as for market competitiveness.

Each of the NEOs, other than Pierre Rivard who is not eligible to participate in the Share Option Plan, has elected to remain eligible to participate in the Share Option Plan in exchange for foregoing: (a) eligibility for any annual base salary merit increases, (b) participating in the Company's 3% RSP match program and, as applicable, (c) receiving a car allowance from the Company. In December 2015, each NEO, other than Pierre Rivard, received a grant of 10,000 Options (as defined below) under the Share Option Plan in respect of compensation for the 2016 calendar year. In 2016, no further Options were granted to NEOs under the Share Option Plan. In January 2017, each NEO, other than Pierre Rivard, received a grant of 20,000 Options (as defined below) under the Share Option Plan in respect of compensation for the 2017 calendar year.

***Annual bonuses***

Annual bonuses are designed to motivate executive officers to meet the Company's business objectives and, in particular, annual financial performance targets. Bonuses are earned and measured with reference to the Company's Operating EBITDA (as defined in our Annual Information Form) and, where applicable, that of any specific brand(s) for which the applicable executive officer has responsibility. Annual bonus targets are set as a percentage of the relevant individuals' base salary (generally 25% of base salary) and can double (up to 50% of base salary), increase by up to 91% of base salary or increase by such other amounts as the Board may determine from time to time in the case of the Chief Executive Officer, if maximum financial performance targets are achieved. The Company sets Operating EBITDA targets each year in connection with the annual budget process to ensure that bonus targets are realized at predetermined levels of Operating EBITDA growth, representing a significant improvement over the prior year and/or budget. Under the current program, all bonus payouts are rendered in cash.

For 2017, bonus targets were set based on improved Operating EBITDA performance over 2016. The overall portion of 2017 annual bonuses was generally paid out at 10% of target base salary for eligible participants. Like 2017, 2018 annual bonus targets have been set based on improving Operating EBITDA performance as compared to 2017.

***Long-term incentives***

*Share Option Plan*

Our executive officers, along with other employees and non-employee directors, are eligible to participate in the Share Option Plan. The purpose of the Share Option Plan is to motivate and provide rewards for the senior management team and other plan participants to achieve long-term goals of improving the performance of the Company and increasing shareholder value. Under the Share Option Plan, the Company awards long-term incentives in the form of options, the values of which are directly linked to the change in value of the subordinate voting shares.

Executives and employees eligible for grants under the Share Option Plan generally receive them as determined by the Board from time to time on an annual basis. The value of awards under the Share Option Plan is based on an employee's seniority of job function. All grants are reviewed and approved by the Governance, Compensation and Nominating Committee and the Board as part of its regular compensation review.

*Administration*

The Share Option Plan is administered by the Board. The Board determines which employees and non-employee directors of the Company or a related entity of the Company are eligible to receive options to purchase subordinate voting shares ("**Options**") under the Share Option Plan. In addition, the Board administers and interprets the Share Option Plan and may adopt, amend, prescribe or rescind any administrative guidelines or other rules and regulations relating to the Share Option Plan, as it deems appropriate, to the extent permitted by applicable law (including stock exchange rules). On May 12, 2015, the Board delegated the authority to determine the number of Options to be granted to the management level directors, lead chefs, vice presidents, senior vice presidents, the Chief Executive Officer and the Chief Financial Officer to Mr. Gregson, subject to confirmation by the Board.

To the extent permitted by law, the Board may delegate its powers under the Share Option Plan to the Governance, Compensation and Nominating Committee. In such event, the Governance, Compensation and Nominating Committee will exercise the powers delegated to it by the Board in the manner and on such terms authorized by the Board, and all decisions

made, or actions taken, by the Governance, Compensation and Nominating Committee arising in connection with the administration or interpretation of the Share Option Plan, within its delegated authority, are final and conclusive.

*Eligibility*

All current non-employee directors and employees of the Company or related entities of the Company are eligible to participate in the Share Option Plan.

*Subordinate Voting Shares Subject to the Share Option Plan and Participation Limits*

The Share Option Plan provides that the number of subordinate voting shares available for issuance upon exercise of options (including Options, options granted under the Legacy Share Option Plan (as defined below), options granted under the Legacy CEO Share Option Plan (as defined below) ("**CEO Options**") and options granted under the Director Share Option Plan (as defined below) ("**Director Options**") (collectively, the "Option Plans") will not exceed 15% of the Company's issued and outstanding Shares from time to time. If, for any reason, any Options or CEO Options terminate prior to their exercise in full or are exercised or cancelled, the subordinate voting shares subject to such Options or CEO Options, as the case may be, will again become available for issuance under the Share Option Plan. As a result, the Share Option Plan is considered an "evergreen" plan. Accordingly, pursuant to the rules of the TSX, the Share Option Plan will be subject to ratification of the unallocated entitlements by securityholders other than insiders eligible to participate in the Share Option Plan, every three years. The Share Option Plan is not subject to any insider or other participation limits. The Share Option Plan is herein presented in the Business of the Meeting section of this document under the heading "Shareholder Ratification of Unallocated Entitlements under the Share Option Plan". Thereafter, the Share Option Plan will next be presented to the shareholders of the Company for ratification of the unallocated entitlements under its evergreen plan at the Company's 2021 Annual Meeting.

As at March 30, 2018, 4,080,975 options were outstanding under the Option Plans, representing approximately 6.54% of the Company's issued and outstanding shares. The total number of options outstanding represents an aggregate of 748,494 Options, 913,126 options granted under the Legacy Share Option Plan, 2,419,355 CEO Options granted under the Legacy CEO Share Option Plan and nil Director Options granted under the Director Share Option Plan.

*Security Based Award Burn Rate for the Last Three Years*

Pursuant to TSX rules, the Company is required to calculate and disclose the annual "burn rate" of its Options and any other security based awards for the three most recently completed financial years. The annual burn rate is equal to the number of options and any other security based awards granted in the applicable year, divided by the weighted average number of Shares outstanding in that year, expressed as a percentage. The Company's average burn rate over the last three financial years is 0.62%.

| **Financial Year End** | **Burn Rate (%)** |
|---|---|
| December 27, 2015 | 0.80% |
| December 26, 2016 | 0.17% |
| December 31, 2017 | 0.89% |

*Exercise and Vesting*

The Board may grant Options to any participant under the Share Option Plan at any time. The exercise price for Options will be determined by the Board, but may not be less than the greater of (i) the fair market value of a subordinate voting share (generally being the volume weighted average trading price of the subordinate voting shares on the TSX during the five trading days immediately preceding the applicable day (the "**Market Value**")) on the date the Option is granted, and (ii) the price required by applicable regulatory authorities.

Unless otherwise specified in a participant's option agreement, Options will vest on the third anniversary of their date of grant. Each vested Option becomes exercisable on the later of (i) January 1, 2019, and (ii) the third anniversary of the date of grant. Unless otherwise specified by the Board, each Option expires on the eighth anniversary of the date of grant,

except in the case where the expiry period falls during a blackout period, in which case the expiry period will be automatically extended until 10 business days after the end of the blackout period. The Share Option Plan also provides for earlier expiration of Options upon the occurrence of certain events, including the termination of a participant's employment.

In order to facilitate the payment of the exercise price in respect of the Options, the Share Option Plan has a cashless exercise feature. The participant may elect to receive (i) an amount in cash per Option equal to the cash proceeds realized upon the sale of the subordinate voting shares by a securities dealer in the capital markets, less the applicable exercise price and any applicable withholding taxes, (ii) an aggregate number of subordinate voting shares that is equal to the number of subordinate voting shares underlying the Options minus the number of subordinate voting shares sold by a securities dealer in the capital markets as required to realize cash proceeds equal to the applicable exercise price and any applicable withholding taxes, or (iii) a combination of (i) and (ii). The transfer cost incurred to sell the subordinate voting shares will be deducted from the net proceeds payable to the participant.

*Termination of Employment*

Unless otherwise permitted by the Board, upon a participant's qualified retirement after 2018, death or disability, any unvested Options held by the participant as at the termination date will accelerate and vest on a *pro rata* basis up to the termination date. All of a participant's vested Options may be exercised until the earlier of (i) the expiry date of the Options, or (ii) 180 days after the termination date, after which time all Options will expire. The concept of retirement is qualified in accordance with the terms of the Share Option Plan.

Unless otherwise permitted by the Board, upon termination of a participant's employment without cause, any vested Options held by the participant as at the termination date may be exercised until the earlier of (i) the expiry date of the Options, or (ii) 90 days after the termination date, after which time all Options will expire. Any unvested Options held by the participant as at the termination date immediately expire.

Unless otherwise permitted by the Board, upon termination of a participant's employment for cause or the participant voluntarily resigns, any unvested Options held by the participant as at the termination date immediately expire. If a participant's employment is terminated by voluntary resignation, then (i) if the resignation occurs prior to 2019, the participant's right to exercise his or her Options will not apply and the vested Options (if any) will immediately expire, and (ii) if the resignation occurs in 2019 or beyond, the participant's vested Options continue to be exercisable until the earlier of (a) the expiry date of the Options, or (b) 90 days after the termination date, after which time all Options will expire. If a participant's employment is terminated for cause, any vested Options may be exercised until the earlier of (i) the expiry date of the Options, or (ii) 90 days after the termination date (provided the termination is not due to a criminal act, in which case all vested Options will immediately expire), after which time all Options will expire.

Unless otherwise permitted by the Board, if the participant is a director who ceases to hold office as a result of (i) his or her removal by shareholders, or (ii) voluntary resignation, any vested Options held by the participant as at the termination date may be exercised until the earlier of (a) the expiry date of the Options, or (b) 60 days after the termination date (provided the termination is not due to a criminal act, in which case all vested Options will immediately expire), after which time all Options will expire. Any unvested Options held by the participant as at the termination date immediately expire.

*Adjustments*

In the event of any change in the Company's capital structure, the payment of an extraordinary stock dividend or any other change made in the capitalization of the Company, that, in the opinion of the Board, would warrant the amendment or replacement of any existing Options (collectively, the "**Adjustment Events**"), the Share Option Plan provides for appropriate adjustments in the number of subordinate voting shares that may be acquired upon the exercise of Options or the exercise price of outstanding Options (collectively, the "**Adjustments**"), as necessary in order to preserve proportionately the rights and obligations of the participants under the Share Option Plan.

In the event of an amalgamation, combination, merger or other reorganization involving the Company by exchange of subordinate voting shares, by sale or lease of assets or otherwise, that, in the opinion of the Board, warrants the replacement or amendment of any existing Options, the Board may make Adjustments in order to preserve proportionately the rights and obligations of the participants under the Share Option Plan.

In the event that the Board determines that the Adjustments would not preserve proportionately the rights and obligations of the participants, or the Board otherwise determines it is appropriate, the Board may permit the vesting and/or

exercise of any outstanding Options that are not otherwise vested and/or exercisable and the cancellation of any outstanding Options which are not exercised within any specified period.

*Amendment or Discontinuance*

The Board may, at any time, amend, suspend or terminate the Share Option Plan, or any portion thereof, subject to applicable law (including stock exchange rules) that requires the approval of securityholders or any governmental or regulatory body, provided that no such action may be taken that adversely alters or impairs any rights of a participant under any Option previously granted without the consent of such affected participant.

Notwithstanding the above, the Board may make amendments to the Share Option Plan without seeking securityholder approval, including, for example (and without limitation), housekeeping amendments, amendments to comply with applicable laws or to qualify for favourable treatment under tax laws or amendments to accelerate vesting. The following types of amendments cannot be made without obtaining securityholder approval:

1. amendments to the number of subordinate voting shares reserved for issuance;
2. increases in the length of the period after a blackout period during which Options may be exercised;
3. amendments which would result in the exercise price for any Option being lower than the Market Value at the time the Option is granted;
4. reductions to the exercise price of an Option, other than pursuant to an Adjustment Event;
5. extension of the term of an Option held by an insider beyond the expiry of its exercise period;
6. amendments to the amendment provisions;
7. permitting awards to be transferred or assigned, other than for normal estate settlement purposes; and
8. amendments required to be approved by securityholders under applicable law (including the rules, regulations and policies of the TSX).

*Assignment*

Except as required by law and subject to the retirement, death or disability of a participant, no assignment or transfer of Options, whether voluntary, involuntary, by operation of law or otherwise, is permitted.

*Change of Control*

In the event of a change of control of the Company (which occurs when Fairfax and Cara Holdings cease to have control) (a "**Change of Control**"), all unvested Options will vest and become exercisable on an accelerated basis and, if requested by the participant, the Company will pay each participant an amount in cash equal to the whole number of subordinate voting shares covered by the Option to be tendered multiplied by the amount by which the price paid for a subordinate voting share pursuant to the Change of Control exceeds the exercise price of the Options, net of withholding taxes. The Company will pay the foregoing amounts contemporaneously with completion of the transaction resulting in the Change of Control.

*Legacy Share Option Plan (the "**Legacy Share Option Plan**")*

The Legacy Share Option Plan is part of a legacy compensation program pursuant to which certain employees of the Company were granted options to purchase shares in the capital of the Company. No additional awards will be made under the Legacy Share Option Plan, but options previously granted under this plan continue to be governed by the provisions of the Legacy Share Option Plan.

