



A&W Revenue Royalties Income Fund
Suite 300, 171 West Esplanade
North Vancouver, British Columbia
V7M 3K9

Annual Information Form
For the year ended December 31, 2023

February 27, 2024

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SCHEDULE A - TERMS OF REFERENCE AUDIT COMMITTEE A & W REVENUE ROYALTIES INCOME FUND

Certain capitalized terms used in this annual information form (“Annual Information Form”) have the meanings attributed to them in the Glossary.

FORWARD-LOOKING INFORMATION

Certain statements in this Annual Information Form contain forward-looking information within the meaning of applicable securities laws in Canada (forward-looking information). The words “anticipates”, “believes”, “budgets”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “projects”, “schedule”, “should”, “will”, “would” and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this Annual Information Form includes, but is not limited to: A&W Food Services of Canada Inc (“Food Services”) plan to continue to implement its four major strategic objectives over the coming years; A&W restaurants earning additional return visits in the future and becoming even more successful; Food Services’ plans to continue to open new franchised restaurants across Canada in the coming years and improve sales of existing restaurants by creating “can’t wait to come back guest experiences”; Food Services’ intention to continue to expand its franchisee system by attracting and retaining experienced operators who have the management capacity to develop multiple restaurants; Food Services’ plan to continue to grow its A&W Brew Bar® beverage business and mobile app user base; Food Services’ plan to continue to modernize existing A&W restaurants; Food Services’ growth strategies; Food Services’ target market; Food Services’ commitment to provide leadership to the industry; future adjustments to the Royalty Pool and the expected timing of the payment of the remaining consideration for the January 5, 2024 adjustment to the Royalty Pool; the A&W Revenue Royalties Income Fund’s (“Fund”) intention to make monthly distributions to Unitholders, the expected nature and timing of such distributions; and the possibility that A&W Trade Marks Inc (“the Company”) will temporarily draw upon the Operating Loan in order to pay dividends to the Fund in periods where the timing of the payment of the Royalty does not coincide with the timing of the payment of the Fund’s distributions; the expectation that the exercise of redemption rights will not be the primary mechanism for holders of Trust Units to dispose of their Trust Units; and the intention of the board of directors of the Company not to issue Class A Exchangeable shares or Class B exchangeable shares of the Company.

The forward-looking information is based on various assumptions that include, but are not limited to:

- no Class A exchangeable shares or Class B exchangeable shares of the Company will be issued;
- the general risks that affect the restaurant industry will not arise;
- there are no changes in availability of experienced management and hourly employees;
- there are no material changes in government regulations concerning menu labelling and disclosure and drive-thru restrictions, franchise legislation or sales taxes;
- no publicity from any food borne illness;
- no material changes in competition;
- no material changes in the quick service restaurant burger market including as a result of changes in consumer taste or health concerns or changes in economic conditions or unemployment, or a disease outbreak;
- no material increases in food and labour costs;
- the continued availability of quality raw materials;
- continued additional franchise sales and maintenance of franchise operations;
- Food Services is able to continue to grow same store sales;
- Food Services is able to maintain and grow the current system of franchises;
- Food Services is able to locate new retail sites in desirable locations;
- Food Services is able to obtain qualified operators to become A&W franchisees;
- existing franchisees are able to successfully operate and grow their businesses and maintain profitability;
- no closures of A&W restaurants that materially affect the amount of the Royalty;
- no material impact on sales from closures of “anchor” stores in shopping centres;
- no material declines in traffic patterns at shopping centres and other retail nodes;
- no material closures to shopping centres or other retail nodes in which A&W operates;
- no supply disruptions;
- franchisees duly pay service fees and other amounts;
- no material impact from new or increased sales taxes upon Gross Sales;
- continued availability of key personnel;

- continued ability to preserve intellectual property;
- no material litigation from guests at A&W restaurants;
- the Fund will receive sufficient revenue in the future (in the form of royalty payments from Food Services) to maintain the payment of monthly distributions;
- the Company continues to pay dividends on the Common Shares and A&W Trade Marks Limited Partnership (“the Partnership”) continues to make distributions on its units in amounts sufficient to allow the Fund to continue to pay distributions on its Units at current levels;
- Food Services can continue to comply with its obligations under its credit arrangements;
- the Company can continue to comply with its obligations and covenants under its credit arrangements;
- the Company’s performance does not fluctuate such that cash distributions are affected;
- the projections for the A&W business provided by Food Services are accurate; and
- Food Services will be successful in executing on its business strategies and such strategies will achieve their intended results.

The forward-looking information is subject to risks, uncertainties and other factors related to the quick service restaurant industry that include, but are not limited to:

- the general risks that affect the restaurant industry in general and the quick service segment in particular, including competition with other well-capitalized franchisors and operators of quick service restaurants;
- changes in consumer preferences that adversely affect the consumption of quick service restaurant hamburgers, chicken, fries, breakfast items or soft drinks;
- failure to anticipate and address industry trends;
- the impacts of fluctuations in consumer discretionary spending;
- negative publicity, litigation or complaints from perceived or actual food safety events or other events involving the foodservice industry in general or A&W restaurants in particular;
- changes in the availability and quality of raw materials, including A&W’s natural ingredients;
- the possible lack of success of new products and advertising campaigns;
- changes in climate or increases in environmental regulation;
- changes in Food Services’ ability to continue to grow same store sales, locate new retail sites in desirable locations and obtain qualified operators to become A&W franchisees;
- increases in closures of A&W restaurants adversely affecting the Royalty;
- decreases in traffic at shopping centers and other retail nodes;
- changes in Food Services’ ability to pay the Royalty due to changes in A&W franchisees’ ability to generate sales and pay service fees and other amounts to Food Services;
- changes in government regulation that affects the restaurant industry in general or the quick service restaurant industry in particular, including franchise legislation and sales tax legislation;
- changes in the availability of key personnel, including qualified franchise operators;
- changes in the ability to enforce or maintain intellectual property;
- technological breakdowns, cybersecurity breaches and the security of consumer and personal information;
- the amplificatory effects of media and social media;
- risks related to global health crises, disease outbreaks, and other unexpected events which could affect Food Services’ and A&W franchisees’ supply chains, business continuity, and financial results;
- the availability and adequacy of insurance coverage;
- the occurrence of catastrophic events;
- risks related to international conflicts;
- risks related to inflation; and
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, political uncertainty, interest rates, currency exchange rates or derivative and commodity prices.

The forward-looking information is subject to risks, uncertainties and other factors related to the structure of the Fund that include, but are not limited to:

- dependence of the Fund on the Company, Partnership and Food Services;
- dependence of the Partnership on Food Services;
- risks related to leverage and restrictive covenants;
- the risk that cash distributions are not guaranteed and will fluctuate with the Partnership’s performance and could be reduced or suspended at any time;
- risks related to the unpredictability and volatility of Unit prices;

- risks related to the nature of Units;
- risks related to the distribution of securities on redemption or termination of the Fund;
- risks related to the Fund issuing additional Units diluting existing Unitholders' interests;
- risks related to income tax matters and investment eligibility;
- risks related to the limitations of internal controls over financial reporting;
- risks related to international conflicts;
- risks related to economic conditions; and
- risks related to Food Services not meeting its objectives, and the possibility that its strategies to meet its objectives may not be successful.

These risks, uncertainties and other factors are more particularly described below under the heading "Risk Factors".

All forward-looking information in this Annual Information Form is qualified in its entirety by this cautionary statement and except as required by law, the Fund undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

NON-IFRS MEASURES

This Annual Information Form makes references to certain non-IFRS measures. The Fund believes that disclosing certain non-IFRS financial measures provides readers of this Annual Information Form with important information regarding the Fund's financial performance and its ability to pay distributions to unitholders. By considering these measures in combination with IFRS measures, the Fund believes that investors are provided with additional and more useful information about the Fund than investors would have if they simply considered IFRS measures alone. The non-IFRS measures reported by the Fund do not have a standardized meaning prescribed by IFRS and the Fund's method of calculating these measures may differ from those of other issuers or companies and may not be comparable to similar measures used by other issuers or companies.

The following non-IFRS measures are disclosed in this Annual Information Form:

Distributable Cash Generated. Distributable Cash Generated is a non-IFRS financial measure and is calculated as royalty income less cash expenses. Distributable Cash Generated can be reconciled to net cash flows generated from operating activities by adjusting for interest, current income taxes, financing fees paid and net changes in items of working capital. Changes in items of working capital are excluded as the Fund's working capital requirements are not permanent and are primarily due to the timing of payments between related parties. No deduction is made for capital expenditures as the Fund has no capital expenditures. Refundable income tax is not deducted in calculating the amount of Distributable Cash Generated, in order to more accurately reflect the actual amount of cash generated by the business to pay distributions to unitholders and dividends to Food Services. The Fund believes that Distributable Cash Generated is a useful measure for investors as it reflects the amount of actual cash generated to pay distributions to unitholders and dividends to Food Services.

For a reconciliation of Distributable Cash Generated to the nearest IFRS measure, see the "Selected Information" section of the Fund's management discussion and analysis for the fourth quarter period and year ended December 31, 2023 filed under the Fund's profile on SEDAR+ at www.sedarplus.ca.

Distributable Cash per Equivalent Unit. Distributable Cash per Equivalent Unit is a non-IFRS ratio and is calculated as distributable cash generated divided by the number of equivalent units outstanding during the relevant period on a fully diluted basis. The Fund believes that Distributable Cash per Equivalent Unit is a useful measure for investors as it reflects the amount of actual cash generated per equivalent unit to pay distributions to unitholders and dividends to Food Services.

System Sales. System Sales is a non-IFRS supplementary measure and is calculated in respect of all A&W restaurants in Canada as the sum of Gross Sales reported to Food Services by franchisees of such A&W restaurants without audit, verification or other form of independent assurance and the Gross Sales of A&W restaurants owned and operated by Food Services, in each case, after deducting amounts for discounts for coupons and other promotional offerings and applicable sales taxes. Food Services believes System Sales is a key performance indicator as it is the main driver of Food Services' revenues and provides an indication of the growth of the overall A&W restaurant chain. Note that the Fund also reports Gross Sales of A&W restaurants in the Royalty Pool in its annual and quarterly management discussion and analysis. The Fund calculates Gross Sales reported by restaurants in the Royalty Pool on the same basis that Food Services calculates System Sales, with the distinction that the Fund

only calculates Gross Sales in respect of the A&W restaurants in the Royalty Pool in the given period. Accordingly, the difference in the Gross Sales reported by the Fund and System Sales reported by Food Services is on account of the additional gross sales from A&W restaurants which are not in the Royalty Pool, which are included in the System Sales figures reported by Food Services and not in the Gross Sales figures reported by the Fund.

Royalty Pool Same Store Sales Growth. Royalty Pool Same Store Sales Growth is a non-IFRS supplementary measure and reflects the change in Gross Sales of A&W restaurants in the Royalty Pool that operated during the entire reporting period and comparable reporting period and is based on an equal number of days in each quarter. This measure is a key performance indicator for the Fund as it highlights the performance of the existing A&W restaurants in the Royalty Pool.

DATE OF INFORMATION

The information in this Annual Information Form is presented as of December 31, 2023, unless otherwise indicated, provided that information regarding the structure of the Fund and its subsidiaries is as of the date of this Annual Information Form.

THIRD PARTY INFORMATION

This Annual Information Form includes market information, industry data and forecasts obtained from independent industry publications, market research, surveys and other publicly available sources. Although the Fund's management believes these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this information and data are not guaranteed. The Fund and Food Services have not independently verified any of the data from third party sources referred to in this Annual Information Form nor ascertained the underlying assumptions relied upon by such sources.

GLOSSARY OF TERMS

In this Annual Information Form:

“**1,000 Restaurant Threshold**” has the meaning attributed thereto under “Licence and Royalty – Adjustment of the Royalty”.

“**A&W Marks**” means the Canadian trademark “A&W” and all other trade-marks and associated rights that the Partnership licences to Food Services pursuant to the Licence and Royalty Agreement.

“**Additional Restaurants**” has the meaning attributed thereto under “Licence and Royalty – Adjustment of the Royalty”.

“**Adjustment Date**” has the meaning attributed thereto under “Licence and Royalty – Adjustment of the Royalty”.

“**Administration Agreement**” means the administration agreement, dated February 15, 2002 as amended May 16, 2002, between the Fund and the Company whereby the Company agreed to provide or arrange for the provision of services required for the administration of the Fund.

“**Bank**” has the meaning attributed thereto under “Share and Loan Capital of the Company – Credit Facilities.”

“**Change of Control**” has the meaning attributed thereto under “Corporate Governance of the Company and the Partnership – Right of First Offer”.

“**Common Shares**” means the Voting Common Shares, the Non Voting Common Shares with Par Value and the Non Voting Common Shares without Par Value.

“**Company**” means A&W Trade Marks Inc., a company continued under the laws of the Province of British Columbia.

“**Company Exchange Rights**” has the meaning attributed thereto under “Description of the Partnership – Rights of Exchange for Common Shares”.

“**Country Agreement**” has the meaning attributed thereto under “Description of the Business - Business of Food Services – Pret A Manger”.

“**Credit Facility**” has the meaning attributed thereto under “Share and Loan Capital of the Company – Credit Facilities.”

“**Current Market Price**” has the meaning attributed thereto under “Licence and Royalty – Payments to Food Services”.

“**Declaration of Trust**” means the amended and restated declaration of trust dated May 1, 2018, as amended from time to time, by which the Fund is governed.

“**Determination Date**” has the meaning attributed thereto under “Licence and Royalty – Adjustment of the Royalty”.

“**Determined Amount**” has the meaning attributed thereto under “Licence and Royalty – Adjustment of the Royalty”.

“**Distributable Cash Generated**” has the meaning attributed thereto under “Non-IFRS Measures”.

“**Distributable Cash per Equivalent Unit**” has the meaning attributed thereto under “Non-IFRS Measures”.

“**EBITDA**” has the meaning attributed thereto under “Share and Loan Capital of the Company – Credit Facilities”.

“**Exchange Agreement**” means the amended and restated exchange agreement, dated December 22, 2010, among Food Services, the Partnership, the Company and the Fund, as amended from time to time, providing for the Company Exchange Rights and the Fund Exchange Rights.

“**Exchangeable Securities**” means the Common Shares and the LP Units.

“**Food Services**” means A&W Food Services of Canada Inc., a corporation amalgamated under the laws of Canada.

“**Fund**” means A&W Revenue Royalties Income Fund, a limited purpose trust established under the laws of the Province of British Columbia and governed by the Declaration of Trust.

“**Fund Exchange Rights**” has the meaning attributed thereto under “Share and Loan Capital of the Company – Rights of Exchange for Limited Voting Units”.

“**General Partner**” means the Company in its capacity as general partner of the Partnership or such other person who is admitted as a general partner to the Partnership in replacement of the Company.

“**General Security Agreement**” means the amended and restated general security agreement between Food Services and the Partnership, dated December 22, 2010, as amended from time to time.

“**Governance Agreement**” means the amended and restated governance agreement, dated December 22, 2010, among the Fund, the Company, the Partnership, Food Services and the Related Parties, as amended from time to time, whereby the Company is governed.

“**GP Units**” means units of the Partnership representing the interests of a general partner.

“**Gross Sales**” means, for any period, the amount of the gross sales of the A&W restaurants included in the Royalty Pool as reported to Food Services by the franchisees of such A&W restaurants without audit, verification or other form of independent assurance, and the amount of sales of A&W restaurants owned and operated by Food Services that are included in the Royalty Pool, after deductions, in each case, for discounts for coupons and other promotional offerings and applicable sales taxes.

“**Licence and Royalty Agreement**” means the amended and restated licence and royalty agreement dated December 22, 2010, as amended from time to time, whereby the Partnership granted Food Services a licence to use the A&W Marks in Canada.

“**Limited Voting Unit**” means a limited voting unit of the Fund.

“**Liquidation Distribution**” means the distribution of the assets of the Company upon the liquidation, distribution or winding-up of the Company.

“**LP Units**” means units of the Partnership representing the interests of a limited partner.

“**Make-whole Carryover Payment**” has the meaning attributed thereto under “Licence and Royalty – Adjustment of the Royalty”.

“**Make-whole Payment**” has the meaning attributed thereto under “Licence and Royalty – Adjustment of the Royalty”.

“**Non Voting Common Shares**” means the Non Voting Common Shares without Par Value and the Non Voting Common Shares with Par Value.

“**Non Voting Common Shares with Par Value**” means the Non Voting common shares with par value of \$10 of the Company.

“**Non Voting Common Shares without Par Value**” means the Non Voting common shares without par value of the Company.

“**Operating Loan**” means the operating loan in the amount of up to \$2 million made by a bank to the Company.

“**Partnership**” means A&W Trade Marks Limited Partnership, a limited partnership formed under the laws of the Province of British Columbia.

“**Partnership Agreement**” means the amended and restated agreement of limited partnership, dated December 22, 2010, between the Company and Food Services governing the Partnership, as amended from time to time.

“**Partnership Units**” means the LP Units and the GP Units.

“**Pret**” means Pret A Manger (Europe) Limited.

“**Registration Rights Agreement**” has the meaning attributed thereto under “Share and Loan Capital of the Company – Rights of Exchange for Limited Voting Units”.

“**Related Parties**” has the meaning attributed thereto under “Corporate Governance of the Company and the Partnership”.