Under the Legacy Share Option Plan, there are currently outstanding options to purchase an aggregate of 913,121 subordinate voting shares, representing approximately 1.46% of the Company's issued and outstanding shares as at March 30, 2018. Subject to accelerated vesting as noted below, options generally vest not earlier than the third anniversary of the grant date. Accordingly, other than the options granted to Mr. Grondin in 2013, the first portion of the outstanding options granted in 2014 vested in December 2017. In the event of the retirement, death or disability of a participant, unvested options under the Legacy Share Option Plan will accelerate and vest on a *pro rata* basis, up to the applicable termination date. In the event of a Change of Control, all unvested options will accelerate and vest. Options granted under the Legacy Share Option

Plan (excluding Mr. Grondin's options) may not be exercised prior to January 1, 2019, except in the event of the death, disability or termination without cause of a participant.

Subject to earlier expiration in connection with termination of employment as provided for under the Legacy Share Option Plan, options granted under the Legacy Share Option Plan have an eight-year term. In order to facilitate the payment of the exercise price of the options, the Legacy Share Option Plan has a cashless exercise feature similar to the Share Option Plan described above.

The options granted to Mr. Grondin pursuant to his employment agreement dated October 31, 2013 are subject to the Legacy Share Option Plan, except that the grant of these options provides for accelerated vesting on the occurrence of certain termination events in addition to those listed above, including Mr. Grondin's termination without cause, constructive dismissal and if his employment is not renewed or extended at the completion of the five-year term of his employment agreement (ending on October 31, 2018). Upon the occurrence of such events, Mr. Grondin's unvested options will accelerate and vest on a *pro rata* basis, up to the applicable termination date. Additionally, Mr. Grondin's options are not subject to the general Legacy Share Option Plan vesting schedule and exercise provisions. Mr. Grondin's options vested on October 31, 2016.

*Legacy Chief Executive Officer Share Option Plan ("**Legacy CEO Share Option Plan**")*

The Legacy CEO Share Option Plan is a part of a legacy compensation program pursuant to which Mr. Gregson was granted CEO Options as an employment inducement. The CEO Options continue to be governed by the provisions of the Legacy CEO Share Option Plan. However, there will be no additional grants made under this plan.

Mr. Gregson was granted a first tranche of 1,075,269 CEO Options with an exercise price of $0.01 (the "**Tranche 1 Options**") and a second tranche of 2,419,355 CEO Options with an exercise price of $8.51 (the "**Tranche 2 Options**"). As of October 31, 2016, both tranches of CEO Options were fully-vested. On November 11, 2016, the Tranche 1 Options were exercised by Mr. Gregson. As at March 30, 2018, the Tranche 2 Options continue to be vested and exercisable at Mr. Gregson's option. The unexercised portion of Mr. Gregson's CEO Options represent approximately 3.88% of the Company's issued and outstanding shares as at that date.

Subject to earlier expiration in connection with his termination of employment or service, the unexercised CEO Options granted to Mr. Gregson will expire on October 31, 2021. In order to facilitate the payment of the exercise price of the CEO Options, the Legacy CEO Share Option Plan has a cashless exercise feature. Mr. Gregson may elect to receive (i) an amount in cash per CEO Option equal to the cash proceeds realized upon the sale of the subordinate voting shares by a securities dealer in the capital markets, less the applicable exercise price and any applicable withholding taxes, (ii) an aggregate number of subordinate voting shares that is equal to the number of subordinate voting shares underlying the CEO Options minus the number of subordinate voting shares sold by a securities dealer in the capital markets as required to realize cash proceeds equal to the applicable exercise price and any applicable withholding taxes, or (iii) a combination of (i) and (ii). The transfer cost incurred to sell the subordinate voting shares will be deducted from the net proceeds payable to Mr. Gregson.

**Summary Compensation Table**

The following table sets out the compensation earned by, paid to, or awarded to the NEOs during each of 2015, 2016 and 2017:

| Name and Position/Title | Year | Salary | Share-Based Awards | Option-Based Awards[1][2][3] | Non-Equity Incentive Plan Compensation (Bonus)[4][5] | All Other Compensation | Total Compensation |
|---|---|---|---|---|---|---|---|
| William D. Gregson | 2017 | $663,000 | – | $117,000 | $250,000 | – | $1,030,000 |
| *Director, Chair and Chief Executive Officer* | 2016 | $663,000 | – | – | $150,000 | – | $813,000 |
| | 2015 | $650,000 | – | $68,000 | $750,000 | – | $1,468,000 |
| Kenneth J. Grondin | 2017 | $382,500 | – | $117,000 | $250,000 | – | $749,500 |
| *Chief Financial Officer* | 2016 | $382,500 | – | – | $150,000 | – | $532,500 |
| | 2015 | $375,000 | – | $68,000 | $300,000 | – | $743,000 |
| Kenneth Otto | 2017 | $600,000 | – | $117,000 | $7,480 | – | $724,480 |
| *President, Family Dining Division* | 2016 | $600,000 | – | – | $17,812 | – | $617,812 |
| | 2015 | $600,000 | – | $68,000 | $259,925 | – | $927,925 |
| Grant Cobb | 2017 | $338,192 | – | $117,000 | $4,216 | – | $459,408 |
| *Sr. Vice President, Casual Dining Division* | 2016 | $338,192 | – | – | $10,040 | – | $348,232 |
| | 2015 | $307,000 | – | $68,000 | $125,000 | – | $500,000 |
| Pierre Rivard | 2017 | $409,064 | - | - | $282,091 | $49,088 | $740,243 |
| *President of Groupe St-Hubert*[6] | 2016 | $400,063 | - | - | $392,888 | $48,235 | $841,186 |
| | 2015 | $400,063 | - | - | - | $39,974 | $440,037 |

(1) NEOs, with the exception of Mr Rivard, were awarded with 10,000 options each in December 2015, which have been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk free rate of 0.92% per annum, an expected life of 5.5 years, volatility of 26% and an expected dividend yield of 1.27%.
(2) In 2016, no stock options were granted.
(3) NEOs, with the exception of Mr Rivard, were awarded with 20,000 options each in January 2017, which have been valued using the Black-Scholes option-pricing model. The fair value of the options was determined using a risk free rate of 1.11% per annum, an expected life of 5.5 years, volatility of 26% and an expected dividend yield of 1.58%.
(4) Amounts in respect of 2017 reflect the annual bonuses awarded to NEOs in 2018 in respect of Fiscal 2017
(5) Amounts in respect of 2016 reflect the annual bonuses paid to NEOs in 2017 in respect of Fiscal 2016.
(6) Mr. Rivard was nominated into his position in September 2015.

**Employment Agreements, Termination and Change of Control Benefits**

The Company has written employment agreements with each of its NEOs and each executive is entitled to receive compensation established by the Company as well as other benefits in accordance with plans available to the most senior employees (including health, dental, life insurance, accidental death and dismemberment, sick days and short-term disability and long-term disability). The Company's NEO employment contracts do not contain any provisions relating to a change of control of the Company.

***Messrs. Gregson, Grondin and Cobb***

Each NEO executive employment agreement in respect of Messrs. Gregson, Grondin and Cobb provides that the Company may terminate the NEO's employment at any time, without cause, by providing the NEO with notice of termination. If the NEO's employment is terminated without cause, or the NEO terminates employment as a result of constructive dismissal, he will be entitled to receive his base salary in effect as of the termination date for two (2) years following the termination date, a pro-rated annual bonus based on the number of days worked prior to the termination date (subject to achievement of the applicable performance criteria), entitlements under any Company incentive plans in accordance with plan terms, the reimbursement of expenses properly incurred in the course of employment up to the termination date, accrued but unpaid vacation pay up to the termination date, the continuation of life, health and dental insurance coverage for two (2) years following the termination date, and any additional payments required by applicable employment standards legislation (collectively, the "**Severance Entitlements**"). These entitlements are conditioned on the

NEO's execution of a release of claims. The estimated incremental value of the Severance Entitlements assuming the termination occurred on December 31, 2017 is $1,387,800 for Mr. Gregson, $826,800 for Mr. Grondin and $680,600 for Mr. Cobb.

In addition to the Severance Entitlements, in the case of termination without cause, or termination by the NEO as a result of constructive dismissal, Messrs. Gregson and Grondin are entitled to *pro rata* vesting of their outstanding options (with an estimated incremental value of $0.8 million and $1.1 million, respectively, assuming the termination occurred on December 31, 2017 and based on the closing price of the subordinate voting shares on the TSX on December 29, 2017). Mr. Grondin is also entitled to the Severance Entitlements and *pro rata* vesting of his outstanding options if his employment is not renewed or extended at the completion of the five-year term of his employment agreement (ending on October 31, 2018). Pursuant to Mr. Cobb's executive employment agreement, he is entitled to receive a severance payment equal to 18 months of his base salary if his employment is not renewed at the completion of the five-year term of his employment agreement (ending on October 31, 2018).

If the NEO's employment is terminated for cause or due to his resignation, death or incapacity, he or his estate, as applicable, will be entitled to accrued but unpaid base salary and vacation pay up to the termination date, the reimbursement of expenses properly incurred in the course of the NEO's employment up to the termination date, the NEO's entitlements under any Company incentive plans in accordance with plan terms, and any additional payments required by applicable employment standards legislation. In addition, each of Messrs. Gregson and Grondin is entitled to *pro rata* vesting of options if his employment is terminated due to his death or incapacity.

Each NEO's executive employment agreement contains customary confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including non-solicitation and non-competition provisions which are both in effect during the NEO's employment and for the 24 months (in the case of Messrs. Gregson and Grondin) or 18 months (in the case of Mr. Cobb), as the case may be, following the termination of his employment.

***Mr. Rivard***

Mr. Rivard's employment agreement is for an unlimited term and stipulates that the Company has the right to terminate his employment for just cause, at any time, without notice and without pay in lieu of notice. The Company has the right to terminate Mr. Rivard's employment for any reason other than for just cause by providing Mr. Rivard with twenty-four (24) month's salary (with an estimated incremental value of $1,484,106 assuming the termination occurred on December 31, 2017).

On July 26, 2016, Mr. Rivard entered into a letter agreement with the Company which provides for certain bonus payments to be made to Mr. Rivard in the event he retires on or before December 31, 2019 subject to the achievement of certain EBITDA targets, such payments not to exceed $3 million.

***Mr. Otto***

Mr. Otto's employment agreement is for an indefinite term and stipulates that the Company has the right to terminate his employment for just cause, at any time, without notice and without pay in lieu of notice. The Company has the right to terminate Mr. Otto's employment for any reason other than for just cause by providing Mr. Otto with one year's base salary and the average bonus paid over the most recent two-year period (with an estimated incremental value of $612,646 assuming the termination occurred on December 31, 2017). If the average of a two-year bonus period is not available, the bonus will be based on the previous year's bonus payment.

***Entitlements under the Share Option Plan and Legacy Share Option Plan***

In the event of a Change of Control, all unvested options will vest and become exercisable on an accelerated basis pursuant to the Share Option Plan and the Legacy Share Option Plan, the estimated incremental value of which would be $0.8M for Mr. Gregson, $1.1 million for Mr. Grondin, $1.2 million for Mr. Cobb, and $2.6 million for Mr. Otto assuming the Change of Control occurred on December 31, 2017 and based on the closing price of the subordinate voting shares on the TSX on December 29, 2017.

## Outstanding Option-Based Awards and Share-Based Awards

The following table sets out information concerning the outstanding option-based awards held by each of the NEOs as at December 31, 2017. The Company has no outstanding share-based awards held by NEOs.

| | Option-Based Awards | | | | |
|---|---|---|---|---|---|
| **Name and Position/Title** | **Number of shares underlying unexercised options** | **Option exercise price** | **Option vesting date** | **Option expiration date** | **Value of unexercised in-the-money options[1]** |
| William D. Gregson<br>*Director, Chair and Chief Executive Officer* | 1,209,678 | $8.51 | October 31, 2015 | October 31, 2021 | $21,108,881 |
| | 1,209,677 | $8.51 | October 31, 2016 | October 31, 2021 | $21,108,864 |
| | 10,000 | $32.37 | December 4, 2018 | December 4, 2023 | $0 |
| | 20,000 | $24.64 | January 4, 2020 | January 4, 2025 | $26,400 |
| Kenneth J. Grondin<br>*Chief Financial Officer* | 241,935 | $8.51 | October 31, 2016 | October 31, 2021 | $4,221,766 |
| | 13,221 | $8.51 | December 4, 2017 | December 4, 2022 | $230,706 |
| | 13,221 | $8.51 | December 4, 2018 | December 4, 2022 | $230,706 |
| | 10,000 | $32.37 | December 4, 2018 | December 4, 2023 | $0 |
| | 20,000 | $24.64 | January 4, 2020 | January 4, 2025 | $26,400 |
| Kenneth Otto<br>*President, Family Dining Division & Chief Development Officer* | 71,685 | $8.51 | January 1, 2017 | September 8, 2022 | $1,250,903 |
| | 71,685 | $8.51 | January 1, 2018 | September 8, 2022 | $1,250,903 |
| | 71,685 | $8.51 | January 1, 2019 | September 8, 2022 | $1,250,903 |
| | 10,000 | $32.37 | December 4, 2018 | December 4, 2023 | $0 |
| | 20,000 | $24.64 | January 4, 2020 | January 4, 2025 | $26,400 |
| Grant Cobb<br>*Sr. Vice President, Casual Dining Division* | 14,712 | $8.51 | January 1, 2017 | January 1, 2022 | $256,724 |
| | 14,712 | $8.51 | December 4, 2017 | December 4, 2022 | $256,724 |
| | 14,712 | $8.51 | December 4, 2018 | December 4, 2022 | $256,724 |
| | 10,000 | $32.37 | December 4, 2018 | December 4, 2023 | $0 |
| | 20,000 | $24.64 | January 4, 2020 | January 4, 2025 | $26,400 |
| Pierre Rivard<br>*President, Groupe St-Hubert* | nil | n/a | n/a | n/a | nil |

(1) The value of unexercised in-the-money options is calculated by subtracting the exercise price of an option on one share from the closing price of a subordinate voting shares on the TSX on December 29,2017 (the last trading day of the Company's 2017 fiscal year) ($25.96), and multiplying that difference by the number of unexercised options. That value does not include any deduction to recognize that some or all unexercised options may never become exercisable.

## Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets out the value of option-based and share-based awards held by our NEOs that vested during fiscal 2017, as well as the value of non-equity incentive plan compensation that NEOs earned during fiscal 2017:

| **Name** | **Option-Based Awards —Value vested during the year[1][2]** | **Share-Based Awards —Value vested during the year** | **Non-equity incentive plan compensation – Value earned during the year[3]** |
|---|---|---|---|
| William D. Gregson | $0 | – | $250,000 |
| Kenneth J. Grondin | $230,706 | – | $250.000 |
| Kenneth Otto | $1,250,903 | – | $7,480 |
| Grant Cobb | $256,724 | – | $4,216 |
| Pierre Rivard | – | – | $282,091 |

(1) The value vested is calculated by multiplying the number of options which became vested during the year by the amount by which the market value of one of our subordinate voting shares on the day of vesting ($25.96) exceeded the exercise price of an option. Out-of-the-money options are excluded from the calculation.

(2) Options granted to Messrs. Otto and Cobb that have vested in 2016 are not exercisable until January 1, 2019.

(3) Amounts reflect the annual bonuses paid to NEOs in 2018 in respect of fiscal 2017.

## Securities Authorized for Issuance Under Equity Compensation Plans

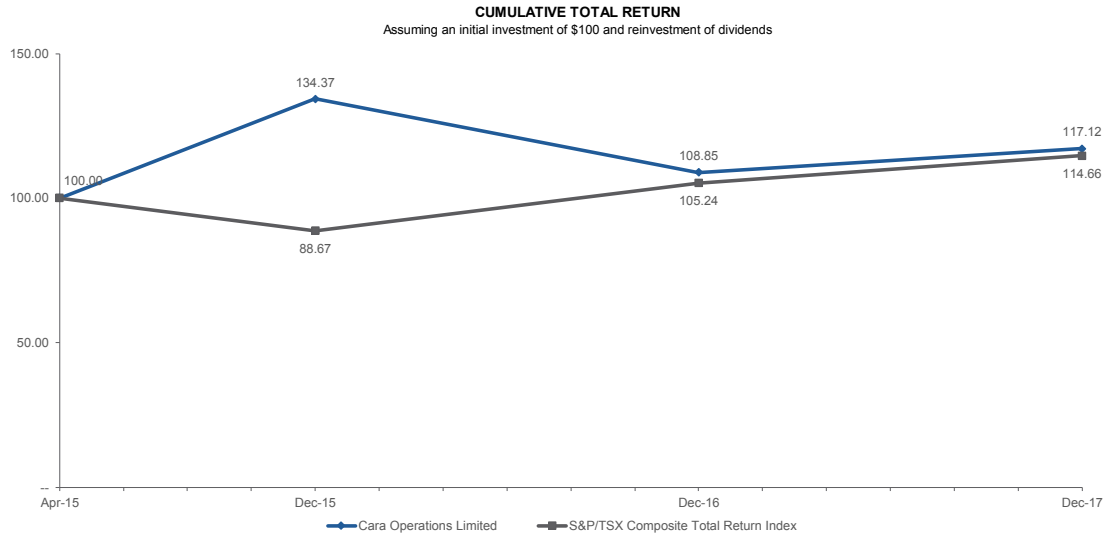
The following table sets out information on the Company's equity compensation plans as at December 31, 2017:

| | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|---|---|---|---|
| Plan Category | (a) | (b) | (c) |
| *Equity compensation plans approved by securityholders* | N/A | N/A | N/A |
| *Equity compensation plans not approved by securityholders* | | | |
| • *Share Option Plan* | 748,494 | $27.80 | 5,273,481[(1)] |
| • *Legacy Share Option Plan* | 913,121 | $8.51 | 0[(1)] |
| • *Legacy CEO Share Option Plan* | 2,419,355 | $8.51 | 0[(1)] |
| • *Director Share Option Plan* | N/A | N/A | ,5,273,481[(1)] |
| • *Legacy DSOP* | nil | N/A | 0[(1)] |

(1) Represents the aggregate number of securities remaining available for future issuance under the Share Option Plan and the Director Share Option Plan.

## Performance Graph

The graph below compares the cumulative total shareholder return on $100 invested in our subordinate voting shares on April 10, 2015 the date of our initial public offering, with the cumulative annual total return of the S&P/TSX Composite Total Return Index over the same period, assuming reinvestment of all cash dividends of the Company since April 10, 2015.




Illustrated by the performance graph above as shareholder returns for Cara shareholders decline, total compensation for Cara's executive officers decreases. As shareholder returns increase so do total compensation for Cara's executive officers.

# SECTION IV – DIRECTOR COMPENSATION

## Directors' Compensation

The Board, through the Governance, Compensation and Nominating Committee, is responsible for reviewing and approving the directors' compensation arrangements and any changes to those arrangements.

The Governance, Compensation and Nominating Committee established the compensation arrangements for each director that is not an employee of the Company or one of its affiliates. The directors' compensation program is designed to

attract, retain and motivate the most qualified individuals to serve on the Board. Non-employee directors are entitled to an annual retainer of $50,000 (Mr. Gunn is entitled to an additional $15,000 to compensate for additional committee work required in his role as Chair of the Audit Committee) and are entitled to receive all or a proportion of their annual retainer in deferred share units ("**DSUs**") under the deferred share unit plan (the "**Deferred Share Unit Plan**"). Directors have the option to convert their annual cash retainer into DSUs at a 10% premium. There are no additional fees based on meeting attendance. In addition, non-management directors joining the Board are granted annual DSUs with a value of approximately $30,000. Unless otherwise specified, DSUs granted under the Deferred Share Unit Plan will vest on a *pro rata* basis calculated from the first day of the applicable 12-month period (or such pro-rated period as contemplated by the Deferred Share Unit Plan) that is determined by the Board pursuant to a participant's DSU agreement until the last day of the applicable service period. DSUs may not be exercised until the participant is no longer a Board member.

A DSU is a unit, equivalent in value to a subordinate voting share, credited by means of a bookkeeping entry in the books of the Company, to an account in the name of the director. DSUs accumulate additional DSUs at the same rate as dividends, if any, paid on the subordinate voting shares. Following the end of the director's tenure as a member of the Board, the director will be paid in cash the Market Value of the subordinate voting shares represented by the DSUs.

For fiscal 2017 each of Messrs. Gunn, Norris, Regan, Hodgson and Rothschild received DSUs in accordance with the table below.

Directors are reimbursed for their reasonable out-of-pocket expenses incurred in serving as directors. In addition, directors will be entitled to receive remuneration for services rendered to the Company in any other capacity, except in respect of their service as directors of any of the Company's subsidiaries. Directors who are employees of and who receive a salary from the Company or one of its affiliates or subsidiaries will not be entitled to receive any remuneration for serving as directors, but will be entitled to reimbursement of their reasonable out-of-pocket expenses incurred in serving as directors.

The following table sets out the compensation provided to our directors during fiscal 2017.

| Name[1] | Fees Earned[2] | Share-based awards | Option-based awards | Non-equity incentive plan compensation | Cash Retainer | All other compensation | Total Compensation |
|---|---|---|---|---|---|---|---|
| Stephen K. Gunn | $30,000 | | | | $65,000 | | $95,000 |
| Christopher D. Hodgson | $85,000 | | | | $– | | $85,000 |
| Michael J. Norris | $85,000 | | | | $– | | $85,000 |
| John A. Rothschild | $85,000 | | | | $– | | $85,000 |
| Sean Regan | $85,000 | | | | $– | | $85,000 |

(1) See "Summary Compensation Table" for details related to compensation of Mr. Gregson.

(2) Amounts reflect the value of DSUs granted to the directors in lieu of receiving an annual cash retainer for serving on the Board. The value is calculated by multiplying the number of DSUs granted by the closing price of the subordinated voting shares on the TSX on the date of grant.

### Director Share Option Plan

The material features of the director share option plan (the "**Director Share Option Plan**") are summarized below.

#### *Administration*

The Director Share Option Plan is administered by the Board. The Board determines which non-employee directors of the Company or related entities of the Company are eligible to receive Director Options under the Director Share Option Plan. In addition, the Board administers and interprets the Director Share Option Plan and may adopt, amend, prescribe or rescind any administrative guidelines or other rules and regulations relating to the Director Share Option Plan, as it deems appropriate.

#### *Eligibility*

All non-employee directors of the Company or related entities of the Company are eligible to participate in the Director Share Option Plan.

***Subordinate Voting Shares Subject to the Director Share Option Plan and Participation Limits***

The Director Share Option Plan provides that the number of subordinate voting shares available for issuance upon exercise of options (including Options, options granted under the Legacy Share Option Plan, CEO Options and Director Options), will not exceed 15% of the Company's issued and outstanding Shares from time to time. If, for any reason, any Director Options terminate prior to their exercise in full or are exercised or cancelled, the subordinate voting shares subject to such Director Options will again become available for issuance under the Director Share Option Plan. As a result, the Director Share Option Plan is considered an "evergreen" plan. Accordingly, pursuant to the rules of the TSX, the Director Share Option Plan will be subject to ratification of the unallocated entitlements by securityholders other than insiders eligible to participate in the Director Share Option Plan, every three years. The Director Share Option Plan is not subject to any insider or other participation limits. The Director Share Option Plan is herein presented in the Business of the Meeting section of this document under the heading "Shareholder Ratification of Unallocated Entitlements under the Share Option Plan and Director Share Option Plan". Thereafter, the Director Share Option Plan will next be presented to the shareholders of the Company for ratification of the unallocated entitlements under its evergreen plan at the Company's 2021 Annual Meeting.

As at March 30, 2018, no Director Options were outstanding under the Director Share Option Plan.

***Director Options***

The Board may grant Director Options to any participant under the Director Share Option Plan at any time. The exercise price for Director Options will be determined by the Board, but may not be less than the greater of the Market Value on the date the Director Option is granted and the price required by applicable regulatory authorities.

Unless otherwise specified in a participant's option agreement, Director Options will vest on a *pro rata* basis calculated from the first day of the applicable 12-month period (or such pro-rated period as contemplated by the Director Share Option Plan) that is determined by the Board pursuant to a participant's option agreement (the "**Service Period**") until the last day of the applicable Service Period.

Unless otherwise permitted by the Board, each vested Director Option becomes exercisable following the end of the Service Period in respect of which the Director Option was granted until expiration or termination of the Director Option (the "**Exercise Period**"). Each Director Option expires on the 8th anniversary of the date of grant, except in the case where the expiry period falls during a blackout period, in which case the expiry period will be automatically extended until 10 business days after the end of the blackout period. The Director Share Option Plan also provides for earlier expiration of Director Options upon the occurrence of certain events, including the termination of a participant's service.

In order to facilitate the payment of the exercise price of the Director Options, the Director Share Option Plan has a cashless exercise feature. The participant may elect to receive (i) an amount in cash per Director Option equal to the cash proceeds realized upon the sale of the subordinate voting shares by a securities dealer in the capital markets, less the applicable exercise price and any applicable withholding taxes, (ii) an aggregate number of subordinate voting shares that is equal to the number of subordinate voting shares underlying the Director Options minus the number of subordinate voting shares sold by a securities dealer in the capital markets as required to realize cash proceeds equal to the applicable exercise price and any applicable withholding taxes, or (iii) a combination of (i) and (ii). The transfer cost incurred to sell the subordinate voting shares will be deducted from the net proceeds payable to the participant.

Notwithstanding the above and subject to a change of control of the Company, for so long as the participant remains a director of the Company or one of its related entities, the participant may only sell or otherwise monetize any subordinate voting shares provided the vested options and subordinate voting shares held by the participant have a Market Value of at least $300,000 at such time.

***Cessation of Service***

Unless otherwise permitted by the Board, if a participant ceases to hold office as a result of (i) his or her removal by shareholders, or (ii) his or her voluntary resignation, any vested Director Options (including *pro rata* vesting) held by the participant as at the cessation date may be exercised until the earlier of (a) the expiry date of the Director Options, or (b) 90 days after the cessation date (provided the cessation is not due to a criminal act, in which case all vested Director Options will immediately expire), after which time all Director Options will expire. Any unvested Director Options held by the participant as at the cessation date immediately expire.

***Adjustments***

In the event of any change in the Company's capital structure, the payment of an extraordinary stock dividend or any other change made in the capitalization of the Company, that, in the opinion of the Board, would warrant the amendment or replacement of any existing Director Options (collectively, the "**DSOP Adjustment Events**"), the Director Share Option Plan provides for appropriate adjustments in the number of subordinate voting shares that may be acquired upon the exercise of Director Options or the exercise price of outstanding Director Options (collectively, the "**DSOP Adjustments**"), as necessary in order to preserve proportionately the rights and obligations of the participants under the Director Share Option Plan.