“**Reorganization**” has the meaning attributed thereto under “General Development of the Business”.

“**Reporting Period**” has the meaning attributed thereto under “Licence and Royalty – Adjustment of the Royalty – Payments to Food Services”.

“**ROFO Notice**” means a written notice provided by Food Services, or any Related Party, to the Fund and the Company, setting forth the consideration and terms on which the Company could purchase the assets and undertaking of Food Services, or the shares of Food Services held by such Related Party.

“**Royalty**” means the royalty payable by Food Services to the Partnership pursuant to the Licence and Royalty Agreement.

“**Royalty Pool**” means the A&W restaurants in respect of which the Royalty is payable pursuant to the terms of the Licence and Royalty Agreement, as adjusted from time to time.

“**Royalty Pool Same Store Sales Growth**” has the meaning attributed thereto under “Non-IFRS Measures”.

“**Services Agreement**” means the agreement, dated April 8, 2022, between the Company and Food Services whereby Food Services agreed to provide administrative and advisory services required for the administration of the Fund.

“**Special Dividend**” has the meaning attributed thereto under “Licence and Royalty – Adjustment of the Royalty”.

“**Special Share**” means the Special shares without par value of the Company.

“**System Sales**” has the meaning attributed thereto under “Non-IFRS Measures”.

“**Tax Act**” means the *Income Tax Act* (Canada), as amended.

“**Term Loan**” means the term loan in the amount of \$60 million made by a bank to the Company.

“**Trust Units**” means the Units and the Limited Voting Units.

“**Trustees**” means, at the relevant time, the trustees of the Fund.

“**Unit**” means a unit of the Fund.

“**Unitholder**” means a holder of Trust Units.

“**Unitholders’ Special Resolution**” means a resolution passed by a majority of not less than 66 2/3% of the votes cast, either in person or by proxy, at a meeting of Unitholders, called for the purpose of approving such resolution, or approved in writing by the holders of not less than 66 2/3% of the Trust Units entitled to be voted on such resolution.

“**Voting Common Shares**” means the Voting common shares of the Company.

STRUCTURE OF THE FUND

Name, Address and Jurisdiction of Formation

A&W Revenue Royalties Income Fund is a limited purpose trust established under the laws of the Province of British Columbia as of December 18, 2001, and governed by the Declaration of Trust. The registered office of the Fund is located at 22nd Floor, 885 West Georgia Street Vancouver, British Columbia V6C 3E8 and the principal office of the Fund is located at Suite 300, 171 West Esplanade, North Vancouver, British Columbia V7M 3K9. See “Description of the Fund”.

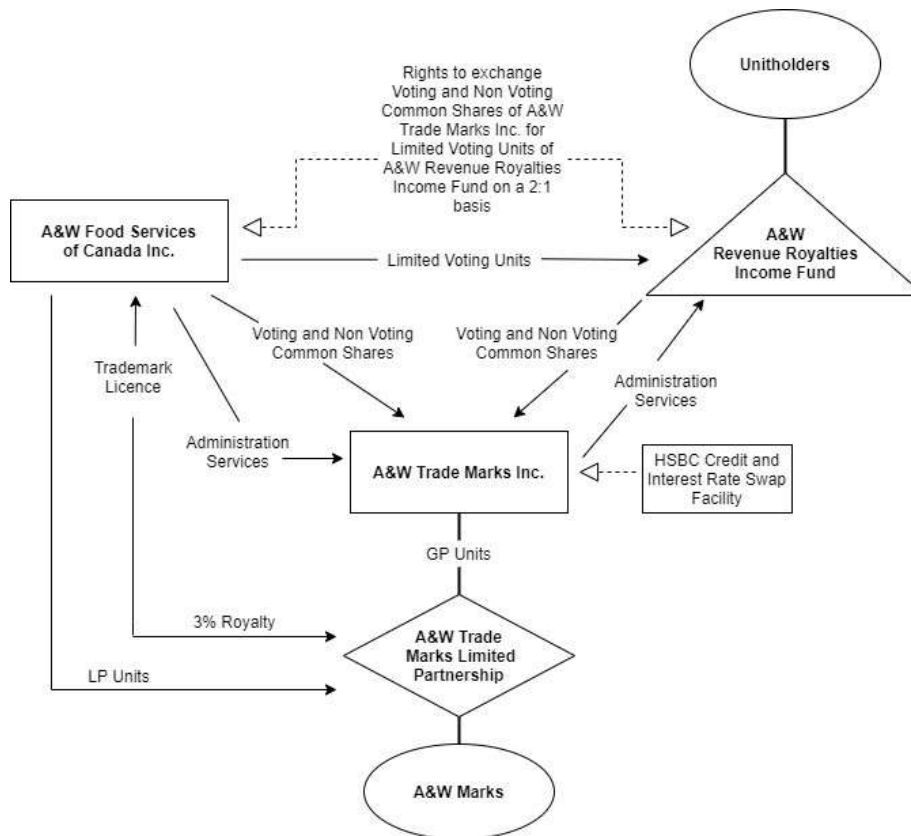
A&W Trade Marks Inc. is a company continued under the laws of British Columbia on December 22, 2010. The registered office of the Company is located at 22nd Floor, 885 West Georgia Street Vancouver, British Columbia V6C 3E8 and the principal office of the Company is located at Suite 300, 171 West Esplanade, North Vancouver, British Columbia V7M 3K9. See “Share and Loan Capital of the Company”.

A&W Trade Marks Limited Partnership is a limited partnership formed under the laws of the Province of British Columbia on December 15, 2008 and changed its name from “Future Restaurant Concepts Limited Partnership” to “A&W Trade Marks Limited Partnership” on January 21, 2009. The Partnership is governed by the Partnership Agreement. The registered and principal office of the Partnership is located at Suite 300, 171 West Esplanade, North Vancouver, British Columbia V7M 3K9. See “Description of the Partnership”.

A&W Food Services of Canada Inc. is a corporation amalgamated under the laws of Canada on March 30, 2000. The registered and principal office of Food Services is located at Suite 300, 171 West Esplanade, North Vancouver, British Columbia V7M 3K9.

Intercorporate Relationships

The relationship among the Fund, the Company, the Partnership and Food Services, as at the date of this Annual Information Form is set out below.



GENERAL DEVELOPMENT OF THE BUSINESS

The Fund does not conduct an active business. All of the revenue of the Fund is indirectly derived from the Licence and Royalty Agreement between the Partnership and Food Services, whereby the Partnership granted Food Services a licence to use the A&W Marks in Canada for a term expiring December 30, 2100. Food Services pays a Royalty to the Partnership equal to three percent of Gross Sales reported by A&W restaurants in the Royalty Pool. The Royalty Pool is adjusted annually on January 5th of each year. See “Licence and Royalty – Adjustment of the Royalty”. The following table sets forth the historical annual adjustments to the Royalty Pool for the past three financial years and the current financial year:

<u>Adjustment Date</u>	<u>Number of New A&W Restaurants Added to Royalty Pool</u>	<u>Number of Permanently Closed A&W Restaurants Removed from Royalty Pool⁽¹⁾</u>	<u>Value of Increase in Royalty Pool</u>	<u>Number of Units into which Securities Issued as Consideration are Exchangeable</u>	<u>Total Number of A&W Restaurants in Royalty Pool after Adjustment</u>
January 5, 2021	34	11	\$20,164,000	706,999	994
January 5, 2022	34	13	\$24,558,000	635,230	1,015
January 5, 2023	29	7	\$16,600,000	489,700	1,037
January 5, 2024	19	9	\$6,646,000 ⁽²⁾	218,029 ⁽²⁾	1,047

(1) Represents A&W restaurants that permanently closed during the preceding year.

(2) Represents 80% of the consideration for the estimated additional Royalty revenue. The remaining 20% of the consideration and a final adjustment to the consideration based upon the actual annual Gross Sales reported by the new A&W restaurants added to the Royalty Pool will be made in December 2024, by the issuance of additional LP Units which may be exchanged for Common Shares.

On April 16, 2021, A&W of Canada Inc., an indirect shareholder of Food Services, completed a reorganization to provide liquidity for some of its shareholders and to simplify the indirect ownership of Food Services (the "Reorganization"). As part of the Reorganization, and pursuant to the Amended and Restated Declaration of Trust and the Amended and Restated Exchange Agreement, Food Services exchanged 1,042,000 Common Shares for 521,000 Units, which were then purchased by shareholders of A&W of Canada Inc. at a price of \$36.42 per Unit. The 521,000 Units sold were subject to a four-month statutory hold period under applicable securities laws. This hold period expired on August 16, 2021. In addition, Food Services exchanged 3,014,040 of its Common Shares for 1,507,020 Limited Voting Units. The Fund did not receive any proceeds from the Reorganization and Food Services paid for the expenses of the Reorganization. The Reorganization did not constitute a change of control of Food Services, as the existing shareholders continued to maintain majority control of Food Services. There was no change in management or the operations of the Food Services' business in connection with the Reorganization.

After the January 5, 2024 adjustment to the Royalty Pool, Food Services held an aggregate of 9,016,899 Common Shares and the Fund held an aggregate of 32,185,311 Common Shares. The Common Shares held by Food Services represent approximately 21.9% of the outstanding Common Shares of the Company. These Common Shares are exchangeable at the option of Food Services into 4,508,449 Trust Units (see “Share and Loan Capital of the Company – Rights of Exchange for Limited Voting Units”). As at January 5, 2024, Food Services also held 1,507,020 Limited Voting Units. The Common Shares and Limited Voting Units held by Food Services as at January 5, 2024 represents the equivalent of approximately 29.2% of the Trust Units of the Fund, on a fully diluted basis.

DESCRIPTION OF THE BUSINESS

Business of the Fund

The Fund is a limited purpose trust and as such the business of the Fund is limited to, among other things, investing in securities of the Company, making distributions to Unitholders and matters incidental thereto. The Fund

does not conduct an active business and has no employees. All of the revenue of the Fund is derived from dividends on Common Shares of the Company held by the Fund.

The Fund has entered into an Administration Agreement with the Company whereby the Company arranges for administrative services for the Fund. No fee is payable to the Company for the services provided by it to the Fund under the Administration Agreement. On April 8, 2022, the Company, the Fund's administrator, and Food Services entered into the Services Agreement, which sets forth the terms and conditions under which Food Services will provide certain administrative and advisory services to the Fund on behalf of the Company. See "Description of the Fund – Fund Administration".

Business of the Company

The Company does not conduct an active business and has no employees. All of the revenue of the Company is derived from distributions on the GP Units of the Partnership held by the Company.

Business of the Partnership

The business of the Partnership is the ownership of the A&W Marks, the taking of actions consistent with the Licence and Royalty Agreement to exploit, to the fullest extent possible, the use of the A&W Marks by Food Services and others and the collection of the Royalty payable to the Partnership under the Licence and Royalty Agreement. All of the revenue of the Partnership is derived from the receipt of the Royalty. See "Licence and Royalty". The Partnership has no employees.

Under the Licence and Royalty Agreement, the Partnership has the contractual right to control the character and quality of the wares produced or services delivered by Food Services and its franchisees or sublicensees, and to require that the A&W Marks be used by Food Services and its franchisees or sublicensees in a manner that enhances the reputation of the A&W Marks. Under the Licence and Royalty Agreement, the Partnership is entitled to:

- inspect the use of the A&W Marks by Food Services and its franchisees or sublicensees to ensure that Food Services and its franchisees or sublicensees are protecting and enhancing the reputation associated with the A&W Marks;
- obtain, on a quarterly basis, a certificate from an officer of Food Services to the effect that Food Services is using the A&W Marks in accordance with the Licence and Royalty Agreement;
- require Food Services to submit a report, on a quarterly basis, detailing the use of the A&W Marks by Food Services and its franchisees or sublicensees in the quarter, including details of all licences of the A&W Marks granted by Food Services to franchisees or sublicensees during the quarter; and
- establish the standards governing the character and quality of the wares produced or services delivered, and the manner of use of the A&W Marks, by Food Services and its franchisees and sublicensees.

The Partnership may contract with a third party to inspect, on a periodic basis, at the cost of Food Services, the use of the A&W Marks by Food Services and others and with Food Services to inspect, on a periodic basis, the use of the A&W Marks by Food Services' franchisees and sublicensees to determine whether the A&W Marks are being used in accordance with the standards prescribed by the Licence and Royalty Agreement.

Food Services is required to submit to the Partnership for prior written approval any proposed use of the A&W Marks with any wares or services for which Food Services or its franchisees or sublicensees intend to use the A&W Marks, and for which Food Services or its franchisees or sublicensees is not expressly permitted to use the A&W Marks under the Licence and Royalty Agreement.

The Partnership is 100% dependent upon the A&W Marks, and the Licence and Royalty Agreement with Food Services in respect of the A&W Marks, for the Partnership's business. The Licence and Royalty Agreement has a term expiring December 30, 2100. See "Licence and Royalty".

Business of Food Services

General

Food Services is one of Canada’s leading franchisors of hamburger quick service restaurants. A&W restaurants serve over 197 million guests annually⁽¹⁾. Over its 67 year history, Food Services has established a strong brand name and a reputation as a leader in the hamburger segment of the quick service restaurant market. The A&W product line includes hamburgers (The Burger Family[®]), chicken products through the Chubby Chicken[®] line of products and joining the roster in 2023, a new lineup of Chicken Cruncher sandwiches, russet thick-cut fries, sweet potato fries, A&W Root Beer[®], fresh hand-cut onion rings, breakfast items, soft drinks, coffee as well as a variety of frozen and espresso-based beverages that are offered through the A&W Brew Bar[®].

⁽¹⁾ As reported by Circana, Inc.

As at December 31, 2023, there were 1,054 A&W restaurants in operation in Canada, of which 1,044 are owned and operated by owner/operators under franchise agreements with Food Services and ten are owned and operated by Food Services. A&W franchisees employed approximately 20,000 people on a full or part time basis (including people employed in the A&W restaurants owned by Food Services). In addition, Food Services employed 223 people at its head office and elsewhere across Canada.

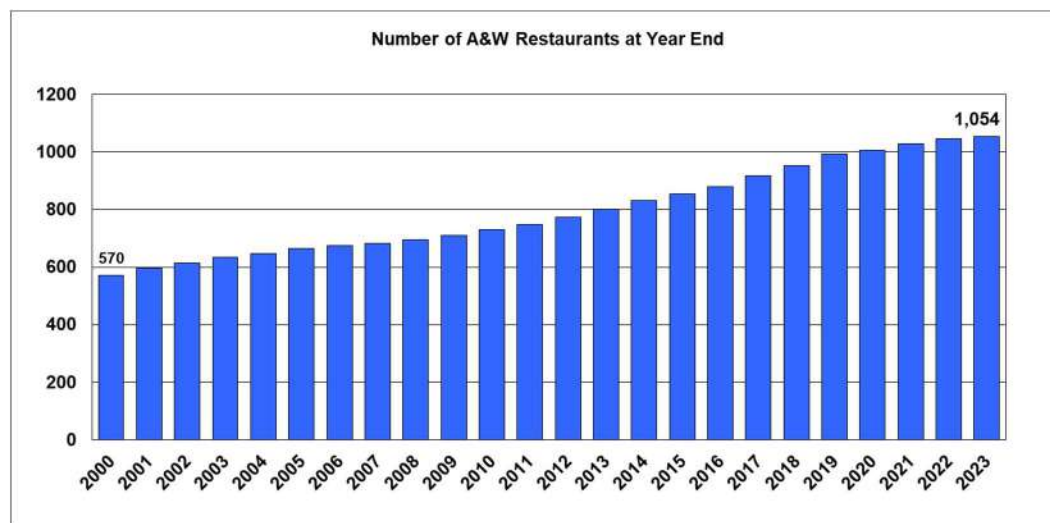
A&W restaurants operate as freestanding restaurants with drive-thru facilities, restaurants in shopping centres, restaurants on street fronts in urban areas or gas/convenience store restaurants on shared sites. The 168 A&W shopping centre concept restaurants located in the food courts of shopping centres, airports and universities, represent the highest number of hamburger quick service restaurants operating under a single brand name in enclosed shopping centres, airports and universities in Canada.

The following table summarizes the number of A&W restaurants at the dates indicated.

	December 31, 2023	January 1, 2023	January 2, 2022	January 3, 2021	December 29, 2019
Franchised A&W restaurants.....	1,044	1,036	1,019	997	985
A&W restaurants owned and operated by Food Services.....	10	10	10	9	9
Total.....	1,054	1,046	1,029	1,006	994

The 1,044 franchised A&W restaurants at December 31, 2023 are owned by a total of 307 owners. Of these, 146 owners own more than one A&W restaurant.

The following chart shows the growth in A&W restaurants in Canada during the period from 2000 to 2023.



Development of the Business

A&W traces its beginnings to 1919 when Roy Allen and Frank Wright opened a sidewalk stand offering a creamy, refreshing beverage they called “A&W Root Beer”. Based on the success of their first stand, they rapidly expanded a chain of drive-in restaurants across the United States.

Food Services began operations in Winnipeg in 1956 with the opening of the first A&W freestanding drive-in restaurant in Canada. A&W was the first hamburger quick service restaurant chain in Canada and, by 1966, had opened over 200 drive-in restaurants. In 1972, Food Services was acquired by Unilever Canada Limited. Since that time, A&W has been owned and operated in Canada independently from A&W operations in the United States and other parts of the world.