In the event of an amalgamation, combination, merger or other reorganization involving the Company by exchange of subordinate voting shares, by sale or lease of assets or otherwise, that, in the opinion of the Board, warrants the replacement or amendment of any existing Director Options, the Board may make DSOP Adjustments in order to preserve proportionately the rights and obligations of the participants under the Director Share Option Plan.

In the event that the Board determines that the DSOP Adjustments would not preserve proportionately the rights and obligations of the participants, or the Board otherwise determines it is appropriate, the Board may permit the vesting and/or exercise of any outstanding Director Options that are not otherwise vested and/or exercisable and the cancellation of any outstanding Director Options which are not exercised within any specified period.

***Amendment or Discontinuance***

The Board may, at any time, amend, suspend or terminate the Director Share Option Plan, or any portion thereof, subject to applicable law (including stock exchange rules) that requires the approval of securityholders or any governmental or regulatory body, provided that no such action may be taken that adversely alters or impairs any rights of a participant under any Director Option previously granted without the consent of such affected participant.

Notwithstanding the above, the Board may make amendments to the Director Share Option Plan without seeking security holder approval, including, for example (and without limitation), housekeeping amendments, amendments to comply with applicable laws or to qualify for favourable treatment under tax laws or amendments to accelerate vesting. The following types of amendments cannot be made without obtaining securityholder approval:

1. amendments to the number of subordinate voting shares reserved for issuance;
2. increases in the length of the period after a blackout period during which Director Options may be exercised;
3. amendments which would result in the exercise price for any Director Option being lower than the Market Value at the time the Director Option is granted;
4. reductions to the exercise price of a Director Option, other than pursuant to a DSOP Adjustment Event;
6. extension of the term of a Director Option held by an insider beyond the expiry of its exercise period;
7. amendments to the amendment provisions;
8. permitting awards to be transferred or assigned, other than for normal estate settlement purposes; and
9. amendments required to be approved by securityholders under applicable law (including the rules, regulations and policies of the TSX).

***Assignment***

Except as required by law and subject to the retirement, death or disability of a participant, no assignment or transfer of Director Options, whether voluntary, involuntary, by operation of law or otherwise, is permitted.

***Change of Control***

In the event of a Change of Control, all unvested Director Options will vest and become exercisable on an accelerated basis and, if requested by the participant, the Company will pay each participant an amount in cash equal to the whole number of subordinate voting shares covered by the Director Option to be tendered multiplied by the amount by which the price paid for a subordinate voting share pursuant to the Change of Control exceeds the exercise price of the Director

Options, net of withholding taxes. The Company will pay the foregoing amounts contemporaneously with completion of the transaction resulting in the Change of Control.

**Legacy Director Share Option Plan ("Legacy DSOP")**

The Legacy DSOP is a part of a legacy compensation program pursuant to which options to purchase shares in the capital of the Company with an exercise price of $0.01 per option ("**Legacy DSOP Options**") were granted to certain non-employee directors. No additional grants can be made under the Legacy DSOP.

Subject to accelerated vesting in the event of the retirement, death or disability of the participant or upon a Change of Control, Legacy DSOP Options vest on a *pro rata* basis as to 10,753 Legacy DSOP Options each year over a prescribed service period (two or three years). Vested Legacy DSOP Options are exercisable on the day after they vest.

Subject to earlier expiration in connection with termination of service as provided for under the Legacy DSOP, each Legacy DSOP Option will expire eight years from the date of grant. In order to facilitate the payment of the exercise price of the Legacy DSOP Options, the Legacy DSOP has a cashless exercise feature. The participant may elect to receive (i) an amount in cash per Legacy DSOP Option equal to the cash proceeds realized upon the sale of the subordinate voting shares by a securities dealer in the capital markets, less the applicable exercise price and any applicable withholding taxes, (ii) an aggregate number of subordinate voting shares that is equal to the number of subordinate voting shares underlying the Legacy DSOP Options minus the number of subordinate voting shares sold by a securities dealer in the capital markets as required to realize cash proceeds equal to the applicable exercise price and any applicable withholding taxes, or (iii) a combination of (i) and (ii). The transfer cost incurred to sell the subordinate voting shares will be deducted from the net proceeds payable to the participant. Except in the event of a Change of Control, for so long as the individual is a director, he can only exercise Legacy DSOP Options for cash and sell or otherwise monetize his subordinate voting shares provided the remaining options and subordinate voting shares held by the participant have a fair market value of at least $300,000 at such time.

**Outstanding Option-Based Awards and Share-Based Awards**

All outstanding Legacy DSOP Options were fully vested as of November 1, 2014. On November 11, 2016, Messrs. Gunn, Norris and Rothschild exercised all of their Legacy DSOP Options.

**Incentive Plan Awards - Value Vested or Earned During the Year**

The following table sets out the value of option-based and share-based awards held by our directors that vested during fiscal 2017, as well as the value of non-equity incentive plan compensation that directors earned during fiscal 2017:

| Name | Option-Based Awards —Value vested during the year[(1)] | Share-Based Awards —Value vested during the year[(2)] | Non-equity incentive plan compensation – Value earned during the year |
|---|---|---|---|
| Stephen K. Gunn | – | $30,000 | $65,000 |
| Christopher D. Hodgson | – | $85,000 | – |
| Michael J. Norris | – | $85,000 | – |
| John A. Rothschild | – | $85,000 | – |
| Sean Regan | – | $85,000 | – |

(1) The value vested is calculated by multiplying the number of options which became vested during the year by the amount by which the market value of one of our subordinate voting shares on the day of vesting (Stephen K. Gunn & Michael J. Norris: $26.58; John A. Rothschild $26.30) exceeded the exercise price of an option. Out-of-the-money options are excluded from the calculation. As no options which vested during the year were exercised, the values shown in the above table are included in the values of options shown in the preceding table.

(2) Amounts reflect the value of DSUs granted to the directors in lieu of receiving an annual cash retainer for serving on the Board. The value is calculated by multiplying the number of DSUs granted by the closing price of the subordinate voting shares on the TSX on the date the DSUs vest. DSUs held by a director will not be paid out until after the director resigns, dies or otherwise ceases to be engaged by the Company.

**Directors' and Officers' Insurance**

The directors and officers of the Company and its subsidiaries are covered by directors' and officers' liability insurance. Under this insurance coverage, the Company and its subsidiaries will be reimbursed for insured claims where payments have been made under indemnity provisions on behalf of the directors and officers of the Company and its

subsidiaries, subject to a deductible for each loss, which will be paid by the Company. Individual directors and officers of the Company and its subsidiaries will also be reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by the Company or its subsidiaries. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts.

The Company's directors' and officers' liability insurance program provides an aggregate limit of liability of USD$10 million, with a deductible to us of $nil to USD$0.2 million per loss, varying with the nature of the loss. The annual premium for this directors' and officers' liability insurance is USD$43,000.

This insurance forms part of a blended insurance program with Fairfax Financial Holdings Limited that provides excess coverage above the Company's USD$10 million directors' and officers' liability insurance program mentioned above. Fairfax Financial Holdings Limited currently purchases USD$100 million of blended directors' and officers' liability, errors and omissions, employment practices liability, fiduciary and bond coverage and an additional USD$135 million of side "A" directors' & officers' liability insurance which covers both legal defense expenses and payments of settlements that arise from claims brought against directors and officers, when those costs cannot be indemnified by the Company and claims are in excess of the blended limits.

**Indebtedness of Directors and Executive Officers**

As at March 30, 2018, there was no indebtedness owing to the Company or any of its subsidiaries by any directors, executive officers, employees or former directors, executive officers or employees of the Company or any of its subsidiaries. In addition, no director or officer, proposed nominee for election as a director of the Company, nor any associate of any director, officer or proposed nominee was indebted to the Company in our 2017 fiscal year.

## SECTION V – CORPORATE GOVERNANCE

**Statement of Corporate Governance Practices**

Our corporate governance policies and practices are reviewed regularly by our Board and updated as necessary or advisable. Our corporate governance practices are in compliance with all applicable rules and substantially comply with all applicable policies and guidelines, including those of the Canadian Securities Administrators. A description of our corporate governance practices is set out below.

***Independent Directors***

The Board consists of six directors, five of whom (Messrs. Gunn, Hodgson, Rothschild, Regan and Norris) are considered "independent" under Canadian securities laws. In making this determination, the Board considered, among other things, that none of those individuals (i) is, or has been within the last three years, an employee or member of management of us or related to any member of management, (ii) is associated with our auditor or has any family member that is associated with our auditor, (iii) receives any direct or indirect compensation (including to family members) from us except in connection with Board related work, (iv) works or has worked at a company for which any member of our management was a member of the compensation committee, or (v) has (other than possibly as an insured under an insurance policy issued on usual commercial terms) any material business or other relationship with us or our principal shareholders. Messrs. Gregson is not considered to be "independent" within the meaning of applicable securities law as a result of his position as Chief Executive Officer of the Company.

The Board has not appointed an independent Chair or a lead Independent Director. However, the Chair of the Board is responsible for ensuring that the directors who are independent of management have opportunities to meet without management present. Discussions are led by an Independent Director who provides feedback subsequently to the Chair of the Board. All Independent Directors are encouraged by the Chair of the Board to have open and candid discussions with the Chair and other members of the Board. Our directors have an ongoing obligation to inform the Board of any material changes in their circumstances or relationships that may affect the Board's determination as to their independence and, depending on the nature of the change, a director may be asked to resign as a result.

The independent directors, non-independent directors and members of management met during our 2017 fiscal year during regularly scheduled Board meetings, including via in-camera sessions. The independent directors met, generally following or during every Board meeting. The size of the Board and the nature of the Company's operations ensure that open and candid discussion among the independent directors is possible and encouraged.

**Corporate Governance Guidelines (including Board Mandate)**

The Board mandate sets out the overall governance principles that apply to the directors.

The mandate of the Board is to provide governance and stewardship to the Company and its business. In fulfilling its mandate, the Board has adopted a written charter setting out its responsibility for, among other things, (i) participating in the development of and approving a strategic plan for the Company; (ii) supervising the activities and managing the affairs of the Company; (iii) approving major decisions regarding the Company; (iv) defining the roles and responsibilities of management and delegating management authority to the Chief Executive Officer; (v) reviewing and approving the business objectives to be met by management; (vi) assessing the performance of and overseeing management; (vii) reviewing the Company's debt strategy; (viii) identifying and managing risk exposure; (ix) ensuring the integrity and adequacy of the Company's internal controls and management information systems; (x) succession planning; (xi) establishing committees of the Board, where required or prudent, and defining their mandate; (xii) maintaining records and providing reports to shareholders; (xiii) ensuring effective and adequate communication with shareholders, other stakeholders and the public; (xiv) determining the amount and timing of dividends, if any, to shareholders; and (xv) monitoring the social responsibility, integrity and ethics of the Company.

Our Board has delegated to management responsibility for our day-to-day operations, including for all matters not specifically assigned to the Board or any committee of the Board.

The current mandate of the Board is set out in Schedule "A".

The Board has adopted a written position description for the Chair of the Board, which sets out the Chair's key responsibilities, including, as applicable, duties relating to setting Board meeting agendas, chairing Board and shareholder meetings, director development and communicating with shareholders and regulators. The Board has also adopted a written position description for each of the committee chairs which sets out each of the committee chair's key responsibilities, including duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee.

The Board has also adopted a written position description for the Chief Executive Officer which sets out the key responsibilities of the Chief Executive Officer. The primary functions of the Chief Executive Officer is to lead management of the business and affairs of the Company, to lead the implementation of the resolutions and the policies of the Board, to supervise day-to-day management and to communicate with shareholders and regulators. The Board has also developed a mandate for the Chief Executive Officer setting out key responsibilities, including duties relating to the Company's strategic planning and operational direction, Board interaction, succession planning and communication with shareholders. The Chief Executive Officer mandate is reviewed and considered by the Board annually.

**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 NI 52-110 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. For additional information concerning Messrs. Gunn, Norris and Hodgson, please see the information above under the heading "Election of Directors".

The responsibilities of the Audit Committee 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 text of our Audit Committee Charter can be found on our website *(www.cara.com)* or in our Annual Information Form as Appendix "A", which is available on SEDAR *(www.sedar.com)*.

The Audit Committee has an annual approval of audit and non-audit services provided by the Company's auditor.

**Governance, Compensation and Nominating Committee**

The Governance, Compensation and Nominating Committee is comprised of three directors, a majority of whom is determined by the Board to be independent and all of whom are residents of Canada, and is charged with reviewing, overseeing and evaluating the corporate governance, compensation and nominating policies of the Company. The Governance, Compensation and Nominating Committee is comprised of John A. Rothschild (independent), who acts as Chair of this committee, Christopher D. Hodgson (independent) and Sean Regan (independent). The responsibilities of the committee include: (i) assessing the effectiveness of the Board, each of its committees and individual directors; (ii) overseeing the recruitment and selection of candidates as directors; (iii) organizing an orientation and education program for new directors; (iv) considering and approving proposals by the directors to engage outside advisors on behalf of the Board as a whole or on behalf of the independent directors; (v) reviewing and making recommendations to the Board concerning any change in the number of directors composing the Board; (vi) considering questions of management succession; (vii) administering any share purchase plan of the Company and any other compensation incentive programs; (viii) assessing the performance of management of the Company; (ix) reviewing and approving the compensation paid by the Company, if any, to the officers of the Company; and (x) reviewing and making recommendations to the Board concerning the level and nature of the compensation payable to directors and officers of the Company. In establishing the compensation of the directors, the Governance, Compensation and Nominating Committee will examine the time commitment, responsibilities and risks associated with being a director and compensation paid by companies similar to us. In approving the compensation of the Chief Executive Officer and other executive officers, the important factors for evaluating performance are our corporate objectives, as more fully described above under the heading "Executive Compensation Discussion and Analysis".

**Selection of Directors**

We seek as directors committed individuals who have a high degree of integrity, sound practical and commercial judgment and an interest in the long-term best interests of us and our shareholders. With this goal in mind, each year the Board determines what competencies and skills the Board as a whole should possess (taking into account our particular business and what competencies and skills each existing director possesses). The Board makes these determinations at a time suitable for the Governance, Compensation and Nominating Committee to reflect them in its recommendations for nominees to the Board. In making its recommendations, the Governance, Compensation and Nominating Committee also considers the competencies and skills any new nominee may possess, the independence requirements and the requirements for any distinctive expertise.

**Succession Planning**

In 2017, the Board discussed with Mr. Gregson his views on the executive leadership team and his potential successors. The Board also met *in camera*, without the Mr. Gregson, to discuss the candidates Mr. Gregson had identified as possible successors. While the Board remains always aware of the succession planning needs of the Company, responsibilities in respect of day-to-day succession planning review and initiatives have been delegated to the Governance, Compensation and Nominating Committee. The Governance, Compensation and Nominating Committee succession planning process involves working with the Chief Executive Officer to review the internal talent pool, selecting potential candidates, selecting executive development opportunities, and evaluating performance and progress, as well as planning for illness, disability and other unscheduled absences. This includes long-range planning for executive recruitment, development and succession to ensure leadership sustainability and continuity.

**Strategic Planning Oversight**

As part of the Board's mandate, the Board participates in the development, review and approval of the Company's strategy. The Board reviews with management the Company's strategic objectives, specifically in relation to the review and approval of the Company's annual business plan. Annually, the Board reviews with management to discuss whether there are any adjustments to the strategy given the current and expected future economic climate, opportunities and risks or any new strategic initiatives.

**Diversity**

The Governance, Compensation and Nominating Committee believes that having a diverse Board and senior management offers a depth of perspective and enhances Board and management operations. The Governance, Compensation

and Nominating Committee identifies candidates to the Board and management of the Company that possess skills with the greatest ability to strengthen the Board and management and the Company is focused on continually increasing diversity within the Company.

The Governance, Compensation and Nominating Committee does not specifically define diversity, but values diversity of experience, perspective, education, race, gender and national origin as part of its overall annual evaluation of director nominees for election or re-election as well as candidates for management positions. Gender and geography are of particular importance to the Company in ensuring diversity within the Board and management. Recommendations concerning director nominees are, foremost, based on merit and performance, but diversity is taken into consideration, as it is beneficial that a diversity of backgrounds, views and experiences be present at the Board and management levels.

The Company attempts to recruit and select board and management candidates that represent both gender diversity and business understanding and experience. However, the Board does not support fixed percentages for any selection criteria, as the composition of the Board and management is based on the numerous factors established by the selection criteria and it is ultimately the skills, experience, character and behavioral qualities that are most important to determining the value which an individual could bring to the Board or management of the Company.

At the senior management level of the Company, 25.6% or 22 of 86 members of the Company's leadership team are female. There are currently no female directors (0%). The Company does not have a formal policy on the representation of women on the Board or senior management of the Company. The Governance, Compensation and Nominating Committee already takes gender into consideration as part of its overall recruitment and selection process in respect of its Board and senior management and will continue to do so. However, the Board does not believe that quotas or strict rules set forth in a formal policy necessarily result in the identification or selection of the best candidates. As such, the Company does not see any meaningful value in adopting a formal policy in this respect at this time as it does not believe that it would further enhance gender diversity beyond the current recruitment and selection process carried out by the Governance, Compensation and Nominating Committee.

The Board is mindful of the benefit of diversity on the Board and management of the Company and the need to maximize the effectiveness of the Board and management and their respective decision-making abilities. Accordingly, in searches for new directors, the Governance, Compensation and Nominating Committee will consider the level of female representation and diversity on the Board and management and this will be one of several factors used in its search process. This will be achieved through continuously monitoring the level of female representation on the Board and in senior management positions and, where appropriate, recruiting qualified female candidates as part of the Company's overall recruitment and selection process to fill Board or senior management positions, as the need arises, through vacancies, growth or otherwise. Where a qualified female candidate can offer the Company a unique skill set or perspective (whether by virtue of such candidate's gender or otherwise), the Governance, Compensation and Nominating Committee anticipates that it would typically select such a female candidate over a male candidate. Where the Governance, Compensation and Nominating Committee believes that a male candidate and a female candidate each offer the Company substantially the same skill set and perspective, such Committee anticipates that it will consider numerous other factors beyond gender and the overall level of female representation in deciding the candidate to whom to the offer will be made.

**Orientation and Continuing Education of Directors**

Each new director receives a comprehensive orientation from our Chair, including an overview of the role of the Board, the Board committees and each individual member, the nature and operation of our business and the contribution and time commitment the new director is expected to make. The orientation includes access to our senior management and facilities. Our directors are invited to ask questions at any time of any officer or director of the Company.

The Board is responsible for considering from time to time appropriate continuing education for directors, which may include presentations from management, site visits and presentations from industry experts. Each director is expected to maintain the necessary level of expertise to perform his or her responsibilities as a director and, as discussed in more detail below, is subject to an annual evaluation.

**Board Performance Evaluation**

The Governance, Compensation and Nominating Committee is responsible, along with the Chair of the Board, for establishing and implementing procedures to evaluate the effectiveness of the Board, committees of the Board and the contributions of individual Board members. The Governance, Compensation and Nominating Committee takes reasonable

steps to evaluate and assess, on an annual basis, directors' performance and effectiveness of the Board, Board committees, individual members, the Board Chair and committee Chairs. The assessment addresses, among other things, individual director independence, individual director and overall Board skills, and individual director financial literacy. The Board receives and considers the recommendations from the Governance, Compensation and Nominating Committee regarding the results of the evaluation of the performance and effectiveness of the Board, Board committees and individual members.

The directors believe that the members of the Governance, Compensation and Nominating Committee individually and collectively possess the requisite knowledge, skill and experience in governance and compensation matters, including human resource management, executive compensation matters and general business leadership, to fulfill the Governance, Compensation and Nominating Committee's mandate. All members of the Governance, Compensation and Nominating Committee have substantial knowledge and experience as current and former senior executives of large and complex organizations and/or on the boards of other publicly traded entities.

**Ethical Business Conduct**

The Company has adopted a written code of conduct (the "**Code of Conduct**") that applies to all directors, officers, and management of the Company and its subsidiaries. The objective of the Code of Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the Company and its subsidiaries. The Code of Conduct addresses conflicts of interest, protection of the Company's assets, confidentiality, fair dealing with securityholders, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct is required to avoid or fully disclose interests or relationships that are harmful or detrimental to the Company's best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Board has ultimate responsibility for the stewardship of the Code of Conduct and monitors compliance through the Governance, Compensation and Nominating Committee. Employees and directors are required to annually certify that they have not violated the Code of Conduct. You may obtain a copy of the Code of Conduct upon request to our Corporate Secretary. If you are one of our securityholders, there will be no charge to you for this document. You can also find the Code of Conduct on our website (*www.cara.com*) or on SEDAR (*www.sedar.com*).

**Term Limits**

The Company does not impose term limits on its directors as it takes the view that term limits are an arbitrary mechanism for removing directors which can result in valuable, experienced directors being forced to leave the Board solely because of length of service. Instead, the Company believes that directors should be assessed based on their ability to continue to make a meaningful contribution. The Company's annual performance review of directors assesses the strengths and weaknesses of directors and, in its view, is a more meaningful way to evaluate the performance of directors and to make determinations about whether a director should be removed due to under-performance.

**Approval**

Our Board has approved the contents of this Management Proxy Circular and the sending thereof to our shareholders, directors and auditor.

Dated April 10, 2018

By Order of the Board,
Dave Lantz
Vice President, General Counsel
& Corporate Secretary

**Cara Operations Limited**
199 Four Valley Drive, Vaughan, Ontario, Canada L4K 0B8

## SCHEDULE A

## CARA OPERATIONS LIMITED
## MANDATE OF THE BOARD OF DIRECTORS

### 1. Statement of Purpose

The Board of Directors (the "**Board**") is responsible for the stewardship of Cara Operations Limited ("**Cara**") and for supervising the management of the business and affairs of Cara. Accordingly, the Board acts as the ultimate decision-making body of Cara, except with respect to those matters that must be approved by the shareholders. The Board has the power to delegate its authority and duties to committees or individual members and to senior management as it determines appropriate, subject to any applicable law. The Board explicitly delegates to senior management responsibility for the day to day operations of Cara, including for all matters not specifically assigned to the Board or to any committee of the Board. Where a committee of the Board or senior management is responsible for making recommendations to the Board, the Board will carefully consider those recommendations.

### 2. Board Mandate

The directors' primary responsibility is to act in good faith and to exercise their business judgment in what they reasonably believe to be the best interests of Cara. In fulfilling its responsibilities, the Board is, among other matters, responsible for the following:

- Determining, from time to time, the appropriate criteria against which to evaluate performance, and set strategic goals and objectives within this context;
- Monitoring performance against both strategic goals and objectives of Cara;
- Appointing the CEO and other corporate officers;
- Delegating to the CEO the authority to manage and supervise the business of Cara, including making any decisions regarding Cara's ordinary course of business and operations that are not specifically reserved to the Board under the terms of that delegation of authority;
- Determining what, if any, executive limitations may be required in the exercise of the authority delegated to management;
- On an ongoing basis, satisfying itself as to the integrity of the CEO and other executive officers and that the CEO and the other executive officers create a culture of integrity throughout Cara;
- Monitoring and evaluating the performance of the CEO and the other executive officers against the corporate objectives;
- Succession planning;
- Participating in the development of and approving a long-term strategic plan for Cara;
- Reviewing and approving the business and investment objectives to be met by management and ensuring they are consistent with long-term goals;
- Satisfying itself that Cara is pursuing a sound strategic direction in accordance with the corporate objectives;
- Reviewing operating and financial performance results relative to established corporate objectives;
- Approving an annual fiscal plan and setting targets and budgets against which to measure executive performance and the performance of Cara;
- Ensuring that it understands the principal risks of Cara's business, and that appropriate systems to manage these risks are implemented;
- Ensuring that the materials and information provided by Cara to the Board and its committees are sufficient in their scope and content and in their timing to allow the Board and its committees to satisfy their duties and obligations;
- Reviewing and approving Cara's annual and interim financial statements and related management's discussion and analysis, annual information form, annual report (if any) and management proxy circular;

- Overseeing Cara's compliance with applicable audit, accounting and reporting requirements, including in the areas of internal control over financial reporting and disclosure controls and procedures;
- Confirming the integrity of Cara's internal control and management information systems;
- Approving any securities issuances and repurchases by Cara;
- Determining the amount and timing of dividends to shareholders, if any;
- Approving the nomination of directors;
- Maintaining records and providing reports to shareholders;
- Establishing committees of the Board, where required or prudent, and defining their respective mandates;
- Approving the charters of the Board committees and approving the appointment of directors to Board committees and the appointment of the Chairs of those committees;
- Satisfying itself that a process is in place with respect to the appointment, development, evaluation and succession of senior management;
- Adopting a communications policy for Cara (including ensuring the timeliness and integrity of communications to shareholders, other stakeholders and the public and establishing suitable mechanisms to receive shareholder views); and
- Monitoring the social responsibility, integrity and ethics of Cara.

3. **Independence of Directors**

The Board is comprised of a greater number of independent members than non-independent members. For this purpose, a director is independent if he or she would be independent within the meaning of National Instrument 58- 101 — *Disclosure of Corporate Governance Practices*, as the same may be amended from time to time. On an annual basis, the Board will determine which of its directors is independent based on the rules of applicable stock exchanges and securities regulatory authorities and will publish its determinations in the management circular for Cara's annual meeting of shareholders. Directors have an on-going obligation to inform the Board of any material changes in their circumstances or relationships that may affect the Board's determination as to their independence and, depending on the nature of the change, a director may be asked to resign as a result.

At any time that Cara has a Chair of the Board who is not "independent" within the meaning of applicable securities laws and stock exchange rules, the Chair of the Board shall be responsible for ensuring that the Directors who are independent of management have opportunities to meet without management present. Discussions are to be led by an independent director who will provide feedback subsequently to the Chair of the Board. Independent directors will be encouraged by the Chair of the Board to have open and candid discussions with the Chair.

4. **Board Size**

The Board is currently comprised of six (6) members, five (5) of which are independent and one (1) of which is not independent. The Board will periodically review whether its current size is appropriate. The size of the Board will, in any case, be within the minimum and maximum number provided for in the articles and the by-laws of Cara.

5. **Committees**

The Board will have an Audit Committee, and a Governance, Compensation and Nominating Committee, the charters of each of which will be as established by the Board from time to time. The Board may, from time to time, establish and maintain additional or different committees as it deems necessary or appropriate.