In 1995, Food Services was acquired by the senior management group and other institutional investors in a management buy-out of the A&W business from Unilever Canada Limited. At that time, Food Services owned and operated 162 hamburger quick service restaurants and franchised a further 308 restaurants.

In 1996, a strategic decision was made to focus on franchising and, over the following 18-month period, 129 A&W restaurants operated by Food Services were sold and franchised. At the same time, 26 A&W restaurants operated by Food Services were closed.

In 2002, Food Services sold the A&W Marks to the Company (which were subsequently transferred to the Partnership) and entered into the Licence and Royalty Agreement (as it then was) to use the A&W Marks for a term expiring December 30, 2100. The Royalty for use of the A&W Marks was based initially on the Gross Sales of the 585 A&W restaurants in the Royalty Pool. Food Services added 462 net new A&W restaurants to the pool between 2003 and January 5, 2024.

In 2008, Food Services became the second largest hamburger quick service restaurant chain in Canada, measured by sales, and has held this position in each of the years following.

Pret A Manger

On June 2, 2022 Food Services announced that it had signed a Country Agreement (the "Country Agreement") with UK-based Pret A Manger (Europe) Limited ("Pret"), which sets forth the general terms and conditions granting Food Services master franchisor rights to Canada for Pret A Manger.

Pursuant to the Country Agreement, Food Services has the exclusive right to use the Pret brand in Canada for a two-year pilot (the “Trial Phase”). If the Trial Phase is successful, Food Services will have the exclusive right to expand the Pret brand across Canada pursuant to an agreed development plan. As at December 31, 2023, 5 A&W locations (3 in Vancouver and 2 in Toronto) were offering a range of Pret products in their restaurants with another 20 locations across the country offering Pret coffee and/or pastries. In January 2024, A&W also opened a standalone Pret location in Toronto.

The royalty payable to the Fund applies to Pret products sold within A&W restaurants during the Trial Phase to the extent that such restaurants are in the Royalty Pool. Should the Trial Phase prove successful, the Royalty will also be earned by the Fund on sales at A&W restaurants of any Pret products. For any standalone Pret location, because these products are not sold within an A&W restaurant, they will not attract a royalty or be part of the Royalty Pool.

Strategy

Food Services is committed to the ongoing strategic renewal of its business. This involves re-evaluating the longer-term strategy for the business every three to five years or as business conditions indicate a review is required. In the fall of 2023, Food Services undertook a renewal of the strategy for the A&W business. At the core of the strategy is the mission “Together, to excite Canada's most avid burger lovers, wherever they are, with the best tasting burger they crave, earning even more of their visits and making A&W restaurants even more successful.”. The strategy has four key strategic directions:

- Create “Can’t wait to come back” appeal and guest experience;
- Be highly convenient for our guests, wherever they are;
- Make A&W restaurants even more successful;
- Make it easier for franchisees and their teams to operate successful restaurants.

Food Services’ strategy continues to focus on opening new restaurants across Canada while also growing its mobile app and A&W Brew Bar beverage business.

A&W’s Target Market and Competitive Strengths

The Target Market

Food Services’ is expanding its focus with the new strategy to target both millennials and older generation Z’s, with 18 to 42 year olds being the principal target market for the purchase of A&W products. These groups comprise approximately 12.0 million Canadians and, according to independent research, make more foodservice visits than any other cohort with over 790 million visits to quick service burger restaurants per year.

A&W is proud to be a Canadian company, 100% Canadian owned and operated, and a leader in sourcing simple, great-tasting ingredients, farmed with care. In 2013, Food Services launched an initiative to focus on natural ingredients and became the first and only national burger chain in Canada to serve beef raised without artificial hormones or steroids. This was then followed by a continued effort to source other proteins from animals that were raised without the use artificial hormones and antibiotics. A&W also serves organic Fairtrade coffee and A&W Root Beer made from natural cane sugar and all-natural flavours in its restaurants.

In 2018, A&W further strengthened its positioning as a leader in food and innovation with the introduction of the Beyond Meat[†] branded plant-based burger. Food Services was very excited to be the first national burger chain in Canada to offer this plant-based burger patty and A&W continues to enhance its position as a leader in great tasting plant-based options with regular introductions of new recipes and products to its plant-based line-up.

[†] Trademark of Beyond Meat Inc., used under license

In 2020, A&W announced that all of its beef is grass-fed and grass-finished, from cattle that graze on grass and other forage, like hay.

In 2021, Food Services announced the expansion of the beverage offerings at A&W restaurants with the phased rollout of the A&W Brew Bar. The A&W Brew Bar offers a variety of frozen beverages as well as hot and cold espresso-based beverages. The A&W Brew Bar is now available in over 620 A&W restaurants across the country.

A&W is committed to reducing its environmental impact through conscious use of packaging, waste, energy and water, and high-efficiency equipment has been introduced into A&W restaurants to use less energy. For example, A&W was the first Canadian QSR national chain to switch to the use of all paper straws in its restaurants. A&W also launched the “A&W One CupTM” nationwide in late 2023, an exchangeable cup program.

A&W also continues to innovate to serve guests that are mobile app users with the launch of a new A&W mobile app in June 2023. The new app allows users to receive exclusive coupons, easily customize their order and provides various dining options allowing guests to choose between pick-up, delivery or dine-in.

Competitive Strengths

Food Services believes that the success of the A&W brand in Canada can be attributed to the following factors:

- *A&W's Reputation for Best Tasting Burgers.* Independent market consumer research indicates that of the six major quick service restaurant burger chains in Canada, A&W has the best tasting burgers.
- *The Quality Appeal of A&W Products.* A&W is proud to be a Canadian company, 100% Canadian owned and operated, and a leader in sourcing simple, great-tasting ingredients, farmed with care. In 2013, Food Services launched an initiative to focus on natural ingredients and became the first and only national burger chain in Canada to serve beef raised without artificial hormones or steroids. This was then followed by a continued effort to source other proteins from animals that were raised without the use of artificial hormones and antibiotics. A&W also serves organic Fairtrade Coffee and A&W Root Beer made from natural cane sugar and all-natural flavours in its restaurants.
- *A Well Branded Concept.* Each of the A&W restaurants is clearly identifiable, with a strong brand image. A&W offers a well-known choice of products, beginning with A&W Root Beer, the products included in The Burger Family and the Chubby Chicken product line.
- *A Proven Franchise System.* Food Services is committed to growth through franchising. A&W franchisees operate under a franchising program that has been refined over 58 years and the personal investment by A&W franchisees helps to ensure committed operators. Food Services intends to continue to strengthen its franchise system by attracting and retaining experienced operators who have the skills to be able to successfully manage restaurants in a franchise system. Food Services' development strategy permits it to grow in a controlled manner and enables it to ensure that each A&W franchise strictly adheres to its high standards of quality and service. Food Services devotes significant resources to providing all its franchisees with assistance in site selection, restaurant design, employee training and marketing.
- *A Proprietary Operating System Ensuring Consistent High Quality.* Food Services has a sophisticated proprietary restaurant operating system designed to deliver high quality food to guests served quickly and with minimal food waste. First developed in 1988, this system is continually being refined and improved. Its hamburger making processes starts well before restaurant level operations with detailed specifications and testing of key ingredients. Additionally, at the restaurant level, Food Services has quality control systems to monitor the execution of food quality and safety, guest service, cleanliness, and adherence to standards. Delivering an industry-leading guest experience is also a very important element of A&W's success and the operating system includes the ability for operators to access real-time feedback from their guests, along with processes and systems which allow them to continuously improve the guest experience.
- *Cost of Entry.* The capital cost of becoming an A&W franchisee and opening an A&W restaurant, excluding land, fees and pre-opening costs, ranges from approximately \$1,000,000 to \$1,500,000 for a convenience restaurant, approximately \$1,400,000 to \$2,500,000 for a freestanding restaurant, and approximately \$1,200,000 to \$1,400,000 for an urban restaurant. These estimated capital costs include costs for equipment, furniture and fixtures that range from \$487,000 to \$829,000, depending on the restaurant concept type. Food Services strives to keep the cost of becoming an A&W franchisee affordable relative to other competing franchises in the hamburger quick service restaurant industry. This facilitates growth in the number of A&W restaurants. Freestanding restaurants range in size between 1,700 and 2,400 square feet while restaurants in shopping centers, airports and universities usually occupy approximately 400 square feet. Freestanding restaurants offer drive-thru facilities and seating capacity that ranges from 20 to 100 guests.
- *CLIMATE.* One of Food Services' greatest strengths is its CLIMATE. Over forty years ago, the first A&W CLIMATE Goals were developed to identify the behaviours critical for the management team to embrace in order for the business to be successful. Today, the CLIMATE Goals identify the key behaviours that Food Services believes will enable it to be successful in achieving its mission "*Together, to excite Canada's most avid burger lovers, wherever they are, with the best tasting burgers they crave, earning even more of their visits and making A&W restaurants even more successful*". The A&W CLIMATE Goals and the CLIMATE process which supports them have been extended to A&W restaurants and hourly staff across Canada. As a result, Food Services believes CLIMATE provides A&W a competitive advantage.

Sources of Revenue

Food Services derives revenues from the following sources:

- *Service Fees.* Food Services collects an ongoing service fee from each A&W franchisee, generally equal to 3.5% of System Sales of the franchisee. This fee is payable to Food Services every four weeks.
- *Sales of Goods and Supplies.* A&W franchisees are required to purchase most of their raw materials and supplies used and sold in an A&W restaurant from Food Services, through approved distributors and suppliers. Food Services manages the sourcing and distribution of materials and supplies used for the operation of franchised restaurants and, in exchange, Food Services realizes a margin that is approximately 2.5% of System Sales.
- *Initial Franchise Fee.* Food Services charges an initial franchise fee at the commencement of the term of the franchise agreement. An initial franchise fee is also payable upon the grant of a new franchise when the initial franchise agreement expires. The initial franchise fee is \$55,000 per A&W franchise. It is payable in full at the commencement of the contract.
- *Equipment Sales.* A&W franchisees are required to purchase new restaurant equipment and furnishings from Food Services. Food Services provides specifications and services for the acquisition and installation of equipment required for the operation of franchised restaurants. Food Services negotiates supply and service contracts and, in some instances, negotiates distributorship arrangements with vendors. Food Services is paid a fee by franchisees of new A&W restaurants of between \$19,500 and \$37,500 for the services and supply of equipment, depending upon the concept of the new restaurant. Food Services also charges a mark-up of approximately 15% on equipment supplied to modernize existing restaurants, and charges a mark-up on all other equipment supplied to existing franchisees.
- *Premises Licence Fee.* In many cases, Food Services leases the premises occupied by the A&W franchisee from the owner of the property and subleases or licences these premises to the A&W franchisee. In these cases, the A&W franchisee is required to pay Food Services a fee for the lease obligations incurred by Food Services based upon the rent payable for the restaurant for the life of the lease.
- *Turnkey Fee.* When Food Services manages the construction of a new restaurant it charges a fee for the work and delivers the restaurant on a “turnkey” basis to the franchisee on completion.
- *Other Fees.* Food Services charges A&W franchisees fees for training, technology services including restaurant technology services and mobile app systems, transfer or conveyance of a franchise, documenting changes to the franchise agreement and other documents, food safety re-audits, and providing plans and specifications for restaurant design, opening and renovation.

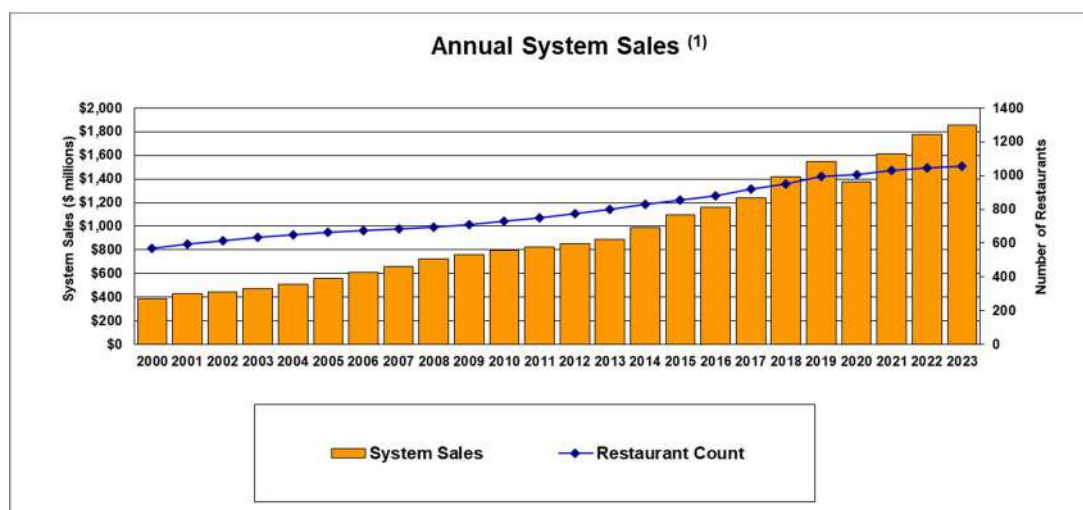
In addition to the foregoing fees, Food Services also generates revenues from the A&W restaurants which it owns and operates, as well as from the sale of A&W Root Beer concentrate to Coca-Cola Refreshments Canada Co. for the production and distribution of A&W Root Beer in cans and bottles sold in Canadian retail stores.

Food Services, through its investment in Common Shares of the Company and Limited Voting Units of the Fund, currently owns the equivalent of approximately 29.2% of the Units of the Fund on a fully diluted basis, and receives dividends from the Company and distributions from the Fund.

System Sales

System Sales for the 52-week period ended December 31, 2023 were \$1,853,119,000 and for the 52-week period ended January 1, 2023 were \$1,776,205,000.

System Sales have increased each year since 2000, except for in 2020 when System Sales declined due to the effects of COVID-19, which resulted in government restrictions and reduced customer traffic as guests remained at home and practiced physical distancing. The following chart shows total System Sales in the 24 years from Fiscal 2000 to 2023.



(1) “System Sales” is a non-IFRS supplementary financial measure. Refer to the “Non-IFRS Measures” section of this Annual Information Form for further details on how this measure is calculated and used to assess the Fund’s performance.

Seasonality of System Sales

System Sales have historically been moderately seasonal. During January to March, sales are historically moderately less than average due to inclement weather. Sales are historically moderately above average during July to September and December. This is generally, as a result of higher sales from freestanding restaurants during the summer months and higher sales from shopping centre restaurants due to back-to-school shopping as well as during “Black Friday” and the Christmas shopping season.

Locations

A&W restaurants presently operate in all Canadian provinces. The following table sets forth the type and number of A&W restaurants, by region, as at December 31, 2023.

Type of Restaurant	Number of Restaurants				Total
	Western Provinces	Ontario	Quebec	Atlantic Provinces	
Shopping centre restaurant	77	53	26	12	168
Freestanding restaurant.....	303	162	90	45	600
Convenience restaurant	69	52	47	13	181
Urban and Other restaurants	34	50	21	-	105
Total	483	317	184	70	1,054

A&W restaurants are owned and operated by owners under a franchise agreement with Food Services the majority of which have a term of 20 years, with the exception of 10 A&W restaurants in Ottawa, Ontario, that are owned and operated by Food Services. A&W restaurants are typically located in heavily trafficked areas. Freestanding restaurants range in size between 1,700 and 2,200 square feet while restaurants in shopping centres, airports and universities usually occupy approximately 400 square feet. Freestanding restaurants offer drive-thru facilities and seating capacity that ranges from 20 to 120 guests. Convenience restaurants exist within gas/convenience retailers on shared sites and the Urban and Other restaurants concepts include restaurants in urban markets and street in-line restaurants.

A&W restaurants are generally operated out of leased premises. Food Services prepares detailed location development plans on a market-by-market basis and continually identifies new sites that meet the requirements for an A&W restaurant. Food Services is responsible for negotiating the leases except in cases where the franchisee owns the land. Before being approved, new lease commitments must pass a screening process based on analysis of the market and specific site, projected sales, operating costs and investments. Most premises are head leased by Food Services and then subleased or licenced to franchisees. This allows Food Services to control the real estate under which A&W restaurants are operated, further strengthening its position in contractual relationships with those A&W franchisees and respective landlords.

Marketing

Food Services seeks to develop and execute marketing programs that appeal to consumers by differentiating A&W from its competition. The programs are designed to both attract new guests and increase the loyalty and frequency of visits from its current guests. All franchise agreements require contributions of 2.5% of System Sales to a fund called the National Advertising Fund. This fund is used for marketing initiatives focused on the A&W brand. In addition to the National Advertising Fund, supplementary marketing activities are funded by franchisees at the local level. In some provinces, franchisees have elected to contribute additional funds to regional advertising activities.

Food Services has developed an award-winning advertising campaign that uses “Allen, the Manager” as a spokesperson. Research indicates that this advertising campaign is well recognized, liked and effective.

Sales promotions, coupons and special discounts, as well as limited time menu offerings, are also used to stimulate purchases and introduce new products.

The majority of the National Advertising Fund is directed towards creating and airing television and online advertising which raises the awareness of A&W in the markets in which it operates. Advertising funds are also directed towards the development of other materials such as point of sale kits and coupons.

A&W franchisees undertake local and regional restaurant marketing initiatives. For example, A&W franchisees support local hockey teams, special events, public service programs and charitable fundraising to help reach local and regional markets.

2023 was the fifteenth year that A&W franchisees ran “Burgers to Beat MS Day”. This was a national charity event in August that raised \$1,600,000 in 2023 to support the Multiple Sclerosis Society of Canada.

Menu

The A&W menu is the exclusive home of fountain A&W Root Beer that was first developed in 1919. A&W Root Beer is the leading soft drink in A&W restaurants, representing approximately 54% of total soft drink sales in 2023. In 2017, A&W began serving in its restaurants A&W Root Beer made from natural cane sugar and all-natural flavours. A&W Root Beer has been associated with its authentic frosted glass mug, which are available in all freestanding restaurants across Canada. A&W Root Beer is also widely distributed in cans and bottles through retail grocery stores by Coca-Cola Canada Bottling Ltd. under licence.

The A&W menu includes:

- A&W’s branded hamburger line known as The Burger Family, consisting of the Grandpa Burger[®], Papa Burger[®], Mama Burger[®], Teen Burger[®], Uncle Burger[®], Baby Burger[®], and the Buddy Burger[®] line-up of value priced burgers, as well as the Mozza Burger[®];
- chicken items including the Chubby Chicken burger, the Spicy Habanero Chicken Burger, chicken strips, chicken wraps, the BLT chicken burger and the Chicken Buddy Burger line-up of value priced chicken burgers and the newly introduced Chicken Cruncher line-up;
- russet thick-cut fries, sweet potato fries and poutine;

- fresh onion rings that are made from fresh onions which are battered and breaded daily in A&W restaurants;
- plated breakfast items such as bacon and eggs and pancakes, breakfast wrap, as well as the Bacon & Egger[®], Sausage & Egger[®] and Cheese & Egger[®] sandwiches;
- the BEYOND MEAT[†] Burger, made using 100% plant-based protein including peas, rice, mung beans, coconut oil, pomegranates, potatoes, apples and beets;
- kids' packs that come in a variety of options;
- organic and Fair Trade coffee;
- apple turnovers;
- an array of frozen beverages and hot and cold espresso-based beverages from the A&W Brew Bar[®] at participating restaurants; and
- additional items, such as the Spicy Dill Pickle Mama Burger[®], chicken nuggets, plant-based nuggets, and the Whistle Dog that are offered for limited times throughout the year.

[†] Trademark of Beyond Meat Inc., used under license

In 2013, A&W transitioned to using only beef raised without the use of hormones or steroids in all of its burgers. In 2015, A&W introduced organic and Fair Trade coffee. In 2016, A&W introduced bacon from pork raised without the use of antibiotics. In 2017, A&W introduced in its restaurants A&W Root Beer made from natural cane sugar and all-natural flavours. In 2018, A&W began using real cheese on all burgers and breakfast sandwiches. A&W's real cheeses include cheddar, mozzarella, jalapeno jack, and cheddar cheese curds, all made in Canada. In 2020, A&W announced it is exclusively using grass-fed and grass-finished beef in all of its burgers and launched its new Fair Trade organic coffee. In 2022, A&W committed to using cage free eggs by the end of 2024 and at the end of 2023, A&W sourced all pork from gestation crate free pigs.

In 2021 A&W expanded its beverage offerings with the phased rollout of the A&W Brew Bar. The A&W Brew Bar offers a variety of frozen beverages as well as hot and cold espresso-based beverages. The A&W Brew Bar is now available in over 620 restaurants across the country and will continue to further roll out to more restaurants in 2024. In 2022, A&W also introduced the Pret brand within A&W restaurants in select markets across Canada. As at December 31, 2023, 5 A&W locations (3 in Vancouver and 2 in Toronto) were offering Pret products in their restaurants (see "Description of the Business – Business of Food Services – Pret A Manger") with another 20 locations across the country offering Pret coffee and pastries. In January 2024, A&W also opened a standalone Pret location in Toronto.

Restaurant Facilities

A&W restaurant designs have evolved since 1956 with the intention of meeting the changing needs of A&W guests and the changing dynamics of the competitive industry in which A&W restaurants compete. Under the terms of Food Services' franchise agreements, franchisees are obligated to modernize their restaurants every eight years. The costs of modernizing the A&W restaurants are borne by the respective franchisees.

Purchasing and Distribution

A&W franchisees are required to purchase most goods and supplies utilized in operating an A&W restaurant from Food Services through approved distributors and suppliers. Food Services has a team of purchasing professionals who are responsible for leveraging the buying power of A&W to source and arrange agreements with suppliers and distributors to deliver the goods and services required in the operation of the A&W restaurants, at competitive prices. Under these arrangements, independent distributors purchase certain products directly from approved suppliers and then store, sell, and deliver them to A&W franchisees. The suppliers invoice Food Services for the products delivered to the distributors and Food Services, in turn, invoices the distributor. In some instances,

the supplier invoices the distributor directly and Food Services earns a rebate from the supplier. Food Services generally earns a gross profit on these sales of goods and supplies of approximately 2.5% of System Sales. Prices are equalized across the country and any changes or fluctuations of price are passed through to A&W franchisees. These arrangements help assure the availability and safety of products and provide quantity discounts, quality control and efficient distribution of these products to A&W restaurants. Many of Food Services' ingredients are from single sources due to Food Services' unique specifications. Grass-fed and grass-finished beef raised without hormones, pork and chicken raised without antibiotics, natural ingredient bread, natural cheese and special recipe sauces are sourced from long-standing supply partners. They are not readily available from multiple sources. Food Services has identified alternatives for their most critical products in the event of unforeseen circumstances.

A&W Restaurant Concepts

Food Services currently has four restaurant concepts. Each restaurant concept enables Food Services to provide a competitive level of convenience for A&W guests. The following is a description of each of these types of restaurants.

Shopping Centre Restaurants

Food Services was the first quick service restaurant chain to identify and exploit the quick service restaurant market in shopping centres in Canada. Food Services is a market leader in this segment with 168 A&W restaurants operating from food courts located in shopping centres, airports and universities across Canada as at December 31, 2023.

The A&W restaurants within shopping centres generally operate out of approximately 400 square feet and generally share common seating with other food restaurants within a food court. Food courts generally have between six and twenty restaurants, with each restaurant typically restricted to a designated type of food.



Freestanding Restaurants

Freestanding restaurants are restaurants that are located in their own buildings and feature self-service counters and drive-thru service. These restaurants range in size from 1,700 to 2,200 square feet with seating for between 20 and 120 guests. These restaurants are generally located in high traffic and high visibility locations that are easily accessible by car. As at December 31, 2023, 600 A&W restaurants operated as freestanding restaurants, of which 598 offer drive-thru.

Urban Restaurants

Urban concept restaurants serve guests in higher density areas, such as downtown street-front or urban/suburban neighbourhoods, without drive-thru opportunities. As at December 31, 2023, 95 urban restaurants operated in British Columbia, Alberta, Ontario and Quebec. These restaurants are located in street front locations that range in size from 900 to 2,400 square feet with seating for between 10 and 75 guests.



Convenience Restaurants

A&W restaurants with gas/convenience retailers on shared sites generally have seating for as few as 20 or up to 50 guests, depending on the location. These restaurants are intended to allow for synergies between retail categories of gasoline, convenience retailing and quick service restaurants. As at December 31, 2023, 181 A&W restaurants operated in this type of location, of which 173 offer drive-thru.



System Sales by Restaurant Type

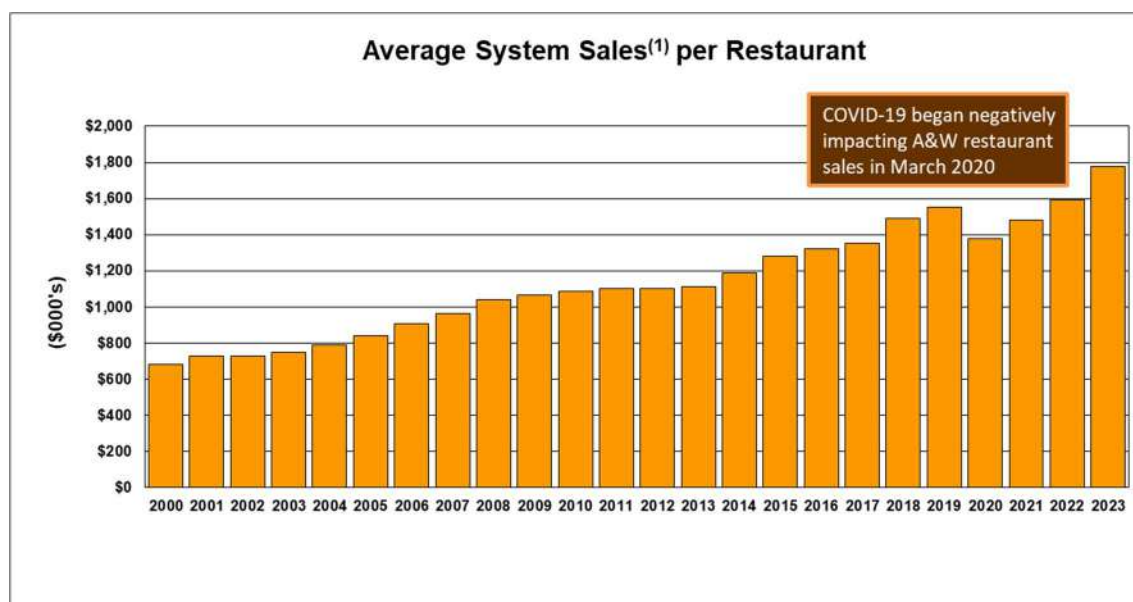
The following table shows average System Sales for each type of A&W restaurant.

System Sales ⁽¹⁾ (\$000's)	December 31, 2023	January 1, 2023	January 2, 2022 ⁽³⁾	January 3, 2021 ⁽³⁾	December 29, 2019
Shopping centre restaurant	\$1,191	\$874	\$539	\$539	\$1,118
Freestanding restaurant ⁽²⁾	\$2,032	\$1,875	\$1,839	\$1,715	\$1,780
Convenience restaurant ⁽⁴⁾	\$1,584	\$1,485	\$1,435	\$1,269	\$1,277
Urban and Other restaurants	\$1,585	\$1,410	\$1,183	\$1,113	\$1,541

- (1) "System Sales" is a non-IFRS supplementary financial measure. Refer to the "Non-IFRS Measures" section of this Annual Information Form for further details on how this measure is calculated and used to assess the Fund's performance.
- (2) Includes limited menu and full menu freestanding restaurants.
- (3) Includes the sales of restaurants that were temporarily closed at any point due to COVID-19.
- (4) Historically, convenience restaurants have been included in Urban and Other restaurants when determining average system sales by concept.

Average System Sales Per Restaurant

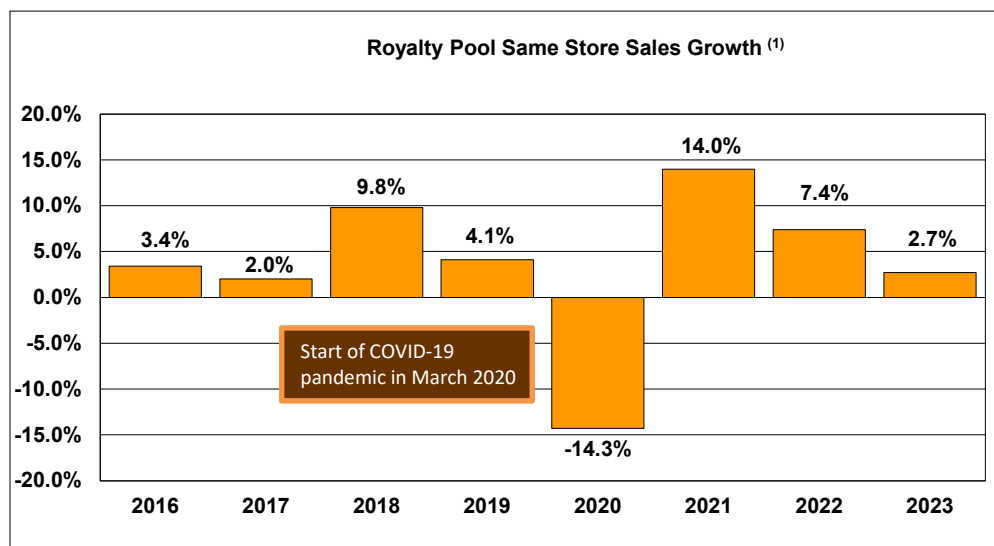
The following chart shows the average System Sales per A&W restaurant in the 24 years from fiscal 2000 to 2023.



- (1) “System Sales” is a non-IFRS supplementary financial measure. Refer to the “Non-IFRS Measures” section of this Annual Information Form for further details on how this measure is calculated and used to assess the Fund’s performance.

Royalty Pool Same Store Sales Growth

The following chart shows Royalty Pool Same Store Sales Growth in the years 2016 to 2023.



Royalty Pool Same Store Sales Growth⁽¹⁾ in 2020 contracted by 14.3% as a result of COVID-19 which resulted in government restrictions and reduced customer traffic as guests remained at home and practiced physical distancing. While Royalty Pool Same Store Sales Growth for 2021 was positive, there were certain COVID-19 restrictions from 2020, or modified forms of them, that remained in place during 2021. In 2022, there were no temporary closures of A&W restaurants due to COVID-19 restrictions however, during the first quarter many A&W restaurants were still required to operate with reduced hours and capacity limits on dine in guests. By mid-2022 most restrictions, such as capacity limits on the dine-in guests, reduced hours of operation and requirements for dine-in guests to show proof of vaccinations, had been lifted.

- (1) “Royalty Pool Same Store Sales Growth” is a non-IFRS supplementary financial measure. Refer to the “Non-IFRS Measures” section of this Annual Information Form for further details on how this measure is calculated and used to assess the Fund’s performance.

Growth Strategy

The A&W quick service restaurant is a proven concept with an established heritage and a long track record. Food Services believes the strength of its well-known brand and its attractive unit economics positions it well for growth. Food Services plans to expand its franchised restaurants and improve sales and profit at existing restaurants with its mission “*Together, to excite Canada’s most avid burger lovers, wherever they are, with the best tasting burgers they crave, earning even more of their visits and making A&W restaurants even more successful*”. Food Services’ strategy for such growth includes:

- *Delivering an industry leading guest experience.* The strategy revolves around improving operating standards to deliver guest experiences that create positive feelings and build loyalty. To ensure each guest at an A&W restaurant has a positive experience, Food Services has introduced changes in its satisfaction measurement and feedback systems, system level processes, staffing, CLIMATE, and restaurant equipment.
- *Mobile app.* Food Services developed and launched a proprietary mobile app in 2023. In order to be highly convenient for our guests, wherever they may be, Food Services’ will continue to focus on further establishing its mobile app business. Launched in June 2023, the new app allows users to receive exclusive offers, easily customize their order and provides various options allowing guests to choose between pickup, delivery and dine-in.

- *Menu innovation.* In 2013, A&W became the first national quick service restaurant to serve beef raised without the use of hormones or steroids, and that is raised on ranches with sustainable and ethical practices. In 2015, A&W began serving only organic and Fair Trade coffee. In 2016, A&W introduced bacon from pork raised without the use of antibiotics. In 2017, A&W introduced in its restaurants A&W Root Beer made from natural cane sugar and all-natural flavours. In 2018, A&W restaurants began serving the BEYOND MEAT Burger made using 100% plant-based protein. Also in 2018, A&W began using real cheese on all burgers and breakfast sandwiches. In 2020, A&W announced it is exclusively using grass-fed and grass-finished beef in all of its burgers and launched its new Fair Trade organic coffee. A&W continues to enhance its position as a leader in great tasting plant-based options with regular introductions of new recipes and products to its plant-based line-up. In 2022, A&W committed to using cage free eggs by the end of 2024 and by the end of 2023, A&W sourced all pork from gestation crate free pigs. In 2021, Food Services announced that it is expanding the beverage offerings at A&W restaurants with the phased rollout of the A&W Brew Bar. The A&W Brew Bar offers a variety of frozen beverages as well as hot and cold espresso-based beverages and is now available in over 620 restaurants across Canada with further expansion planned for 2024. In 2022, A&W further expanded its menu by introducing the Pret brand at A&W restaurants in select markets in Canada. As at December 31, 2023, 5 A&W locations (3 in Vancouver and 2 in Toronto) were offering a range of Pret products in their restaurants (see “Description of the Business – Business of Food Services – Pret A Manger”) with another 20 locations across the country offering Pret coffee and pastries. In January 2024, A&W opened a standalone Pret location in Toronto.
- *Continue to successfully open new restaurants.* To make A&W highly convenient for consumers across Canada, there is a strategic emphasis on new A&W restaurant development. 19 A&W restaurants opened in 2023 contributing annualized System Sales of approximately \$30 million. 15 of these new restaurants are in Ontario and Quebec, which are important growth markets for A&W. Food Services has teams that focus solely on the acquisition of real estate across Canada and the attraction of new A&W franchise operators. Food Services plans to continue to open new franchised A&W restaurants across Canada in the coming years, concentrating on growth opportunities for freestanding, convenience and urban concept restaurants with a continued focus in Ontario and Quebec.