Circumstances may warrant the establishment of new committees, the disbanding of current committees or the reassignment of authority and responsibilities amongst committees. The authority and responsibilities of each committee are set out in a written mandate approved by the Board. At least annually, each mandate shall be reviewed and, on the recommendation of the Governance, Compensation and Nominating Committee, approved by the Board. Each Committee Chair shall provide a report to the Board on material matters considered by the Committee at the next regular Board meeting following such Committee's meeting.

6. **Board Meetings**

*Agenda*

The Chair is responsible for establishing the agenda for each Board meeting.

*Frequency of Meetings*

The Board will meet as often as the Board considers appropriate to fulfill its duties, but in any event at least once per quarter.

*Responsibilities of Directors with Respect to Meetings*

Directors are expected to regularly attend Board meetings and Committee meetings (as applicable) and to review in advance all materials for Board meetings and Committee meetings (as applicable).

*Minutes*

Regular minutes of Board and Committee proceedings will be kept and will be circulated on a timely basis to all directors and Committee members, as applicable, and the Chair (and to other directors, by request for review and approval).

*Attendance at Meetings*

The Board (or any Committee) may invite, at its discretion, non-directors to attend a meeting. Any member of management will attend a meeting if invited by the directors. The Chair may attend any Committee meeting.

*Meetings of Independent Directors*

After each meeting of the Board, the independent directors may meet without the non-Independent Director. In addition, separate, regularly scheduled meetings of the independent directors of the Board may be held, at which members of management are not present. The agenda for each Board meeting (and each Committee meeting to which members of management have been invited) will afford an opportunity for the independent directors to meet separately.

*Residency*

Applicable residency requirements will be complied with in respect of any Board or Committee meeting.

7. **Communications with Shareholders and Others**

The Board will ensure that there is timely communication of material corporate information to shareholders.

Shareholders and others, including other securityholders, may contact the Board with any questions or concerns, including complaints with respect to accounting, internal accounting controls, or auditing matters, by contacting the Chief Financial Officer of Cara at:

199 Four Valley Drive
Vaughan, Ontario, Canada L4K 0B8

8. **Service on other Boards and Audit Committees**

The Board believes that its members should be permitted to serve on the boards of other public entities so long as these commitments do not materially interfere with and are not incompatible with their ability to fulfill their duties as a member of the Board.

9. **Code of Conduct**

The Board will adopt a Code of Business Conduct and Ethics (the "**Code**"). The Board expects all directors, officers and employees of Cara and its subsidiaries to conduct themselves in accordance with the highest ethical standards, and to adhere to the Code. Any waiver of the Code for directors or executive officers may only be made by the Board or one of its Committees and will be promptly disclosed by Cara, as required by applicable law, including the requirements of any applicable stock exchanges.

## SCHEDULE B

## AMENDED & RESTATED BY-LAWS RESOLUTION

"**BE IT RESOLVED** as an ordinary resolution of the Shareholders of the Company that:

1. The repeal and revocation of By-law No. 1 of the Company, as of the date hereof, is confirmed.

2. The adoption of Amended and Restated By-law No. 1, as of the date hereof, being by-laws relating generally to the transaction of the business and affairs of the Company, is hereby confirmed; and

3. any director or officer of the Company be, and he or she is hereby authorized and directed, on behalf of the Company, to execute and deliver all such documents and to do all such other acts or things as he or she may determine to be necessary or advisable to give effect to this resolution."

**SCHEDULE C**

**AMENDED AND RESTATED BY-LAW NO. 1**

**BY LAW NO. 1**

**of**

**CARA OPERATIONS LIMITED**

**(the "Corporation")**

1. INTERPRETATION

1.1 Expressions used in this By law but not defined herein or in the Shareholders Agreement (defined below) shall have the same meanings as corresponding expressions in the Business Corporations Act (Ontario) (the "Act").

1.2 In this By-law and all other by-laws of the Corporation, unless the context otherwise specifies or requires:

1.2.1 "Act" has the meaning set out in Section 1.1;

1.2.2 "Affiliate" means an affiliate within the meaning of the Act and, in respect of a Shareholder, shall also include a trust in respect of which such Shareholder is the sole trustee, and, further, in respect of the Phelan Group Shareholders, shall also include the Persons specified in Section 3.3.1.3 of the Shareholders Agreement, and in respect of the Fairfax Group Shareholders, shall also include the Persons specified in Section 3.3.1.4 of the Shareholders Agreement;

1.2.3 "Arrangements" has the meaning set out in Section 11.5.1.5;

1.2.4 "Articles" means the articles of amalgamation of the Corporation, as may be amended or restated from time to time;

1.2.5 "Board" means the board of directors of the Corporation;

1.2.6 "Chairman" has the meaning set out in Section 5.2;

1.2.7 "Committee" has the meaning set out in Section 4.12;

1.2.8 "Conditions" has the meaning set out in Section 4.4.5;

1.2.9 "Control" means:

1.2.9.1. when applied to the relationship between a Person and a body corporate, the beneficial ownership by such Person at the relevant time of shares of such body corporate carrying more than the greater of (i) 50% of the voting rights ordinarily exercisable at meetings of shareholders of such body corporate and (ii) the percentage of voting rights ordinarily exercisable at meetings of shareholders of such body corporate that are sufficient to elect a majority of the directors of such body corporate; and

1.2.9.2. when applied to the relationship between a Person and a partnership, joint venture or trust, the beneficial ownership by such Person at the relevant time of more than 50% of the ownership interests of the partnership, joint venture or trust in circumstances where it can reasonably be expected that such Person directs the affairs of the partnership, joint venture or trust;

and the words "Controlled by", "Controlling" and similar words have corresponding meanings; provided that a Person (the "first-mentioned Person") who Controls a body corporate, partnership or joint venture (the "second-mentioned Person") shall be deemed to Control a body corporate, partnership or joint venture which is Controlled by the second-mentioned Person and so on; and the words "Control Directly" and similar words

mean Control otherwise than by reason of the application of the proviso above, and the words "Control Indirectly" and similar words mean Control by reason of the application of such proviso;

1.2.10 "Controlled Entity" means a Person Controlled by a another Person;

1.2.11 "Corporation" means Cara Operations Limited;

1.2.12 "Deadlock" has the meaning set out in Section 4.5;

1.2.13 "Fairfax Group Shareholder" means each of Northbridge General Insurance Corporation, Northbridge Commercial Insurance Corporation, Northbridge Financial Corporation, Carr & Co Tr Odyssey Reinsurance Company (Canada Branch), Allied World Assurance Company Ltd., Federated Insurance Company Of Canada, United States Fire Insurance Co., Brit Syndicates Limited, Brit Insurance (Gibraltar) PCC Limited, TIG Insurance (Barbados) Ltd., Odyssey Reinsurance Company (Canada Branch), Riverstone Insurance Limited, Jayvee & Co., Fairfax (Barbados) International Corp., TIG Insurance Company (Canada Branch), TIG Insurance Company (US Branch), Hamblin Watsa Investment Counsel Ltd. and any Affiliate or Permitted Assign of the foregoing that beneficially owns one or more Multiple Voting Shares and "Fairfax Group Shareholders" means all of the foregoing Persons collectively, and for purposes of determining the number of Shares held by the Fairfax Group Shareholders, all such holdings shall be aggregated;

1.2.14 "Fundamental Issue" has the meaning set out in Section 4.5;

1.2.15 "Multiple Voting Share" means a multiple voting share of the Corporation;

1.2.16 "Nominating Shareholder" has the meaning set out in Section 11.2.3;

1.2.17 "Nomination Letter" has the meaning set out in Section 4.4.2;

1.2.18 "Nomination Notice" has the meaning set out in Section 4.5;

1.2.19 "Notice Date" has the meaning set out in Section 11.4.1;

1.2.20 "Permitted Assign" means any Person who owns Multiple Voting Shares following a Transfer of Multiple Voting Shares as permitted by the Shareholders Agreement;

1.2.21 "Person" means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, body corporate with or without share capital, unincorporated association, trust, trustee, executor, administrator or other personal legal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

1.2.22 "Phelan Group Shareholder" means each of Cara Holdings Limited and its Affiliates and Related Entities of one or more of Gail Regan, Rosemary Phelan and Holiday Phelan-Johnson and any Permitted Assign of the foregoing and "Phelan Group Shareholders" means all of the foregoing Persons collectively, and for purposes of determining the number of Shares held by the Phelan Group Shareholders, all such holdings shall be aggregated;

1.2.23 "Proposed Nominee" has the meaning set out in Section 11.5.1;

1.2.24 "Related Entity" means, in relation to a Person:

1.2.24.1. the person to whom such Person is legally married or with whom such Person is living in a conjugal relationship outside of marriage at the relevant time;

1.2.24.2. the persons who are natural born or legally adopted children of such Person or are natural born or legally adopted descendants of such children;

1.2.24.3. any trust, all of the beneficiaries (other than any contingent beneficiary) of which are the children, grandchildren or great-grandchildren (including by adoption) or other direct lineal descendants of

such Person or an Affiliate of such Person; and

1.2.24.4. any wholly-owned subsidiaries or other Controlled Entities of such Person or an Affiliate of such Person, or any Person related to, or affiliated with, such Person for purposes of the Income Tax Act (Canada);

1.2.25 "Shareholder" means a holder of Shares;

1.2.26 "Shareholder Group" means each of (i) the Fairfax Group Shareholders (collectively as one Shareholder Group); and (ii) the Phelan Group Shareholders (collectively as one Shareholder Group) and "Shareholder Groups" means both of them;

1.2.27 "Shareholders Agreement" means the shareholders agreement dated April 10, 2015 among 7948883 Canada Inc., Northbridge General Insurance Corporation, Northbridge Commercial Insurance Corporation, Northbridge Indemnity Insurance Corporation, Federated Insurance Company of Canada, Odyssey Reinsurance Company, United States Fire Insurance Company, Fairfax (Barbados) International Corp., TIG Insurance Company, Hamblin Watsa Investment Counsel Ltd., Cara Holdings Limited and the Corporation as amended from time to time;

1.2.28 "Shares" means shares in the capital of the Corporation authorized for issuance by the Articles;

1.2.29 "Subordinate Voting Share" means a subordinate voting share of the Corporation; and

1.2.30 "Transfer" includes any sale, exchange, assignment, gift, bequest, disposition, mortgage, charge, pledge, encumbrance, grant of security interest or other arrangement by which possession, legal title or beneficial ownership passes from one Person to another, or to the same Person in a different capacity, directly or indirectly, whether or not voluntary and whether or not for value, and any agreement to effect any of the foregoing; and the words "Transferred", "Transferring" and similar words have corresponding meanings.

2. CORPORATE SEAL

2.1 The directors may, but need not, adopt a corporate seal, and may change a corporate seal that is adopted.

3. FINANCIAL YEAR

3.1 Until changed by the directors, the financial year of the Corporation shall end on the Sunday in December that is closest to December 31st in each year.

4. DIRECTORS

4.1 Number. The number of directors shall be a minimum of eight (8) and a maximum of nine (9). At each election of directors, the number elected shall be: (i) eight (8), subject to Section 4.2 of this By-law and a maximum of nine (9), provided each Shareholder Group beneficially owns, directly or indirectly, no less than 50% of the number of Multiple Voting Shares held by such Shareholder Group as at the date of the initial public offering of Subordinate Voting Shares and (ii) the number of directors then in office unless the directors or the Shareholders otherwise determine provided that each Shareholder Group does not beneficially own, directly or indirectly, at least than 50% of the number of Multiple Voting Shares held by such Shareholder Group as at the date of the initial public offering of Subordinate Voting Shares.

4.2 Special Director. An additional ninth (9th) director shall be appointed pursuant to the special nomination right granted to the Fairfax Group Shareholder described below in Section 4.5 of this By-law, if such right is exercised.

4.3 Nomination of Directors. Each Shareholder Group is entitled to nominate four directors, subject to adjustment as described under Section 4.4 of this By-law. At least three of the directors nominated by the Phelan Group Shareholders shall be independent within the meaning of applicable securities laws, at least one of the directors nominated by the Fairfax Group Shareholders shall be independent within the meaning of applicable securities laws and one of the directors nominated by the Fairfax Group Shareholders may be the Chief Executive Officer of the Corporation. If any vacancy occurs in the Board, for any reason, such vacancy shall be filled as soon as possible by a person nominated by the Shareholder Group originally

entitled to nominate the vacating director.

4.4 Board Nomination Procedure.

4.4.1 Not less than ninety (90) days before each Directors Election Meeting, the Corporation will notify each Shareholder Group of the date on which such Directors Election Meeting is scheduled to be held.

4.4.2 Subject to Section 4.4.6, not less than seventy-five (75) days before each Directors Election Meeting, each Shareholder Group shall deliver to the Corporation, in writing, the name of its four proposed nominees together with the information regarding such proposed nominees (including the number of securities in the Corporation or its affiliates owned or controlled by each) that each Shareholder Group requests the Corporation include in the information circular of the Corporation to be sent to Shareholders in respect of such Directors Election Meeting and such other information, including a biography of each, that is consistent with the information the Corporation intends to publish about other nominees as directors of the Corporation in such information circular (the "Nomination Letter").

4.4.3 If a Shareholder Group does not provide a Nomination Letter in accordance with Section 4.4.2, such Shareholder Group will be deemed to nominate its nominees that are directors immediately prior to the beginning of the Directors Election Meeting, subject to such individuals satisfying the Conditions for re-appointment to the Board and to the review of and approval by the Governance, Compensation and Nominating Committee in accordance with Section 4.4.7.