Management Information Systems

Prior to 2022, all A&W franchisees used a standard point of sale system from Quickservice Technologies. This system is completely integrated with the restaurant operating systems and provides each restaurant with the ability to more closely manage sales. In 2022, Food Services identified and began testing a new point of sale system from Xenial, Inc. which it began to roll out as a standard for all A&W restaurants in 2023. As at December 31, 2023 there were approximately 430 locations using this new point of sale system, with further expansion in 2024.

Food Services and franchise operators use Clearview as a profit management system, as it provides metrics and tools to manage operating processes and allow better management of costs at the restaurant level helping the franchise operators maximize profitability. Detailed Clearview data is shared with Food Services allowing the additional benefit of more timely reporting of results in the whole system and more detailed and extensive information for analysis and to guide decision making for the whole chain. Food Services measures key performance drivers for each A&W franchise from the data collected via the Clearview system. The key performance drivers, which are measured on a weekly basis for the majority of A&W restaurants are: guest counts, System Sales, discounts, input costs and other information as measured from time to time.

Food Services has an intranet site called the “A&W Xchange” that allows for the rapid communication of extensive information among its corporate office, support operations and franchise restaurants. The A&W Xchange provides access to manuals, corporate communications, e-mail, discussion groups and reporting forms for franchisees and corporate staff.

Food Services requires each A&W franchisee to accurately report System Sales to Food Services. While the franchise agreement permits Food Services to conduct an audit of the System Sales of an A&W franchisee, Food Services has rarely had reason to conduct an audit of any A&W franchisee.

Since 2022, Food Services uses FranConnect to manage franchise location & contact information and in 2023 expanded FranConnect usage to collect service and ad fees from franchisees.

Food Services continues to use NetSuite, since 2019, to manage core finance and accounting processes including A/R and A/P. Since 2023, NetSuite is also being leveraged by Food Services to procure restaurant equipment for franchise locations, new restaurant openings, modernizations etc.

Since 2019, Lucernex is being used by Food Services to report according to IFRS-16 standards and manage any head lease liabilities.

In 2023 Food Services launched a new mobile app and deprecated the existing mobile application. The new mobile application integrates with the new POS restaurant system from Xenial as well as with a loyalty and ordering application from Paytronix. The mobile app enables guests to redeem offers and place orders to restaurants.

Government Regulation

Local Regulation of A&W Restaurants

A&W franchised restaurants are subject to licensing and regulation by a number of governmental authorities, which may include health, sanitation, safety, fire, building and other agencies in the provinces or municipalities in which the A&W restaurants are located. Development of new A&W restaurants in particular areas could be delayed by problems of obtaining the required licences, permits and land use approvals or by local government requirements relating to zoning, land use, signage, drive-thrus and environmental regulations or by-laws. Food Services' franchise agreements require all franchisees to comply with all applicable federal, provincial and local laws and regulations and indemnify Food Services for costs it may incur attributable to their failure to comply.

Food Product Regulation

Food Services, suppliers of food products to Food Services and A&W franchisees must comply with applicable federal and provincial regulations and local health authorities relating to the manufacture, preparation, safety and labelling of food products and disclosure of nutritional information.

Franchise Regulation

Food Services must comply with the laws and regulations adopted in the Provinces of British Columbia, Alberta, Manitoba, Ontario, Prince Edward Island and New Brunswick that regulate the offer and sale of franchises. These laws require that Food Services furnish prospective franchisees with a disclosure document containing information prescribed by these laws.

Employment Regulations

Food Services and its franchisees are subject to provincial employment and labour laws that govern their respective relationships with employees, such as minimum wage requirements, overtime and working conditions.

Management and Directors of Food Services

The names and province or state, and country of residence of the persons who are the directors and executive officers of Food Services as at the date of this Annual Information Form are as follows:

<u>Name, Province or State, and Country of Residence</u>	<u>Position with Food Services</u>
PAUL F. B. HOLLANDS British Columbia, Canada	Chairman and Director
SUSAN D. SENEAL British Columbia, Canada	President and Chief Executive Officer
KELLY A. BLANKSTEIN.....	Chief Financial Officer

Name, Province or State, and Country of Residence	Position with Food Services
British Columbia, Canada	
R. NEIL FARMER	Vice President, Restaurants
British Columbia, Canada	
NANCY E. WUTTUNEE	Vice President, People Potential
British Columbia, Canada	
PATRICIA A. PARENTE	Vice President, Development
British Columbia, Canada	
MIKE ATKINSON	Vice President, Ontario
Ontario, Canada	
BRENT M. TODD	Vice President, Purchasing and Distribution
British Columbia, Canada	
ROBERT D. FUSSEY	Vice President, Innovation
British Columbia, Canada	
ANGELA GRIFFITHS.....	Vice President, Food Safety, Animal Welfare & Environment
British Columbia, Canada	
TOM NEWITT.....	Vice President, Marketing
British Columbia, Canada	
JEFFERSON MOONEY	Director
British Columbia, Canada	
DAVID A. MINDELL	Director
British Columbia, Canada	
MICHAEL HOLLEND	Director
Ontario, Canada	
ERIC BERKE	Director
Ontario, Canada	

Each of the foregoing individuals has been engaged for more than five years as a member of the senior management group of Food Services, except for Ms. Blankstein who was appointed as Chief Financial Officer on November 3, 2020.

The following is a summary biography of the Chairman and each of the top three members of the senior management group of Food Services:

Paul F.B. Hollands – Chairman. Mr. Hollands joined Food Services in 1980. He was appointed a Vice President in 1991, Executive Vice President and Chief Operating Officer in 1995 and President from 2002 to 2015. He was Chief Executive Officer from February 2005 until February 2018 when he retired. He has been Chairman of the Board since August 2015. Mr. Hollands has been involved in all major areas of the business of Food Services including marketing, operations, franchising and development. He holds a Bachelor of Commerce degree from the University of British Columbia, and is past Chairman of Restaurants Canada (formerly called the Canadian Restaurant and Foodservices Association) and the past Chairman of the Canadian Association of Income Funds. He is past Chair of the Faculty Advisory Board of the Sauder School of Business and Director and past Chair of St. Paul’s Hospital Foundation. He is Director and Chair of the Board of Vendesta Technologies Ltd. He is also a Director of the Open Road Auto Group, and a member of the Advisory Board of Northland Properties Limited.

Susan D. Senecal – President and Chief Executive Officer. Ms. Senecal joined Food Services in 1992 as an Area Manager. She became Regional Director of Operations in 1996, General Manager, Quebec in 1997, Vice President, Operations in 2002, Chief Marketing Officer in 2012, President and Chief Operating Officer in 2015, and was appointed Chief Executive Officer in February 2018. In 2019, Ms. Senecal was the recipient of the “New CEO of the Year” award from The Globe and Mail. Ms. Senecal holds a Bachelor of Science degree from McGill

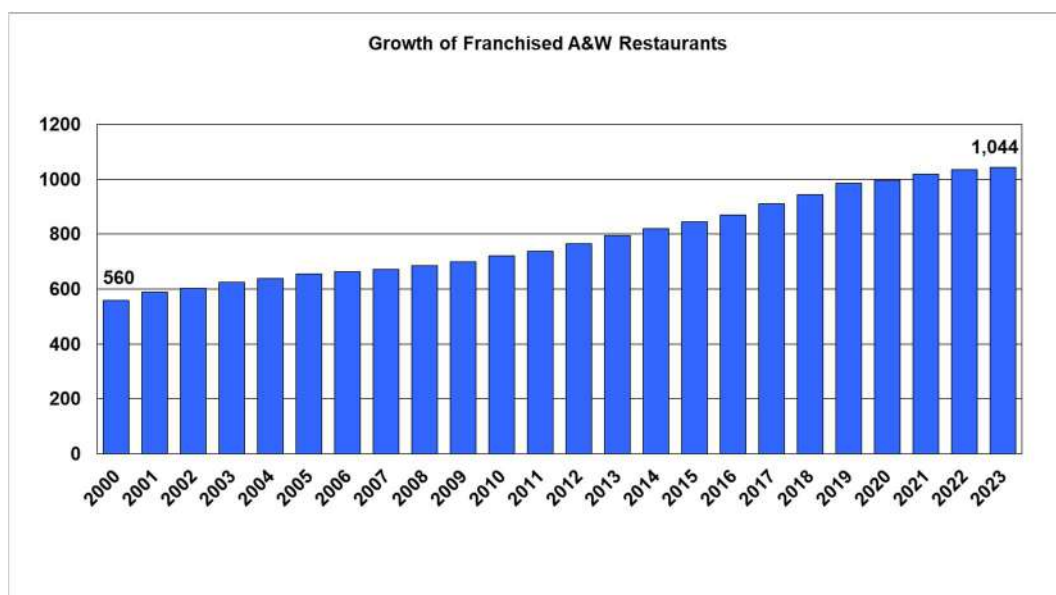
University and is a former Director and past Chair of Restaurants Canada (formerly the Canadian Restaurant and Foodservices Association). She is also an officer (Chair) of MS Canada.

Kelly A. Blankstein – Chief Financial Officer. Ms. Blankstein joined Food Services in November 2020 as Chief Financial Officer. She holds a Bachelor of Science degree in Mathematics and a Bachelor of Business Administration degree from Simon Fraser University and is a Chartered Professional Accountant. Ms. Blankstein has two decades of finance, risk management, corporate strategy and technology experience, most recently with Cadillac Fairview Corporation. Ms. Blankstein is also on the Board of the British Columbia Children’s Hospital Foundation and serves on the Foundation’s Investment and Finance Committee.

The top 10 active executives with Food Services have an average of over 27 years experience in the A&W business.

Franchise Operations

The primary focus of Food Services is its franchise operations. Food Services has been successful in attracting a large number of high calibre individuals as owners and operators of A&W restaurants. The following chart shows the growth of franchised A&W restaurants, in the period from 2000 to 2023.



Relationship with Franchisees

A&W franchisees own and operate the A&W restaurants as independent businesses, licenced under a franchise agreement with Food Services to use the A&W Marks and A&W’s business systems for the operation of an A&W restaurant.

Food Services’ franchise system, together with its right to use the A&W Marks, is its most important asset. Over 60 years of evolution have led to a restaurant franchise system that provides each A&W franchisee with a comprehensive business system. Key components of this system include: effective site selection, restaurant designs and operating systems, high quality goods and services at competitive costs from standard suppliers, innovative menu development, an effective marketing team that is accustomed to and is aware of the restaurant environment, valuable experience in franchise arrangements and franchise selection and training programs. Food Services’ strengths lie in its ability to manage and develop franchise systems and to ensure that all opportunities are maximized in the best interests of both the franchisor and the franchisees in order to fuel growth and profitability of A&W restaurants.

Food Services focuses its business activities on its relationship with its franchisees. This relationship is reinforced through the use of franchisee relationship questionnaires, extensive consultation with franchisees in key decisions, ongoing representation of franchisees in restaurant standards and advertising committees, and regular

meetings between franchisees and senior management of Food Services in small regional groups. Food Services' strategy is to establish a highly collaborative relationship with the A&W franchisees based on the trust and mutual respect embodied in A&W's CLIMATE Goals.

The strength of the relationship between Food Services and its franchisees is reflected by the fact that new A&W restaurants are often opened by existing A&W franchisees. Over 75% of new A&W restaurants opened over the past three years were opened by existing A&W franchisees. The following chart shows the number of A&W franchisees, as at December 31, 2023, that own and operate multiple A&W restaurants.



A&W restaurants have been operating successfully for a considerable period of time. The following table shows the number of A&W restaurants that have been operated for various periods of time as measured at December 31, 2023.

	Number of Years of Operation			
	less than one year	one to five years	six to ten years	more than ten years
Number of A&W restaurants	11	163	181	699

Franchise Agreement

The legal relationship of Food Services with the A&W franchisees is governed by a franchise agreement for a term that is typically 20 years. Each restaurant is subject to a separate franchise agreement which grants the right to use the A&W Marks in association with the A&W products and services for the specified restaurant location. The franchise agreement specifies comprehensive standards of practice governing all relevant operational matters.

The initial franchise fee is \$55,000. Each franchise agreement also specifies additional fees and payments to be made to Food Services by the A&W franchisee. Each franchise agreement sets out the parameters of franchisee training, technical, marketing and operational assistance and other services to be provided to franchisees by Food Services. A franchise agreement may not be assigned by the A&W franchisee. An A&W franchisee cannot sell or transfer its business without prior written consent of Food Services. Food Services has a right of first refusal with respect to any offer made to purchase the business of an A&W franchisee. Each franchise agreement may be terminated upon certain defined circumstances, including the bankruptcy of an A&W franchisee.

Operations

High standards of operation are critical for success of a franchise business system. In order to maintain the reputation, goodwill, uniform high standards of quality of product, guest service, appearance and proven methods of the franchise system of A&W, Food Services' standard form of franchise agreement requires a franchisee to operate the franchise under the A&W name in accordance with such methods, standards, specifications and procedures as Food Services prescribes.

A sophisticated screening process has been developed for the selection of qualified franchisees. Only persons with acceptable levels of funding, professional competence, experience, reputation, ability and financial responsibility are chosen. Since Food Services believes that restaurant profitability and quality of guest service are maximized when restaurants are operated by talented and committed owners/operators, owners of A&W franchisees are required to direct their full time and attention to the business and to participate personally in the operation of the franchise or to have an approved operating partner or corporate management structure in place that ensures the same successful outcomes.

Once a franchisee is approved for a new location, Food Services enters into a franchise agreement with the franchisee. The initial franchise fee is \$55,000 per location and is payable at the commencement of the franchise agreement.

Food Services requires an A&W restaurant to be constructed and equipped in accordance with specific plans and specifications. In most instances, Food Services will manage and coordinate the construction of the restaurant on behalf of the franchisee. The completed restaurant is then delivered to the new franchisee as a “turnkey” operation.

In evaluating a proposed site, Food Services considers a number of factors including traffic patterns, trade area dynamics, population growth, visibility and access to and from the property, the size and cost of the property and the competitive environment.

Food Services grants A&W franchisees rights to use proprietary restaurant designs, products and operating systems for the operation of an A&W restaurant. Food Services also grants a sublicense to A&W franchisees to use the A&W Marks. Only products approved by Food Services may be sold in the restaurant and the A&W franchisee agrees to purchase ingredients, supplies, fixtures, equipment, inventory, advertising materials and signage solely from Food Services or approved suppliers designated by Food Services.

If an A&W franchisee defaults on an obligation under the franchise agreement, Food Services may provide a written notice of default and a reasonable period of time given to cure the default. During this period, Food Services works closely with the A&W franchisee to assist in curing the default. If the A&W franchisee fails or refuses to cure the default, or the default is incurable, a written notice of termination may be given to the A&W franchisee. All franchise and related agreements are thereafter terminated.

If a franchise agreement is terminated and Food Services is a party to the lease for the restaurant, Food Services may take possession and acquire the assets of the restaurant, rectify the defaults in the restaurant operation, where applicable, and grant a new franchise to another party. Alternatively, if Food Services decides that, for any reason, the restaurant is not viable or the location does not warrant a full renovation, it may sublet the restaurant for another use for the balance of the lease term or negotiate a surrender of the lease.

Food Services has been a long standing and voluntary member of the Canadian Franchise Association (“CFA”) and seeks to comply with its code of ethics and disclosure requirements for all prospective franchisees. Further, Food Services has committed to providing leadership to the industry with Ryan Picklyk, Senior Director of Strategic Partnerships and Franchising, sitting on CFA’s Board of Directors.

Franchise Support Programs

Food Services recognizes that the success of the franchisees directly affects the success of Food Services. As a result, Food Services provides a number of continuing assistance and support programs to its franchisees:

- *Franchisee Training Program.* A mandatory training program for new franchisees is conducted by Food Services at a specially designated training restaurant. Two people from each new franchise must complete the training program of a minimum of twenty weeks in duration. It includes instruction on the management of an A&W restaurant, including staff recruitment, selection and labour management, operations systems, cost control, kitchen procedures, guest service and general business management.
- *On-Going Training.* Food Services provides continuing training for the franchisee through its regional Business Managers and the holding of periodic seminars, workshops and meetings.