4.4.4 Each Shareholder Group shall also cause its nominees to complete any director and officer questionnaire that the Corporation requires of every nominee director.

4.4.5 Each Shareholder Group agrees that each individual it nominates in the Nomination Letter, in its good faith judgment, (i) possesses appropriate expertise and/or background knowledge of the business of the Corporation, and (ii) is otherwise qualified to serve as a member of the Board under applicable law and all policies, procedures, processes, codes, rules, standards and guidelines applicable to Board members, including any of the Corporation's applicable policies. No nominee may be an individual who has been convicted of a felony or a crime involving moral turpitude or an individual who is not acceptable to any stock exchange on which the Subordinate Voting Shares are then listed or a securities regulatory authority having jurisdiction over the Corporation (each of the foregoing requirements in this Section 4.4.5, collectively, the "Conditions"). Such individual shall preserve the confidentiality of the Corporation's business and information, including discussions of matters considered in meetings of the Board or the Committees.

4.4.6 Subject to Section 4.4.3, if either Shareholder Group fails to deliver the Nomination Letter to the Corporation at least seventy-five (75) days before the Directors Election Meeting for which the Corporation has provided notice under Section 4.4.1, the Corporation shall have no obligation to include any of such Shareholder Group's nominees as a nominee of the Board as a director in the information circular for the Directors Election Meeting for which such notice was provided or to nominate any individual designated or proposed by such Shareholder Group as director at such Directors Election Meeting.

4.4.7 If a Shareholder Group provides the Nomination Letter within the time prescribed therefor, the Governance, Compensation and Nominating Committee shall promptly review the individual's credentials and, in the case of any nominee not currently a director, shall promptly interview such individual and, subject to such Committee's and the Board's approval, which approval shall be based upon the same criteria the Governance, Compensation and Nominating Committee and the Board generally apply in their consideration of other nominees, such individual shall be included as a nominee of the Board as a director in the information circular for the Directors Election Meeting for which the Nomination Letter was provided; provided, however, that such approval of the Governance, Compensation and Nominating Committee and the Board shall not be unreasonably conditioned, withheld or delayed. In the event that the Governance, Compensation and Nominating Committee or the Board shall withhold approval of an individual so designated by the Shareholder Group as a nominee, which determination shall be communicated to such Shareholder Group no later than fifty (50) days prior to the Directors Election Meeting, such Shareholder Group shall have the right to designate an alternative individual for appointment as a replacement nominee in accordance with the provisions of this Section 4.4.2 by providing a further Nomination Letter, provided such further Nomination Letter shall be provided no later than the date which is forty (40) days before the Directors Election Meeting for which such

Shareholder Group has provided such Nomination Letter (failing which, the provisions of Section 4.4.6 shall apply) and the Governance, Compensation and Nominating Committee will review that individual's credentials and shall promptly interview such individual and subject to such Committee's and the Board's approval, on the basis outlined above, such individual shall be included as a nominee of the Board as a director in the information circular for the Directors Election Meeting for which the Nomination Letter was provided. In the event that the Governance, Compensation and Nominating Committee or the Board shall withhold approval of an individual so designated by the Shareholder Group as a nominee, which determination shall be communicated to such Shareholder Group within ten (10) days of receipt of the Nomination Letter, such Shareholder Group shall have the further right to designate an alternative individual for appointment as a replacement nominee in accordance with the provisions of this Section 4.4.3 in the manner described above until an individual who is satisfactory to the Governance, Compensation and Nominating Committee and the Board has been selected, and the Governance, Compensation and Nominating Committee will include that individual as a nominee of the Board as a director in the Corporation's management information circular for the Directors Election Meeting for which the Nomination Letter was provided. The Directors Election Meeting will be postponed if a nominee to the Board for which a Nomination Letter was provided has not been selected prior to the deadline for printing the management information circular until such time as a nominee for which a Nomination Letter is provided has been selected.

4.4.8 In the event of the resignation, death or incapacity of a director that is serving on the Board, or in the event that a director that is serving on the Board at any time ceases to satisfy any Condition, the Shareholder Group that nominated such director shall be entitled to designate an individual satisfying each of the Conditions to replace such director to serve on the Board by delivery of a written notice to the Corporation within forty-five (45) days after the director resigns, dies or becomes incapacitated, or ceases to satisfy any Condition, as applicable. Such individual's credentials may be reviewed, and he or she shall be promptly interviewed, by the Governance, Compensation and Nominating Committee and, subject to such Committee's and the Board's approval, such individual shall be promptly appointed to the Board to serve until the next Directors Election Meeting or until his or her successor is elected or appointed; provided, however, that such approval of the Governance, Compensation and Nominating Committee and the Board shall be based upon the same criteria the Governance, Compensation and Nominating Committee and the Board generally applies in its consideration of other nominees and shall not otherwise be unreasonably conditioned, withheld or delayed. In the event that the Governance, Compensation and Nominating Committee or the Board shall withhold approval of an individual so designated by the applicable Shareholder Group to replace its nominee who has resigned, died, become incapacitated or ceases to satisfy any Condition, such Shareholder Group shall have the right to designate an alternative individual for appointment as its nominee in accordance with the provisions of this Section 4.4.8 until a nominee who is satisfactory to the Governance, Compensation and Nominating Committee and the Board has been selected and such person will be promptly appointed to the Board, subject to such person satisfying each of the Conditions for appointment to the Board and review and approval by the Governance, Compensation and Nominating Committee and the Board (as described above).

4.5 Special Nomination Right. The Fairfax Group Shareholders have the right to appoint one (1) additional director in circumstances where the directors are unable to reach a decision at a meeting by the required vote on any of the following matters (each a "Fundamental Issue") because an equal number of directors vote for and against the resolution (a "Deadlock") in accordance with Section 2.1.7 of the Shareholders Agreement:

4.5.1 any change in the number of directors on the Board;

4.5.2 any merger, acquisition or sale transaction;

4.5.3 any issuance of equity or debt securities of the Corporation, including preferred, common or voting stock or securities convertible into preferred, common or voting stock, except where such issuance of equity or debt securities is being done in connection with (i) the grant or exercise of options as contemplated in the Corporation's share-based compensation arrangements, or (ii) the conversion of Multiple Voting Shares into Subordinate Voting Shares in accordance with the terms of the Shareholders Agreement and the Articles;

4.5.4 any purchase, redemption or other acquisition by the Corporation of any Multiple Voting Shares or Subordinate Voting Shares or other securities issued by the Corporation, except pursuant to a normal course issuer bid;

4.5.5 any material change in the Corporation's share capital structure;

4.5.6 the appointment, removal or replacement of the Chief Executive Officer; or

4.5.7 any amendment to or modification of the Corporation's dividend policy.

Not less than five (5) business days and not more than fifteen (15) business days following the Deadlock, the Fairfax Group Shareholders may give to the Phelan Group Shareholders' representative notice of the intention to nominate an additional director (the "Nomination Notice"). The nominee will be required to provide the biographical and other information, and will be subject to the review process, that is applied to Board nominees generally, as set out above, and an alternative nominee may be proposed if approval of the Governance, Compensation and Nominating Committee is not obtained. If the Fairfax Group Shareholders provide the Nomination Notice within the time prescribed, subject to the review of such individual's credentials and the promptly held interview of such individual by the Governance, Compensation and Nominating Committee, such individual shall be promptly appointed to the Board by the Governance, Compensation and Nominating Committee to serve as the Fairfax Special Nominee; provided, however, that such approval of the Governance, Compensation and Nominating Committee shall be based upon the same criteria the Governance, Compensation and Nominating Committee and the Board generally applies in its consideration of other nominees and shall not otherwise be unreasonably conditioned, withheld or delayed. In the event that the Governance, Compensation and Nominating Committee shall withhold approval of an individual so designated by the Fairfax Group Shareholders to be the Fairfax Special Nominee, the Fairfax Group Shareholders shall have the right to designate an alternative individual for appointment as the Fairfax Special Nominee in accordance with the provisions hereof such person will be promptly appointed to the Board, provided, however, that such approval of the Governance, Compensation and Nominating Committee shall be based upon the same criteria the Governance, Compensation and Nominating Committee and the Board generally applies in its consideration of other nominees and shall not otherwise be unreasonably conditioned, withheld or delayed. A Fairfax Special Nominee duly elected in accordance with this provision will remain a director until the end of the first Directors Election Meeting held after the date the Fairfax Special Nominee is appointed after the Board has resolved the Deadlock.

In Accordance with Section 2.1.7.2.8 of the Shareholders Agreement, if the Fairfax Group Shareholders fail to deliver the Nomination Notice to the Phelan Group Shareholder Representative in accordance with Section 2.1.7.2 of the Shareholders Agreement and this Section 4.5, the Fairfax Group Shareholders' right to nominate a Fairfax Special Nominee with respect to the Fundamental Issue in respect of which the Deadlock occurred will be null and void.

4.6 Quorum. A quorum at a meeting of the Board consists of a majority of the directors then holding office, including at least one director nominated by each Shareholder Group. If a meeting of directors is adjourned for lack of quorum, it will be reconvened one week later (or at such other date, time and place as the directors in attendance determine), and the directors then present at the reconvened meeting will constitute a quorum.

4.7 Calling of Meetings. Meetings of the directors shall be held at such time and place as the Chairman of the Board, the Chief Executive Officer or any two directors may determine.

4.8 Notice of Meetings. Notice of the time and place of each meeting of directors shall be given to each director not less than 48 hours before the time of the meeting, provided that the first meeting immediately following a meeting of Shareholders at which directors are elected may be held without notice if a quorum is present. Meetings may be held without notice if the directors at any time waive or are deemed to waive notice.

4.9 Meeting by Telephonic or Electronic Facility. If all the directors of the Corporation consent, a meeting of directors or of a committee of directors may be held by means of a telephonic, electronic or other communication facility that permits all persons participating in the meeting to communicate adequately with each other, and a director participating in a meeting by such means is deemed to (a) consent to such meeting format and (b) be present at that meeting.

4.10 Chair. The Chairman of the Board, or in the Chairman's absence the Chief Executive Officer if a director, or in the Chief Executive Officer's absence or if the Chief Executive Officer is not a director, a director chosen by the directors at the meeting, shall be chair of any meeting of directors.

4.11 Voting at Meetings. At meetings of directors each director shall have one vote and questions shall be decided by a majority vote, or by a written instrument signed by all directors, subject to the nomination of an additional director in the event of a Deadlock described in Section 4.4 of this By-law. The Chairman will not have a casting vote at meetings of directors.

4.12 Committees. The procedures governing each Committee shall be determined by the Board, provided each committee of directors will include at least one (1) director nominated by each Shareholder Group and quorum at committee meetings will consist of a majority of the committee's members, including at least one director nominated by each Shareholder Group. All members of the Board are permitted to attend meetings of the Committees as guests. The following committees of the Board (each, a "Committee") shall be established to advise and report to the Board on the matters delegated to such Committees by the Board:

4.12.1 Audit Committee; and

4.12.2 Governance, Compensation and Nominating Committee.

The Audit Committee shall include at least two (2) independent directors nominated by the Phelan Group Shareholders and one (1) independent director nominated by the Fairfax Group Shareholders, and the Governance, Compensation and Nominating Committee shall include at least two (2) directors nominated by the Fairfax Group Shareholders. Meetings of each Committee may take place immediately before or immediately after each regular Board meeting, except where the meeting of a Committee has been convened outside the regular Board meeting to consider special business.

5. OFFICERS

5.1 General. The directors may from time to time appoint a Chairman, a President, Chief Executive Officer, Chief Financial Officer, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as the directors may determine.

5.2 Chair of the Board. The Board shall have a chairman (the "Chairman") who shall be appointed and replaced from time to time by the Board, provided that the Shareholder Groups shall, acting together, be entitled to cause the Chairman to resign his or her position as Chairman, and upon the resignation or removal of a Chairman, the Shareholder Groups shall agree, acting reasonably, on a director to be appointed as Chairman. The Chairman shall have general supervision of the Board's business and affairs, shall, when present, be chair of the meetings of directors and Shareholders and shall have such other powers and duties as the directors may determine.

5.3 Other Officers. Any other officer shall have such powers and duties as the directors or the Chief Executive Officer may determine from time to time.

5.4 Assistants. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant unless the directors or the Chief Executive Officer otherwise direct.

5.5 Variation of Duties. The directors may, from time to time, vary, add to or limit the powers and duties of any officer.

5.6 Term of Office. Each officer shall hold office until the officer's successor is elected or appointed, provided that the directors may at any time remove any officer from office but such removal shall not affect the rights of such officer under any contract of employment with the Corporation.

6. SHAREHOLDERS

6.1 Annual Meeting. Subject to the Act, the annual meeting of the Shareholders shall be convened on such day in each year and at such time as the Board may by resolution determine.

6.2 Special Meetings. The Board shall have the power to call a special meeting of Shareholders at any time.

6.3 Quorum. 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 attached to the outstanding voting Shares entitled to vote at the meeting.

6.4 Casting Vote. In case of an equality of votes at a meeting of Shareholders, the chair of the meeting shall have a second or casting vote.

6.5 Scrutineers. The chair at any meeting of Shareholders may appoint one or more persons (who need not be Shareholders) to act as scrutineer or scrutineers at the meeting.