- *Operational Support.* Food Services consistently offers operational assistance through its dedicated team of business managers and operations specialists. Working collaboratively with franchisees and operators, business managers strive for operational excellence, exceptional guest experiences, and optimal restaurant profitability. They also ensure the effective execution of national and local marketing plans. Additionally, business managers analyze and support financial planning for franchisees, fostering effective people management skills to build high-performing management teams and enhance the employee experience. Operations specialists play a crucial role in auditing and enhancing day-to-day restaurant management. This involves contributing to annual Brand Compliance Reports, providing coaching, counselling, and training to improve daily operations, and aiding in developing restaurant management skills to boost profitability. The overarching goal of this support is to facilitate A&W franchisees in the successful and sound operation of their franchises.
- *Restaurant Performance Feedback Systems.* A&W restaurants receive formal feedback in the form of an annual Brand Compliance Report conducted by a Business Manager and/or with the assistance of an Operations Specialist from Food Services. This evaluation primarily focuses on the quality of the guest experience, covering areas such as service, food quality, cleanliness, and related key operating procedures. These annual audits are complemented by additional assessments, such as food safety audits by a third party, that offer valuable insights to both the A&W franchisee and Food Services regarding the operational quality of each A&W restaurant. To further enhance feedback mechanisms, Medallia, an online web-based guest feedback system is in place, allowing guests to share their restaurant experiences. The results of this feedback are promptly communicated to the restaurants, enabling real-time monitoring and improvements in guest satisfaction.
- *Food Safety Program.* Food Services continuously evaluates its systems and procedures to remain current with the latest information and practices on food safety. Food Services has partnered with major food safety management consulting companies to carry out food safety audits at A&W restaurants and at its suppliers. These food safety audits are customized for Food Services and represent a comprehensive measure of compliance to food safety standards both in restaurants and upstream in the supply chain. Food Services receives detailed reporting on results and tracks corrective actions focusing on eliminating the cause of any deficiency. Food Services has partnered with a digital management service, used for labelling in the majority of its restaurants and for remote temperature monitoring in approximately one-third of its restaurants. Food Services has also contracted for a system to monitor municipal Health Department reports on all restaurants where these reports are available online.
- *Franchise Assistance.* In the event that the sales volume of an A&W restaurant does not meet expectations, a Business Manager of Food Services inspects the A&W restaurant to determine whether all aspects of the A&W system are being complied with, particularly as they relate to product quality and merchandising, cleanliness and service, and cost controls. If all standards are met, a local marketing program is initiated to increase guest counts and, accordingly, sales. In rare cases, financial assistance may be given until sales are built to a level that enables the franchisee to make full payments.
- *National Marketing.* Food Services manages and administers the National Advertising Fund on behalf of all A&W franchisees. Food Services is responsible for collecting advertising contributions, purchasing all media, creating all promotional initiatives, development and execution of the creative strategy, undertaking consumer research and providing promotional material and support for franchisees.
- *Construction Services.* Food Services provides design plans for new A&W restaurants and for the remodelling and upgrading of existing A&W restaurants. In most instances, Food Services provides full turnkey construction services to A&W franchisees on a fee basis.
- *Equipment Sales.* Food Services provides all initial equipment packages to A&W franchisees and is a source for replacement equipment on an ongoing basis.

A&W Training

Food Services provides continuing training for the franchisees through its regional business managers and the holding of periodic seminars, workshops and meetings.

Food Services has a web-based training system for restaurant employees and a comprehensive restaurant manager training program to provide A&W franchisees with tools to train their management team in key operations, management, Climate and leadership skills. The restaurant manager training program is a combination of web-based, practice, coaching and in-restaurant components.

Food Services' training program for A&W franchisees starts with eight weeks of online learning followed by eight weeks of training at a specially designated training restaurant, owned and operated by a qualified franchisee. Following these two training sessions, franchisees undergo four weeks of restaurant opening preparation. In addition, for franchisees that are new to the business, the staff and franchisees receive up to nine days of hands-on, on-site training by Food Services' "restaurant opening support team".

During the twenty-week new franchisee training program, the new franchisee completes the A&W team member training program and restaurant manager training program concurrently. In addition, they also learn how to train and coach others on the program. Dedicated one-on-one coaching ensures the franchisee learns the day-to-day operations and the systems to support the operations. These systems include, but are not limited to, human resources planning and management, inventory control, food cost management, labour cost management and preparing profit and loss statements.

A&W franchisees receive ongoing training through participation in regional meetings and attendance at national and regional conventions, as well as through visits by representatives of Food Services to A&W restaurants. Past training topics have included inventory control techniques, labour cost control techniques, new government legislation, service excellence, local restaurant marketing, and new product preparation. In addition, staff at A&W restaurants are trained through comprehensive online training programs and their franchisee's in-restaurant training systems.

A&W Advisory Councils

Food Services has two A&W franchisee councils. The first is the National Advertising Advisory Council, comprised of approximately 10 franchise members elected by their peers and representing each geographic region in Canada. The National Advertising Advisory Council meets twice a year and holds monthly telephone or video conference call meetings to approve advertising, promotion and media programs and the budget for the National Advertising Fund.

The second is the Standards Board, which meets formally, either in person or on video conference, at least twice per year. Comprised of approximately 12 A&W franchisees that meet minimum requirements for restaurant performance and who advance through the selection processes created by Food Services, the Standards Board is responsible for providing input and counsel on changes related to standards of operation, new menu products and recipes, packaging, uniforms and other matters related to the operation of A&W restaurants.

In addition, both the Standards Board and the National Advertising Advisory Council provide important forums for the exchange of issues and ideas between Food Services and the A&W franchisees. All A&W franchisees are notified of meetings of both the Standards Board and the National Advertising Advisory Council in advance of the meeting and encouraged to provide their representatives with input. Detailed minutes of the meetings and key decisions are prepared and made available to all A&W franchisees.

Regional Associations

Food Services also supports and encourages franchisees in geographic regions to meet/communicate regularly in an effort to coordinate marketing activities and improve operator effectiveness.

A&W Xchange

A key component in good communication with A&W franchisees is Food Services' Intranet called the "A&W Xchange". All franchisees have access to the A&W Xchange, and it is a primary medium for communication between Food Services and the A&W franchisees, and among A&W franchisees themselves, including discussion groups where A&W franchisees can share issues, problems and best practices with other operators and thereby access the collective experience of the entire system. Operators also use the A&W Xchange to access the invoice payment portal, order merchandise and enroll in marketing programs.

Intellectual Property

The success of Food Services' business is dependent upon certain intellectual property. Food Services grants A&W franchisees a sublicense to use proprietary restaurant designs, products and operating systems for the operation of an A&W restaurant. Food Services uses the A&W Marks, which it has licenced from the Partnership pursuant to the Amended and Restated Licence and Royalty Agreement. The Amended and Restated Licence and Royalty Agreement has a term expiring December 30, 2100. See "Licence and Royalty".

The A&W Marks include 166 trademarks that are registered under the *Trademarks Act* (Canada) and 8 trademarks that are pending registration. All of the registered A&W Marks are registered in the name of the Partnership under the *Trademarks Act* (Canada). The following are some of the A&W Marks that are licensed by the Partnership to Food Services for use in Canada.



Competition

Each A&W restaurant competes with other food service operations within the same geographical area. Competition, in the broadest perspective, includes restaurants, quick service restaurants, pizza parlours, coffee shops, street vendors, convenience food stores, delicatessens and supermarkets. From a narrower perspective, the quick service hamburger restaurant industry, in which A&W restaurants operate, is highly competitive. A&W is Canada's second largest burger quick service restaurant⁽¹⁾ and its principal competitors are McDonald's, Harvey's, Burger King and Wendy's. Each A&W restaurant competes with other organizations primarily through the quality, variety and value perception of food products offered. The number and location of restaurants, quality and speed of service, attractiveness of facilities, effectiveness of marketing and new product development are also important competitive factors.

⁽¹⁾ Based on 2023 Gross Sales as reported by Circana, Inc. (Circana Crest, trailing 12 Months ending Dec'23)

DESCRIPTION OF THE FUND

Declaration of Trust

The Fund is a limited purpose trust established under the laws of the Province of British Columbia and is governed by the Declaration of Trust. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust which does not purport to be complete. Reference is made to the Declaration of Trust, a copy of which is available on SEDAR at www.sedarplus.ca, for a complete description of the Units and the full text of its provisions.

Activities of the Fund

The Declaration of Trust provides that the Fund is restricted to:

- (a) investing in securities, including those issued by the Company;
- (b) temporarily holding cash in interest-bearing accounts, short-term government debt or investment grade corporate debt for the purposes of paying the expenses of the Fund, paying amounts payable by the Fund in connection with the redemption of any Trust Units and making distributions to Unitholders;
- (c) issuing Trust Units (i) for cash or in satisfaction of any non-cash distribution or in order to acquire securities, including those issued by the Company, (ii) upon the conversion or exchange of securities or debt obligations issued by the Fund, the Company or any other person, and (iii) in satisfaction of any indebtedness of or borrowing by the Fund;
- (d) issuing debt securities or borrowing funds;
- (e) guaranteeing the obligations of the Company or any affiliate of the Fund (as such term is defined in Ontario Securities Commission Rule 45-501 as it is constituted as of December 18, 2001) pursuant to any good faith debt for borrowed money incurred by the Company or the affiliate, as the case may be;
- (f) pledging securities issued by the Company as security for the debt securities or borrowed funds referred to in (d) or the guarantees referred to in (e);
- (g) issuing rights and Trust Units pursuant to any Unitholder rights plan adopted by the Fund;
- (h) purchasing securities pursuant to any issuer bid made by the Fund; and
- (i) undertaking such other activities, or taking such actions, including investing in securities as shall be approved by the Trustees from time to time provided that the Fund shall not undertake any activity, take any action, or make any investment which would result in the Fund not being considered a “mutual fund trust” for purposes of the Tax Act.

As at the date of this Annual Information Form, the Fund does not intend to hold securities of entities other than the Company.

Trust Units

Two classes of Trust Units may be issued pursuant to the Declaration of Trust, Units and Limited Voting Units. Limited Voting Units are to be issued to Food Services upon the exercise of the Fund Exchange Rights. Limited Voting Units may be converted into Units in order to deliver Units to a purchaser of Units from Food Services or to enable Food Services to tender Units to a takeover bid.

An unlimited number of Units and Limited Voting Units may be issued pursuant to the Declaration of Trust. Each Trust Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units and Limited Voting Units have equal rights and privileges except that holders of the Limited Voting Units or Exchangeable Securities exchangeable for Limited Voting Units, as such, are not entitled in the aggregate to cast more than 40% of the votes cast upon a resolution with respect to the appointment or removal of Trustees of the Fund and are not entitled to cast votes upon a resolution to amend the Declaration of Trust in respect of the limitation upon the voting rights of the holders of Limited Voting Units and Exchangeable Securities. Neither the Units, nor the Limited Voting Units, are subject to future calls or assessments. Except as set out above and under “Redemption Right” below, the Trust Units have no conversion, retraction, redemption or pre-emptive rights.

Pursuant to the Declaration of Trust, the holders of Exchangeable Securities are entitled to vote in all votes of Unitholders as if they were the holders of the number of Limited Voting Units which they would receive if they had effected the Company Exchange Rights and Fund Exchange Rights, as applicable, and received Limited Voting Units as of the record dates for such votes, and are treated in all respects as Unitholders for the purposes of any such vote.

Issuance of Trust Units

The Declaration of Trust provides that the Trust Units or rights to acquire Trust Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine. Trust Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a pro rata basis in which event, holders of Units will only be issued Units and holders of Limited Voting Units will only be issued Limited Voting Units. The Declaration of Trust also provides that immediately after any pro rata distribution of Trust Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Trust Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Trust Units prior to the non-cash distribution is deemed to represent the same number of Trust Units after the non-cash distribution and the consolidation.

Trustees

The Declaration of Trust requires that the Fund have a minimum of three Trustees and a maximum of 10 Trustees. The Trustees are to supervise the activities and manage the affairs of the Fund.

The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the investments and conduct the affairs of the Fund. The Declaration of Trust prohibits a non-resident of Canada (as that term is defined in the Tax Act) from acting as a Trustee. The Trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Fund as a shareholder of the Company, including voting for the election of the directors of the Company, subject to the Governance Agreement;
- maintaining records and providing reports to Unitholders;
- supervising the activities of the Fund;
- effecting payments of Distributable Cash from the Fund to Unitholders; and
- voting in favour of the Fund's nominees to serve as directors of the Company.

Any one or more of the Trustees may resign upon 30 days' written notice to the Fund and may be removed by a resolution passed by a majority of the Unitholders and the vacancy created by such removal or resignation must be filled at the same meeting, failing which it may be filled by the former Trustee or Trustees.

A quorum of the Trustees, being the greater of two Trustees or a majority of the Trustees then holding office, may fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees or from a failure of the Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Unitholders to elect the required number of Trustees, the Trustees must forthwith call a special meeting of the Unitholders to fill the vacancy. If the Trustees fail to call such meeting or if there are not Trustees then in office, any Unitholder may call the meeting.

The Trustees may, between annual meetings of Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Unitholders, but the number of additional Trustees cannot at any time exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of Unitholders.

The Declaration of Trust provides that the Trustees shall act honestly and in good faith with a view to the best interests of the Fund and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The duties and standard of care of the Trustees are intended to be similar to, and not to be any greater than those imposed on a director of a corporation governed by the *Canada Business Corporations Act*. The Declaration of Trust provides that the Trustees are entitled to indemnification from the Fund in respect of the exercise of their powers and the discharge of their duties provided that they acted honestly and in good faith with a view to the best interests of all the Unitholders.

Cash Distributions

The Fund intends to make monthly cash distributions to its Unitholders from dividends on or in respect of the Common Shares owned by the Fund, less:

- administrative expenses and other obligations of the Fund;
- amounts which may be paid by the Fund in connection with any cash redemptions of Trust Units; and
- any other interest expense incurred by the Fund between distributions.

The actual amount of each monthly distribution will be determined by the Trustees in their sole discretion. The Fund intends to make distributions to Unitholders of record on the 15th day of each month (except for December of each year when the record day will be the 31st of the month), to be paid on the last business day of each month in respect of the amount of funds determined by the Trustees to be available for distribution by the Fund as at the last day of the preceding month. The Trustees may authorize additional distributions in excess of the aforementioned distributions during the year, as they see fit, in their sole discretion.

Under the Licence and Royalty Agreement, the Royalty is to be paid by Food Services to the Partnership every four weeks in respect of the Gross Sales reported by A&W restaurants in the Royalty Pool. The Royalty is payable 30 days after the end of the four-week period for which the Royalty is being determined. The Fund intends to make monthly distributions on the last business day of the month in respect of the amount available to the Fund for distribution as at the last day of the preceding month. As the Royalty to be paid to the Partnership by Food Services is paid over 13 periods in a fiscal year of the Company, and as the distributions to be paid by the Fund are to be paid and distributed over 12 periods in a fiscal year of the Company, the Company may draw upon the Operating Loan from time to time. As a result, so long as Food Services pays the Royalty to the Partnership, the Partnership makes distributions to the Company, and the Company pays dividends on the Common Shares monthly when the monthly distributions by the Fund are to be made, the monthly distributions by the Fund in any fiscal year of the Fund should be approximately equal. The amount of dividends payable by the Company is determined by its board of directors from time to time. There is no assurance that the Company will be able to pay dividends on the Common Shares held by the Fund to enable the Fund to make monthly distributions to the Unitholders over any period in an equal amount per month during such period, or otherwise, or that any dividends will be paid on the Common Shares.

To the extent that income of the Fund is applied to any cash redemptions of Trust Units or is otherwise unavailable for cash distribution, distributions will be made to Unitholders in the form of additional Trust Units. Such additional Trust Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Holders of Trust Units who are non-residents of Canada are required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether such distributions are in the form of cash or additional Trust Units. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the Trust Units.

Redemption Right

Trust Units are redeemable at any time on demand by the holders thereof. As the Units are issued in book entry form, a Unitholder who wishes to exercise the redemption right is required to obtain a redemption notice form from the Unitholder's investment dealer who is required to deliver the completed redemption notice form to CDS Clearing and Depository Services Inc. Upon receipt of the redemption notice by the Fund, all rights to and under the

Trust Units tendered for redemption are surrendered and the holder thereof is entitled to receive a price per Trust Unit (the “Redemption Price”) equal to the lesser of:

- 90% of the “market price” of the Units on the principal market on which the Units are quoted for trading on the trading day immediately subsequent to the date on which the Trust Units were surrendered for redemption (the “Redemption Date”); and
- 100% of the “closing market price” on the principal market on which the Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, “market price” is an amount equal to the weighted average of the closing price of the Units for each of the 20 consecutive trading days on which there was a closing price, ending on the 20th trading day immediately subsequent to the Redemption Date. However, if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Units traded on a particular day, the “market price” is an amount equal to the average of the highest and lowest prices for each of the trading days on which there was a trade. Also, if there was trading on the applicable exchange or market for fewer than 10 of the 20 trading days, the “market price” is the average of the following prices established for each of the 20 trading days:

- the average of the last bid and last asking prices of the Units for each day there was no trading;
- the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; or
- the average of the highest and lowest prices of the Units for each day that there was trading if the market provides only the highest and lowest prices of Units traded on a particular day.

The “closing market price” is:

- an amount equal to the closing price of the Units if there was a trade on the date and the exchange or market provides a closing price;
- an amount equal to the average of the highest and lowest prices of the Units if there was trading and the exchange or other market provides only the highest and lowest prices of the Units traded on a particular day; or
- the average of the last bid and last asking prices of the Units if there was no trading on that date.

The aggregate Redemption Price payable by the Fund in respect of any Trust Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment no later than the last day of the month following the month in which the Trust Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Trust Units is subject to the limitations that:

- the total amount payable by the Fund in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month shall not exceed \$50,000, provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Trust Units tendered for redemption in any calendar month;
- at the time such Trust Units are tendered for redemption, the outstanding Trust Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; or
- the normal trading of Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Trust Units as a result of the foregoing limitations, then, subject to receipt of all necessary regulatory approvals, the Fund will deliver to the holders of the Trust Units tendered for redemption a promissory note of the Fund in the amount of the Redemption Price payable, without interest, on the third anniversary of the Redemption Date or, at the option of the Trustees, each Trust Unit tendered for redemption shall be redeemed by way of a distribution in specie of a number of Common Shares held by the Fund equal to the product of the number of Trust Units tendered for redemption multiplied by two. No fractional Common Shares will be distributed and, where the number of securities of the Company to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number. The Fund is entitled to all declared but unpaid dividends on the Common Shares being transferred on or before the date of the distribution in specie. Where the Fund makes a distribution in kind of a pro rata number of securities of the Company on the redemption of Trust Units of a Unitholder, the Fund currently intends to allocate to that Unitholder any capital gain realized by the Fund as a result of the distribution of such securities to the Unitholder.

It is anticipated that the redemption right described above will not be the primary mechanism for holders of Trust Units to dispose of their Trust Units. Securities of the Company which may be distributed in kind to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in securities of the Company and they may be subject to resale restrictions under applicable securities laws. Securities of the Company so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time.

Meetings of Unitholders

Each Trust Unit entitles the holder thereof to one vote at all meetings of Unitholders, except that the holders of Limited Voting Units or Exchangeable Securities exchangeable for Limited Voting Units, as such, are not entitled in the aggregate to cast more than 40% of the votes cast upon a resolution with respect to the appointment or removal of Trustees of the Fund. Meetings of Unitholders will be called and held annually for the appointment of Trustees and the appointment of auditors of the Fund. The Declaration of Trust provides that the Unitholders are entitled to pass resolutions that bind the Fund only with respect to:

- the election or removal of Trustees of the Fund;
- the appointment or removal of the auditors of the Fund;
- the appointment of an inspector to investigate the performance by the Trustees in respect of their respective responsibilities and duties in respect of the Fund, the approval of amendments to the Declaration of Trust (except as described under “Amendments to the Declaration of Trust” below);
- the sale of all or substantially all of the assets of the Fund;
- the exercise of certain voting rights attached to the securities of the Company held by the Fund; and
- the dissolution of the Fund prior to the end of its term.

A resolution appointing or removing the Trustees must be passed by a simple majority of the votes cast by the holders of Trust Units in which holders of Limited Voting Units or Exchangeable Securities exchangeable for Limited Voting Units do not cast in the aggregate more than 40% of the votes and a resolution appointing or removing the auditors of the Fund must be passed by a simple majority of the votes cast by the holders of Trust Units. All other matters must be approved by a Unitholders’ Special Resolution.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened if requisitioned by the holders of not less than 10% of the Trust Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxy holder need not be a Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 5% of the votes attached to all outstanding Trust Units shall constitute a quorum for the

transaction of business at all such meetings, except holders of Limited Voting Units, as such, are not be included in a quorum in respect of a resolution to appoint or remove the Trustees of the Fund.

Pursuant to the Declaration of Trust, the holders of Exchangeable Securities are entitled to vote in all votes of Unitholders as if they were the holders of the number of Limited Voting Units which they would receive if they had effected the Company Exchange Rights and Fund Exchange Rights, as applicable, and received Limited Voting Units as of the record dates for such votes, and are treated in all respects as Unitholders for the purposes of any such vote. In the event the Fund (or a subsidiary) holds the Exchangeable Securities, the Fund (or that subsidiary) is not entitled to exercise the votes attached to the Exchangeable Securities in votes of Unitholders.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders, which provisions provide, among other things, that the Fund is permitted to utilize the “notice and access” delivery procedures set out in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of a majority of the Trust Units. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Trust Units are resident.

If the Trustees become aware that the beneficial owners of 49% of the Trust Units then outstanding are, or may be, non-residents or that such a situation is imminent, the Trustees may direct the transfer agent and registrar to make a public announcement thereof and shall not accept a subscription for Trust Units from or issue or register a transfer of Trust Units to a person unless the person provides a declaration that he or she is not a non-resident. If, notwithstanding the foregoing, the Trustees determine that a majority of the Trust Units are held by non-residents, the Trustees may send a notice to non-resident holders of Trust Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Trust Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Trust Units or provided the Trustees with satisfactory evidence that they are not non-residents within such period, the Trustees may, on behalf of such Unitholders, sell such Trust Units and, in the interim, shall suspend the voting and distribution rights attached to such Trust Units. Upon such sale, the affected holders shall cease to be holders of the Trust Units and their rights shall be limited to receiving the net proceeds of such sale.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time by a Unitholders’ Special Resolution, except that holders of Limited Voting Units and Exchangeable Securities will be entitled to vote separately as one class upon any resolution to amend the Declaration of Trust that would prejudice or interfere with any of the rights, privileges, restrictions or conditions attached to the Limited Voting Units and Exchangeable Securities.

The Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the Fund;
- which, in the opinion of counsel to the Trustees, provide additional protection for Unitholders;
- to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders; and

- which, in the opinion of the Trustees, are necessary or desirable as a result of changes in Canadian taxation laws or accounting standards.

Term of the Fund

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on December 1, 2001. On a date selected by the Trustees which is not more than two years prior to the expiry of the term of the Fund, the Trustees are obligated to commence to wind up the affairs of the Fund so that it terminates on the expiration of the term. In addition, at any time prior to the expiry of the term of the Fund, the Unitholders may by a Unitholders' Special Resolution, upon which the holders of the Limited Voting Units, as such, may not vote, require the Trustees to commence to wind up the affairs of the Fund.

The Declaration of Trust provides that, upon being required to commence to wind up the affairs of the Fund, the Trustees will give notice thereof to the Unitholders, which notice shall designate the time or times at which Unitholders may surrender their Trust Units for cancellation and the date at which the register of Trust Units will be closed. After the date the register is closed, the Trustees shall proceed to wind up the affairs of the Fund as soon as may be reasonably practicable and for such purpose shall, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Unitholders, sell and convert into money the Common Shares and all other assets comprising the Fund in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees shall distribute the remaining part of the proceeds of the sale of the Common Shares and other assets together with any cash forming part of the assets of the Fund among the Unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any of the Common Shares or other assets which comprise part of the Fund by the date set for termination, the Trustees may distribute such remaining Common Shares or other assets in specie directly to the Unitholders in accordance with their pro rata interests subject to obtaining all required regulatory approvals.

Take-Over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Trust Units and not less than 90% of the Trust Units (other than Trust Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Trust Units held by Unitholders who did not accept the take-over bid on the terms offered by the offeror.

Exercise of Certain Voting Rights Attached to Securities of the Company

The Declaration of Trust provides that the Fund shall not vote its Common Shares to authorize, among other things:

- any sale, lease or other disposition of all or substantially all of the assets of the Company except in conjunction with an internal reorganization;
- any amalgamation, arrangement or other merger of the Company with any other corporation, except in conjunction with an internal reorganization; and
- any material amendment to the constating documents of the Company to change the authorized share capital in a manner which may be prejudicial to the Fund;

without the authorization of the Unitholders by a Unitholders' Special Resolution.

Information and Reports

The Fund is required to furnish, in accordance with and subject to, applicable securities laws, to Unitholders such consolidated financial statements of the Fund (including quarterly and annual consolidated

financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) all such information as is required by applicable law and the Declaration of Trust to be provided to such holders.

The Company has undertaken to provide the Fund with:

- a report of any material change that occurs in the affairs of the Company in form and content that it would file with the applicable securities regulatory authorities as if it were a reporting issuer; and
- all financial statements that it would be required to file with the applicable securities regulatory authorities as if it were a reporting issuer under applicable securities laws.

All such reports and statements are to be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements relating to reports of material changes in its affairs and the delivery of financial statements as required under applicable securities laws.

Food Services has undertaken with the securities commission or other securities regulatory authority in each of the applicable provinces of Canada to:

- issue press releases and file material change reports in respect of any material change in the affairs of Food Services as required under the *Ontario Securities Act* as if Food Services were a reporting issuer under that Act; and
- publish annual audited and quarterly unaudited financial statements in accordance with the *Ontario Securities Act* as if it were a reporting issuer, and provide such statements to the Fund for filing and delivery to Unitholders together with the financial statements of the Fund filed and delivered to Unitholders.

Limited Voting Units – Conversion into Units

In the event of the sale of a Trust Unit by the holder of a Limited Voting Unit, or in the event of a takeover bid for Trust Units, a holder of a Limited Voting Unit may convert the Limited Voting Unit for Units for the purpose of delivering or tendering Units to the purchaser or the takeover bid on condition that such Units are transferred to such purchaser or taken up under such bid, or another offer that may be made while such takeover bid is outstanding. For the purpose of delivering Units to such purchaser or tendering Units to the takeover bid, the tendering of a certificate by the Fund indicating that the Units into which the Limited Voting Units may be converted will be issued upon and, subject to the completion of the transfer or takeover bid, shall be good delivery under such sale or takeover bid. After the payment of the consideration therefor to the former holder of the Limited Voting Unit, the holder of the Limited Voting Unit shall cease to have any rights as a Unitholder in respect of the Limited Voting Units that are so sold or taken up to the extent that the Units issuable upon such conversion are acquired by the purchaser or taken up under the takeover bid.

Fund Administration

The Fund entered into the Administration Agreement with the Company whereby the Company agreed to provide or arrange for the provision of services required in the administration of the Fund. The Administration Agreement automatically renews every three years, with the current term expiring on February 15, 2027. The Administration Agreement may be terminated at any time by the Fund by giving notice in writing to the Company at least 30 days prior to the effective date of termination. Where administrative services are required for the Fund, these services may be contracted for by the Company with third parties. The Administration Agreement may be terminated by the Fund upon payment to the Company of all costs and expenses incurred by the Company in terminating contracts entered into by the Company with the approval of the Fund for the performance by the Company of its duties under the Administration Agreement.

The Company pays all expenses incurred by it and attributable to the exercise of its duties in the administration of the Fund and no fee is payable to the Company for the services provided by it to the Fund under the Administration Agreement.

On April 8, 2022, the Company and Food Services entered into an agreement for Food Services to provide administrative services to the Company. Under the terms of the Services Agreement, Food Services is entitled to be paid an annual fee, on a quarterly basis, for the services provided in each fiscal year in an amount approved by the board of directors of the Company that is based on a prescribed time and effort computation. The Services Agreement will remain in effect for the duration of the Administration Agreement, unless terminated by either party by giving five years advance written notice to the other party.

DESCRIPTION OF THE PARTNERSHIP

General

The Partnership is a limited partnership formed under the laws of British Columbia and is governed by the Partnership Agreement. The business of the Partnership is the ownership of the A&W Marks, the taking of actions consistent with the Licence and Royalty Agreement to exploit, to the fullest extent possible, the use of the A&W Marks by Food Services and others and the collection of the Royalty payable to the Partnership under the Licence and Royalty Agreement. The Partnership is governed by the Partnership Agreement.

Partners

As at the date of this Annual Information Form, the members of the Partnership are the Company, as the sole general partner holding 999 GP Units and 8,811,138 LP Units, and Food Services, holding one LP Unit.

Partnership Units

As at the date of this Annual Information Form, there are 999 GP Units and 8,811,138 Units issued and outstanding. The rights and entitlements of these units in the Partnership with respect to voting, distributions of available cash, allocations of Partnership income and distributions of proceeds of liquidation of the Partnership are described in the following description of the Partnership. Food Services' rights to exchange its LP Units for securities of the Company are described below under "Rights of Exchange for Common Shares".

The Partnership Agreement provides that, except as expressly contemplated by the Limited Partnership Agreement, the Governance Agreement or the Exchange Agreement, no Partnership Units may be issued to any person without the consent of all partners.

Limited partners are liable for the liabilities, debts and obligations of the Partnership: (i) only to the extent of the amount contributed by them or agreed to be contributed by them to the Partnership; or (ii) if they take part in the management of the Partnership. Subject to applicable law, limited partners will otherwise have no liability in respect of the liabilities, debts and obligations of the Partnership. Each holder of GP Units, as a general partner, will have unlimited liability for an obligation of the Partnership unless the holder of such obligation otherwise agrees.

Distributions

The General Partner will, in respect of each month, distribute all available cash as set out below, determined to be available for distribution in respect of that month. Available cash in respect of any period will represent, in general, Royalty revenue earned by the Partnership in respect of such period, less amounts which in the opinion of the General Partner are required to be provided in respect of:

- (a) payments by the Partnership in respect of such period on account of principal, interest and other amounts in respect of any financing;
- (b) expenditures of the Partnership in respect of such period (including operating expenses but, for greater certainty, not including distributions of cash to partners); and
- (c) amounts set aside as reserves at the end of such period;

all as calculated without duplication.

The General Partner may, in addition, on behalf of the Partnership, distribute available cash at any other time.

The Partnership will make distributions of available cash to the holders of GP Units and LP Units pro rata in accordance with the aggregate number of Partnership Units of each class issued and outstanding, provided that 999 GP Units held by the General Partner are the equivalent of 14,290,018 Partnership Units.

The General Partner will have the right, in lieu of receiving the distributions described above at the times indicated above, to require the Partnership to loan to the General Partner those amounts which would otherwise have been distributed to it at such times, and to have the distributions described above made to it on the first business day after the end of the fiscal year in which such distributions would otherwise have been made. The loans made to the General Partner in a fiscal year will not bear interest and will be due and payable in full on the day which is one year after the day on which such loans are made.

The Royalty Pool for which Food Services pays the Royalty to the Partnership will continue to be adjusted annually by including the net Gross Sales of Additional Restaurants in the Royalty Pool. The limited partnership interest of Food Services will be adjusted to reflect any increase in the Royalty Pool resulting from including such net Gross Sales, and such adjustment will be reflected in additional LP Units issued to Food Services. The Company may, at its option, elect to require Food Services to surrender to the Partnership some or all of the LP Units to be issued to Food Services on the Adjustment Date for a payment to Food Services of cash in an amount equal to the Current Market Price of a Unit on such Adjustment Date multiplied by the total number of LP Units to be surrendered. See “Licence and Royalty – Adjustment of the Royalty”.

Allocation of Net Income and Losses

The income or loss, if any, of the Partnership for accounting purposes for each fiscal year, and the income or loss, if any, of the Partnership as determined pursuant to the Tax Act for a particular fiscal year, will be allocated to the holders of GP Units and LP Units in proportion to the available cash of the Partnership distributed or loaned to such holders in respect of such fiscal year. The amount of income allocated to a partner may exceed or be less than the amount of cash distributed by the Partnership to that partner. In any fiscal year in which no cash is distributed to the partners in respect of their Partnership Units, income or loss will be allocated to partners in proportion to the number of Partnership Units held by each.

Liquidation Entitlement

In the event of dissolution of the Partnership, the General Partner will distribute the net proceeds from the liquidation of the Partnership as follows:

- (a) firstly, to pay the expenses of liquidation and the debts, liabilities and obligations of the Partnership to its creditors or to make due provision for payment thereof;
- (b) secondly, to provide reserves the receiver considers necessary for any contingent or unforeseen liability or obligation of the Partnership, which reserves will be paid to an escrow agent to be held for payment of liabilities and obligations of the Partnership; and
- (c) thirdly, to the partners (to the extent of any balance thereof, as a return of capital) pro-rata to the holders of GP Units and LP Units in accordance with the aggregate number of units of each class issued and outstanding.

Voting

Except as described under “Withdrawal or Removal of the Company” and “Amendments to the Partnership Agreement” below, Partnership Units will not carry any entitlement to vote.

Functions and Powers of the General Partner

The General Partner has the authority to manage the business and affairs of the Partnership, to make decisions regarding the business of the Partnership and to bind the Partnership in respect of any such decision. The General Partner is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Partnership and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances.

The authority and power vested in the General Partner to manage the business and affairs of the Partnership will include all authority necessary or incidental to carry out the objectives, purposes and business of the Partnership, including the ability to engage agents to assist the General Partner to carry out its management obligations and administrative functions in respect of the Partnership and its business.

The Partnership Agreement provides that all material transactions and agreements involving the Partnership (other than the agreements entered into in connection with the formation of the Partnership) must be approved by the General Partner's board of directors.

Restrictions on Authority of the General Partner

The authority of the General Partner is limited in certain respects under the Partnership Agreement. The General Partner is prohibited, without the prior approval of the other partners given by a partnership special resolution, from dissolving the Partnership or selling, exchanging or otherwise disposing of all or substantially all of the assets of the Partnership (otherwise than in conjunction with an internal reorganization which has been approved by the General Partner).

Reimbursement of General Partners

The Partnership is to reimburse the General Partner for all out-of-pocket costs and expenses approved by the General Partner and incurred by the General Partner in the performance of its duties under the Partnership Agreement on behalf of the Partnership.

Limited Liability

The Partnership is to operate in a manner so as to ensure, to the greatest extent possible, the limited liability of the limited partners. Limited partners may lose their limited liability in certain circumstances. The General Partner is to indemnify the limited partners against all claims arising from assertions that their respective liabilities are not limited as intended by the Partnership Agreement unless the liability of such limited partner is not so limited as a result of, or arising out of any act or omission of such limited partner.

Transfer of Partnership Units

Except as provided in the Governance Agreement, the Partnership Agreement and the Exchange Agreement, the Partnership Units are not permitted to be transferred or assigned to any person. No assignee of the Partnership Units is entitled to be admitted to the Partnership as a partner pursuant to an assignment thereof, except with the written consent of the General Partner (which consent the General Partner will be entitled to withhold in its sole discretion) on the terms and conditions of such consent and unless the assignee has delivered to the General Partner an assignment, the certificate representing the Partnership Units to be transferred and such other instruments and documents as may be required by the General Partner in appropriate form completed and executed in a manner acceptable to the General Partner and upon the payment of an administration fee, if any, required by the General Partner. A transferee of Partnership Units will not become a partner or admitted to the Partnership and will be not subject to the obligations and entitled to the rights of the transferor under the Partnership Agreement until the foregoing conditions are satisfied and such transferee is recorded on the register of partners.