6.6 Certificates for Shares. The Shares shall be represented by certificates, or shall be uncertificated Shares that may be evidenced by a book-entry system (including a non-certificated inventory system (e.g. Direct Registration System)) maintained by the registrar of such Shares, or a combination of both. To the extent that Shares are represented by certificates, such certificates shall be in such form as shall be approved by the Board. The certificates representing Shares of stock of each class shall be signed by, or in the name of, the Corporation by the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, or any director. Any or all such signatures may be facsimiles. Although any officer, transfer agent or registrar whose manual or facsimile signature is affixed to such a certificate ceases to be such officer, transfer agent or registrar before such certificate has been issued, it may nevertheless be issued by the Corporation with the same effect as if such officer, transfer agent or registrar were still such at the date of its issue.

The stock ledger and blank Share certificates shall be kept by the Secretary or by a transfer agent or by a registrar or by any other officer or agent designated by the Board.

6.7 Replacement of Share Certificates. Where the owner of a Share certificate claims that the Share certificate has been lost, apparently destroyed or wrongfully taken, the Corporation shall issue or cause to be issued a new certificate in place of the original certificate if the owner (i) so requests before the Corporation has notice that the Share certificate has been acquired by a bona fide purchaser; (ii) files with the Corporation an indemnity bond (unless not required to do so by the Corporation) sufficient in the Corporation's opinion to protect the Corporation and any transfer agent, registrar or other agent of the Corporation from any loss that it or any of them may suffer by complying with the request to issue a new Share certificate; and (iii) satisfies any other reasonable requirements imposed from time to time by the Corporation.

## 7. DIVIDENDS AND RIGHTS

7.1 Declaration of Dividends. Subject to the Act, the directors may from time to time declare dividends payable to the Shareholders according to their respective rights and interests in the Corporation.

7.2 Wire Transfer or Cheques. A dividend payable in money shall be paid, at the Corporation's option, directly or indirectly, by (a) wire transfer or (b) cheque to the order of each registered holder of Shares of the class or series in respect of which it has been declared, and (i) sent, if by wire transfer, to such registered holder as per the wire instructions provided by such holder in the Corporation's securities register, or (ii) mailed by prepaid ordinary mail, if by cheque, to such registered holder at the address of such holder in the Corporation's securities register, unless such holder otherwise directs. In the case of joint holders, the wire transfer or cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and transferred to them as per the wire instructions, or mailed to them at their address, in the Corporation's securities register. The issuance of the wire transfer or mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

7.3 Non Receipt of Wire Transfer or Cheques. In the event of non receipt of any dividend wire transfer or cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a wire transfer or a cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non receipt and of title as the directors may from time to time prescribe, whether generally or in any particular case.

7.4 Unclaimed Dividends. To the extent permitted by applicable law, any dividends unclaimed after a period of six years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

## 8. EXECUTION OF INSTRUMENTS

8.1 Deeds, transfers, assignments, agreements, proxies and other instruments may be signed on behalf of the Corporation by the Chairman, the Chief Executive Officer or any other officer or any director, or in such other manner as the directors may determine.

## 9. INDEMNIFICATION AND INSURANCE

9.1 Indemnification of Directors and Officers. The Corporation shall indemnify a director or officer, a former director or officer or a person who acts or acted at the Corporation's request as a director or officer, or in a similar capacity of another entity, and the heirs and legal representatives of such a person except as prohibited by the Act.

9.2 Insurance. The Corporation may purchase and maintain insurance for the benefit of any person referred to in the preceding section to the extent permitted by the Act.

10. NOTICE

10.1 General. A notice mailed to a shareholder, director, auditor or member of a committee shall be deemed to have been received at the time it would be delivered in the ordinary course of mail unless there are reasonable grounds for believing that the shareholder or director did not receive the notice or the document at that time or at all.

10.2 Electronic Delivery. The Corporation may satisfy the requirement to send any notice or document referred to in Section 10.1 by creating and providing an electronic document in compliance with the Act and the regulations under the Act and in accordance with the Electronic Commerce Act (Ontario) where applicable. An electronic document is deemed to have been received when it enters the information system designated by the addressee or, if the document is posted on or made available through a generally accessible electronic source, when the addressee receives notice in writing of the availability and location of that electronic document, or, if such notice is sent electronically, when it enters the information system designated by the addressee.

10.3 Omissions and Errors. Accidental omission to give any notice to any shareholder, director, auditor or member of a committee or non receipt of any notice or any error in a notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice.

11. ADVANCE NOTICE PROVISIONS

11.1 For purposes of this Section 11:

"Applicable Securities Laws" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada;

"public announcement" means disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and

"Representatives" of a person means the affiliates and associates of such person, all persons acting jointly or in concert with any of the foregoing, and the affiliates and associates of any of such persons acting jointly or in concert, and "Representative" means anyone of them.

11.2 Subject only to the Act, Section 4 of this By-law and the Shareholders Agreement, and for so long as the Corporation is a distributing corporation, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board of directors of the Corporation may be made at any annual meeting of Shareholders, or at any special meeting of Shareholders if one of the purposes for which the special meeting was called was the election of directors,

11.2.1 by or at the direction of the Board, including pursuant to a notice of meeting;

11.2.2 by or at the direction or request of one or more Shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the Shareholders made in accordance with the provisions of the Act; or

11.2.3 by any person (a "Nominating Shareholder"):

11.2.3.1. who, at the close of business on the date of the giving of the notice provided for below in this Section 11 and at the close of business on the record date for notice of such meeting of Shareholders, is entered in the securities register of the Corporation as a holder of one or more Shares carrying the right to vote at such meeting or who beneficially owns Shares that are entitled to be voted at such meeting; and

11.2.3.2. who complies with the notice procedures set forth below in this Section 11.

11.3 In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, such person must have given timely notice thereof (in accordance with Section 11.4 below) in proper written form to the Board (in accordance with Section 11.5 below).

11.4 To be timely, a Nominating Shareholder's notice to the Board must be made:

11.4.1 in in the case of an annual meeting of Shareholders (which includes an annual and special meeting), not less than 30 nor more than 65 days prior to the date of the annual meeting of Shareholders; provided, however, that in the event that the annual meeting of Shareholders is called for a date that is less than 50 days after the date (the "Notice Date") that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and

11.4.2 in the case of a special meeting (which is not also an annual meeting) of Shareholders called for the purpose of electing directors (whether or not called for other purposes as well), not later than the close of business on the fifteenth (15th) day following the day that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the special meeting of Shareholders was made.

11.4.3 In no event shall any adjournment or postponement of a meeting of Shareholders, or an announcement thereof, re-start the initially required time periods for the giving of a Nominating Shareholder's notice as described above. For greater certainty, this means that a Nominating Shareholder who failed to deliver a timely Nominating Shareholder's notice in proper written form to the directors for purposes of the originally scheduled Shareholders' meeting shall not be entitled to provide a Nominating Shareholder's notice for purposes of any adjourned or postponed meeting of Shareholders related thereto as the determination as to whether a Nominating Shareholder's notice is timely is to be determined based off of the original Shareholders' meeting date and not any adjourned or postponed Shareholders' meeting date.

11.5 To be in proper written form, a Nominating Shareholder's notice to the Board must:

11.5.1 set forth, as to each person whom the Nominating Shareholder proposes to nominate for election as a director (each, a "Proposed Nominee"):

11.5.1.1. the name, age, business address and residential address of the person;

11.5.1.2. the principal occupation or employment of the person for the past five years;

11.5.1.3. the status of such person as a "resident Canadian" (as such term is defined in the Act);

11.5.1.4. the class or series and number of Shares which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of Shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice;

11.5.1.5. full particulars regarding any contract, agreement, arrangement, understanding or relationship (collectively, "Arrangements"), including without limitation financial, compensation and indemnity related Arrangements, between the Proposed Nominee or any associate or affiliate of the Proposed Nominee and any Nominating Shareholder or any of its Representatives; and

11.5.1.6. any other information relating to the Proposed Nominee or his or her associates or affiliates that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws.

11.5.2 set forth, as to each Nominating Shareholder giving the notice and each beneficial owner, if any, on whose behalf the nomination is made:

11.5.2.1. the name, age, business address and, if applicable, residential address of such person;

11.5.2.2. their direct or indirect beneficial ownership in, or control or direction over, any class or series of securities of the Corporation, including the number of principal amount and the date(s) on which such securities were acquired;

11.5.2.3. full particulars regarding (1) any proxy or other Arrangement pursuant to which such person or any of its Representatives has a right to vote or direct the voting of any Shares, and (2) any other Arrangement of such person or any of its Representatives relating to the voting of any Shares or the nomination of any person(s) to the Board;

11.5.2.4. full particulars regarding any Arrangement of such person or any of its Representatives, the purpose or effect of which is to alter, directly or indirectly, the economic interest of such person or any of its Representatives in a security of the Corporation or the economic exposure of any such person or any of its Representatives to the Corporation;

11.5.2.5. full particulars regarding any Arrangement, including without limitation financial, compensation and indemnity related Arrangements, between the Proposed Nominee or any associate or affiliate of the Proposed Nominee and such person or any of its Representatives;

11.5.2.6. a representation and proof that the Nominating Shareholder is a holder of record of securities of the Corporation, or a beneficial owner, entitled to vote at such meeting and intends to appear in person or by proxy at the applicable Shareholders' meeting to propose such nomination;

11.5.2.7. a representation as to whether such person or any of its Representatives intends to deliver a proxy circular and/or form of proxy to any Shareholder in connection with such nomination or otherwise solicit proxies or votes from Shareholders in support of such nomination; and

11.5.2.8. any other information relating to such person or any of its Representatives that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws.

The Corporation may require any Proposed Nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such Proposed Nominee to serve as a director of the Corporation or a member of any committee of the Board, including with respect to independence or any other relevant criteria for eligibility (including any stock exchange requirements) or that could be material to a reasonable Shareholder's understanding of the independence or eligibility, or lack thereof, of such Proposed Nominee.

11.6 All information to be provided in a timely notice pursuant to Section 11.5 above shall be provided as of the record date for determining Shareholders entitled to vote at the meeting (if such date shall then have been publicly announced) and as of the date of such notice. The Nominating Shareholder shall update such information forthwith if there are any material changes in the information previously disclosed.

11.7 For the avoidance of doubt, except for the Shareholders Agreement and Section 4 of this By-law, Section 11.2 above shall be the exclusive means for any person to bring nominations for election to the Board before any annual or special meeting of Shareholders. No person shall be eligible for election as a director of the Corporation unless such person has been nominated in accordance with the provisions of the Shareholders Agreement, Section 4 of this By-law or this Section 11; provided, however, that nothing in this Section 11 shall be deemed to preclude discussion by a Shareholder (as distinct from the nomination of directors) at a meeting of Shareholders of any matter in respect of which such Shareholder would have been entitled to submit a proposal pursuant to the Act. The chair of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

11.8 Notwithstanding any other provision of this Section 11 or any other by-law of the Corporation, any notice or other document or information required to be given to the Board pursuant to this Section 11 may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the Board for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the Board at the address of the principal executive offices of the Corporation, emailed (to the address as aforesaid) or sent

by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

11.9 Notwithstanding the foregoing, the Board may, in its sole discretion, waive all or any of the requirements in this Section.

11.10 Nothing in this Section shall obligate the Corporation or the Board to include in any proxy statement or other Shareholder communication distributed by or on behalf of the Corporation or the Board any information with respect to any proposed nomination or any Nominating Shareholder or Proposed

## SCHEDULE D

## NAME CHANGE RESOLUTION

"**BE IT RESOLVED** as a special resolution of the Shareholders of the Company that:

1. The Company be and is hereby authorized, subject to any necessary regulatory approvals, to amend the Company's articles to change the Company's name from "Cara Operations Limited" to "Recipe Unlimited Corporation", or such other name that the Board in their sole discretion determine, as more particularly described in the Company's management proxy circular dated April 10, 2018 (the "**Circular**") under the heading "Approval of Name Change from Cara Operations Limited to Recipe Unlimited Corporation";

2. notwithstanding that this resolution has been duly passed by the Shareholders, the Board of the Company be, and they hereby are, authorized and empowered to revoke this resolution at any time prior to the amendment of the Company's articles and to determine not to proceed with changing the name of the Company; and

3. any director or officer of the Company be, and he or she is hereby authorized and directed, on behalf of the Company, to execute and deliver all such documents and to do all such other acts or things as he or she may determine to be necessary or advisable to give effect to this resolution."

## SCHEDULE E

## SHARE OPTION PLAN RESOLUTION

**WHEREAS**

1. the Board of the Company adopted on April 10, 2015, the Post-IPO 2015 Share Option Plan and the Post-IPO 2015 Director Share Option Plan (together, the "Share Option Plans") which provide that the issuance of options thereunder will not exceed 15% of the Company's issued and outstanding Shares from time to time; and

2. the rules of the Toronto Stock Exchange provide that all unallocated options under the Share Option Plans that do not have a fixed maximum number of shares issuable be approved every three years.

**BE IT RESOLVED** as a resolution of the Shareholders of the Company that**:**

1. all unallocated options under the Share Option Plan and Director Share Option Plan be and the same are hereby approved;

2. the Company has the ability to continue granting options under the Share Option Plans until May 11, 2021, that is until the date that is three years from the date where shareholder approval is being sought; and

3. any director or officer of the Company be, and he or she is hereby authorized and directed, on behalf of the Company, to execute and deliver all such documents and to do all such other acts or things as he or she may determine to be necessary or advisable to give effect to this resolution.


CARA