Withdrawal or Removal of the General Partner

The General Partner is permitted to resign as general partner on not less than 180 days' prior written notice to the partners, provided that the General Partner may not resign if the effect would be to dissolve the Partnership.

The General Partner may be removed as general partner of the Partnership if:

- the shareholders or directors of the General Partner pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding up of the General Partner or any proceeding in connection therewith that is not contested in good faith by the General Partner or the appointment of a trustee, receiver or receiver–manager of the affairs of the General Partner, provided that certain other conditions are satisfied, including a requirement that a successor general partner agrees to act as managing general partner under the Partnership Agreement; or
- a partnership special resolution has been passed and a successor general partner agrees to act as managing general partner under the Partnership Agreement.

Amendments to the Partnership Agreement

The Partnership Agreement provides that it may only be amended with the approval of the partners of the Partnership given by a partnership special resolution, subject to the following limitations:

- no amendment will be permitted to be made to the Partnership Agreement altering the ability of the limited partners to remove the General Partner involuntarily, changing the liability of any limited partner, allowing any limited partner to exercise control over the business of the Partnership, changing the right of a partner to vote at any meeting, adversely affecting the rights, privileges or conditions attaching to any of the Partnership Units, creating a new class of Partnership Units ranking in priority to or equally with any Partnership Units or changing the Partnership from a limited partnership to a general partnership, in each case, without the unanimous written consent of the partners;
- no amendment which would adversely affect the rights and obligations of the General Partner, as general partner will be permitted to be made without its consent; and
- certain amendments to the Partnership Agreement may be made by the General Partner without consent of the other partners to reflect the admission, retirement or removal of any partner, the assignment by any partner of its interest in the Partnership, a change in name or location of the Partnership, or any change to maintain the Partnership’s status as a limited partnership, to take advantage of changes in any taxation laws, or to cure any ambiguity in the Partnership Agreement.

Rights of Exchange for Common Shares

Pursuant to the Exchange Agreement entered into between Food Services, the Company, the Partnership and the Fund, and pursuant to the Governance Agreement, Food Services has the right to exchange (collectively, the “Company Exchange Rights”) at any time and from time to time any of the LP Units held by Food Services for Non-Voting Common Shares without Par Value (on the basis of two Non Voting Common Shares without Par Value for each LP Unit). See also “Licence and Royalty – Adjustment of the Royalty” and “Corporate Governance of the Company and the Partnership – Exchangeable Securities” for a description of the Company Exchange Rights.

The Company has agreed with Food Services not to issue any Common Shares to the holders of all or substantially all of the then outstanding Common Shares by way of a distribution or to subdivide or re–divide the outstanding Common Shares into a greater number of Common Shares or to combine, reduce or consolidate the outstanding Common Shares into a lesser number of Common Shares without adjusting the number of LP Units for which Non Voting Common Shares without Par Value may be exchanged upon exercise of the Company Exchange Rights in a manner approved by Food Services, acting reasonably.

If at any time while Food Services is entitled to be issued additional LP Units under the Partnership Agreement there is any reclassification of the securities of the Company, any change of the securities of the Company into other units or securities or any other capital reorganization of the Company or any consolidation, amalgamation, merger or other form of business combination of the Company with or into any other entity resulting in a reclassification of the outstanding securities of the Company, then the Company Exchange Rights will also be adjusted in the manner approved by the board of directors of the Company acting reasonably so that Food Services is entitled to receive, in lieu of the number of Non Voting Common Shares without Par Value which it would

otherwise have been entitled, the kind and number or amount of securities that it would have been entitled to receive as a result of such event if, on the effective date thereof, it had been the registered holder of the number of Non Voting Common Shares without Par Value which it would have received had it exercised the Company Exchange Rights immediately before the effective date of any such transaction.

SHARE AND LOAN CAPITAL OF THE COMPANY

Share Capital of the Company

The authorized share capital of the Company consists of an unlimited number of Voting Common Shares, Non-Voting Common Shares without Par Value, Non-Voting Common Shares with Par Value, Special Shares, Class A exchangeable shares and Class B exchangeable shares. The following is a description of the terms and conditions attached to the Voting Common Shares, the Non-Voting Common Shares and Special Shares. There are no Class A exchangeable shares or Class B exchangeable shares of the Company outstanding and the board of directors of the Company does not intend to issue any in the future.

As of the date of this Annual Information Form, the Fund holds 13,597,603 Voting Common Shares, 9,634,459 Non-Voting Common Shares without Par Value and 8,953,249 Non-Voting Common Shares with Par Value. Food Services holds 1,125,323 Voting Common Shares, 7,891,576 Non-Voting Common Shares without Par Value and one Special Share.

The terms and conditions of the Non-Voting Common Shares without Par Value and the Non Voting Common Shares with Par Value are identical in all respects, except for the par value of \$10 of the Non Voting Common Shares with Par Value.

Each Voting Common Share entitles the holder thereof to receive notice of and to attend all meetings of shareholders of the Company and to one vote per share at such meetings (other than meetings of another class of shares of the Company). Except as provided by the *Business Corporations Act* (British Columbia), the holders of the Non-Voting Common Shares and Special Shares are not entitled to receive notice of, attend or vote at any meetings of the shareholders of the Company.

The Voting Common Shares and Non-Voting Common Shares entitle the holders thereof to receive in any year dividends as and when declared by the board of directors; provided, however that should the directors declare a dividend on either the Voting Common Shares or Non Voting Common Shares they must declare a dividend in an equal amount to the holders of the other class of common shares on a share for share basis, without preference or distinction. The Special Shares entitle the holders thereof to receive, as and when declared by the board of directors a Special Dividend. See “Licence and Royalty – Adjustment of the Royalty”.

In the event of a Liquidation Distribution, holders of the Voting Common Shares and Non-Voting Common Shares, after payment of or other proper provision for all of the liabilities of the Company are entitled to share rateably in all remaining assets of the Company on a share for share basis, without preference or distinction. In the event of a Liquidation Distribution, after payment of or the proper provision for all of the liabilities of the Company holders of the Special Shares are entitled to \$1 per Special Share plus all accrued but unpaid dividends thereon.

Under the Governance Agreement, the Fund has the overriding call right, but not the obligation, to acquire from Food Services all, but not less than all, of the Common Shares held by Food Services upon the liquidation, dissolution or winding up of the Company or Partnership, in exchange for Limited Voting Units on the basis of one Limited Voting Unit for two Common Shares.

In the event of the liquidation, dissolution or winding-up of the Fund or any other distribution of the assets of the Fund among its Unitholders for the purpose of winding up its affairs, pursuant to the Governance Agreement, Food Services is entitled, pursuant to the Declaration of Trust and the Governance Agreement, subject to applicable law, to participate on a pro-rata basis with the Unitholders in the distribution of assets of the Fund through the immediate exchange of Common Shares on the basis of one Limited Voting Unit for two Common Shares.

Rights of Exchange for Limited Voting Units

Pursuant to the Exchange Agreement entered into between Food Services, the Company, the Partnership and the Fund, and pursuant to the Governance Agreement, Food Services has the right to exchange (collectively, the “Fund Exchange Rights”) at any time and from time to time any of the Common Shares (which may, at the election of Food Services, be Non Voting Common Shares or Voting Common Shares so long as after giving effect to such exchange the number of Voting Common Shares held by Food Services and its affiliates does not exceed the number of Non Voting Common Shares held by Food Services and its affiliates) held by Food Services at the time of such exchange on the basis of two Common Shares for each Limited Voting Unit. See also “Licence and Royalty – Adjustment of the Royalty”, “Corporate Governance of the Company and the Partnership – Exchangeable Securities” and “Share and Loan Capital of the Company” for a description of the Fund Exchange Rights.

The Fund has agreed with Food Services not to issue any Trust Units to the holders of all or substantially all of the Trust Units by way of a distribution of Trust Units (other than the issue of Trust Units to holders of Trust Units as distribution in lieu of a cash distribution) or to subdivide or re-divide the outstanding Trust Units into a greater number of Trust Units or to combine, reduce or consolidate the outstanding Trust Units into a lesser number of Trust Units without adjusting the number of Limited Voting Units for which Common Shares may be exchanged upon exercise of the Fund Exchange Rights in a manner approved by Food Services, acting reasonably.

If at any time while any Exchangeable Securities are outstanding, or while Food Services is entitled to be issued additional LP Units under the Partnership Agreement, there is any reclassification of the Trust Units outstanding, any change of the Trust Units into other units or securities or any other capital reorganization of the Fund or any consolidation, amalgamation, merger or other form of business combination of the Fund with or into any other entity resulting in a reclassification of the outstanding Trust Units, then the Fund Exchange Rights will also be adjusted in the manner approved by the board of directors of the Company acting reasonably so that Food Services is entitled to receive, in lieu of the number of Limited Voting Units which it would otherwise have been entitled, the kind and number or amount of securities that it would have been entitled to receive as a result of such event if, on the effective date thereof, it had been the registered holder of the number of Limited Voting Units which it would have received had it exercised the Fund Exchange Rights immediately before the effective date of any such transaction.

Subject to the restriction set forth under “Corporate Governance of the Company and the Partnership – Restrictions on Transfer of Securities of the Company and Partnership issued to Food Services” with respect to the sale or other disposition of less than all of the Common Shares, the Fund Exchange Rights may be exercised by Food Services with respect to any number of Common Shares held by Food Services at such time (which may, at the election of Food Services, be Non Voting Common Shares or Voting Common Shares so long as after giving effect to such exchange the number of Voting Common Shares held by Food Services and its affiliates does not exceed the number of Non Voting Common Shares held by Food Services and its affiliates) upon at least three business days written notice to the Fund and the Company of the exercise of such Fund Exchange Rights.

Limited Voting Units may be converted into Units in order to deliver Units to a purchaser of Units from Food Services or to enable Food Services to tender Units to a takeover bid.

Food Services has been granted demand and “piggy-back” registration rights by the Fund which enable it to require the Fund to file a prospectus and otherwise assist with a public offering of Units, with the Fund’s expenses to be borne by Food Services (or on a pro rata basis if both Food Services and the Fund are selling Units) pursuant to the terms and conditions of a registration rights agreement between the Fund and Food Services dated February 15, 2002 (the “Registration Rights Agreement”), a copy of which is available on SEDAR+ at www.sedarplus.ca. In the event of a “piggy-back” offering, the Fund’s financing requirements are to take priority.

Distribution Policy

The board of directors of the Company have adopted a policy to distribute its available cash, subject to applicable law, by way of dividends on its shares, after:

- satisfaction of its debt service obligations, if any;

- satisfaction of its interest (including interest payable upon the Term Loan and the Operating Loan) and other expense obligations; and
- provisions for administrative expenses of the Company and the Fund.

Distributions are also subject to the Company retaining such reasonable working capital reserves as may be considered appropriate by its board of directors.

Credit Facilities

The Company has a \$60,000,000 term loan, \$2,000,000 demand operating loan, and an interest rate swap facility (collectively the “Credit Facility”) with HSBC Bank Canada (the “Bank”). On September 10, 2021, The Company renewed and extended the Credit Facility for an additional five years on terms and conditions substantially consistent with those of the previous credit facility in place with the Bank.

The Operating Loan is for up to \$2,000,000 and its purpose is to fund working capital requirements and for general corporate purposes. The Operating Loan is a 364-day revolving loan which bears interest at the Bank’s prime rate plus 0.4% and is repayable on demand. As at December 31, 2023, the amount of the Operating Loan available was \$2,000,000.

The Term Loan is in the amount of \$60,000,000. The Company has the option of borrowing by way of prime rate advances (bank’s prime rate) or banker’s acceptances. The Term Loan as at December 31, 2023 is in the form of a 3-month banker’s acceptance. The principal is repayable at maturity on September 10, 2026 or upon demand following an event of default. In addition, in the event the Company’s earnings before interest, taxes, depreciation, amortization and non-cash charges/income (“EBITDA”), tested quarterly on a trailing four quarters basis, in arrears, is less than \$23.5 million in any fiscal quarter, repayment of the Term Loan will be amortized over the greater of three years or the remaining term.

The Company uses interest rate swap agreements to manage risks from fluctuations in interest rates. To manage the interest rate risk associated with the Term Loan, the Company has entered into an interest rate swap arrangements (the “Current Swap”). Under the Current Swap, as at December 31, 2023, the Term Loan’s effective interest rate is 2.85% per annum, comprising 1.74% per annum which is fixed under the Current Swap agreement until September 10, 2026 plus a 1.15% per annum stamping fee. The stamping fee ranges from 0.90% and 1.40%, depending on the Company’s debt to EBITDA ratio in accordance with the table below.

<u>Debt to EBITDA Ratio</u>	<u>Credit Charge</u>
< 1.00:1	0.90% per annum
≥ 1:00:1 and < 1:50:1	1.15% per annum
≥ 1:50:1	1.40% per annum

The credit agreement for the Term Loan and the Operating Loan include affirmative and negative covenants customary for agreements of this nature, including covenants that place restrictions on the Company’s ability, without the consent of the Bank, to:

- permit EBITDA, measured quarterly on a trailing four quarters basis, to be less than \$23.0 million in any fiscal quarter;
- permit the ratio of consolidated funded debt to EBITDA, measured quarterly on a trailing four quarters basis, to exceed 2.50:1 in any fiscal quarter until the date that the Term Loan is repaid in full;
- grant or allow any liens, without the prior written consent of the Bank;
- grant or permit to exist any debt;
- become a guarantor or otherwise liable for any note or obligation, other than in the ordinary course of business;

- sell, dispose, transfer or permit the Partnership to sell, dispose or transfer any material subsidiaries or material operating assets except in the normal course of business of the Company or the Partnership, provided that if the net proceeds thereof are in excess of \$750,000, 100% of the net proceeds are to be used to pay down the Term Loan and the authorized limit of the Term Loan is permanently reduced to the extent of such repayment;
- amalgamate or sell substantially all of the assets of the Company;
- make capital investments or provide financial assistance, except for payments to Food Services in respect of Additional Restaurants added to the Royalty Pool under the Licence and Royalty Agreement;
- issue shares other than to Food Services and the Fund;
- make principal payments on debt (other than debt under the Credit Facility);
- amend or waive any right under certain material contracts, which would reasonably be expected to result in a material adverse financial impact on (i) any such material contract, such material contracts as a whole, or the interests of the Company or the Partnership therein, or (ii) the Company;
- permit any property taxes to be past due;
- enter into any contracts for the purchase and sale of property that is not in the ordinary course of business;
- borrow money, obtain credit or incur additional funded indebtedness (other than under the Credit Facility); and
- declare or pay dividends on any class or kind of its shares, repurchase or redeem any of its shares or reduce its capital in any way whatsoever or repay any shareholders' advances or otherwise advance, pay, disburse or distribute cash or other property in any form to any of its shareholders, directors, officer, senior managers, or subordinated debt holders except as contemplated in the facility letter for the Term Loan or under certain material contracts, which, in each case, would cause it to breach its financial or other covenants and conditions to the bank under the facility letter for the Term Loan.

As security for the Credit Facility, the Company and the Partnership have provided to the Bank, among other things: a guarantee by the Partnership in respect of the obligations of the Company under the Credit Facility; general security agreements creating a security interest over all of the present and after acquired property of the Company and the Partnership; intellectual property security agreements creating a security interest over all intellectual property of the Company and the Partnership, including the A&W Marks; an assignment of all of the Partnership's rights and interests under the Licence and Royalty Agreement; and an assignment of all of the Partnership's rights and interests under the General Security Agreement with Food Services.

LICENCE AND ROYALTY

The Licence

Pursuant to the Licence and Royalty Agreement the Partnership granted Food Services a licence to use the A&W Marks in Canada for a term ending December 30, 2100. The following is a summary of certain material provisions of the Licence and Royalty Agreement, which does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Licence and Royalty Agreement, a copy of which is available on SEDAR+ at www.sedarplus.ca.

The Royalty

In consideration of the licence to use the A&W Marks, Food Services is required to pay the Partnership the Royalty equal to three percent of Gross Sales reported by A&W restaurants in the Royalty Pool in any period, as

described below. The amount of the Royalty is determined every four weeks and is payable within 30 days after the end of the four-week period for which the Royalty is being determined.

The Royalty Pool, at any time, is comprised of the A&W restaurants for which Gross Sales are to be calculated and for which the Royalty is to be paid at such time. For the purposes of determining the amount of the Royalty at any time, Gross Sales reported by restaurants in the Royalty Pool is the amount of the sales of:

- the A&W restaurants included in the Royalty Pool at such time as reported to Food Services by the franchisees of such A&W restaurants without audit or other form of independent assurance, and
- the A&W restaurants owned and operated by Food Services, and included in the Royalty Pool,

after deductions, in each case, for discounts for coupons and other promotional offerings and sales taxes.

Each time a Royalty payment is made to the Partnership, Food Services is to provide the Partnership with a statement, certified as correct by the Chief Financial Officer of Food Services, of the amount of the Gross Sales reported by restaurants in the Royalty Pool for the period for which the Royalty is paid. The Partnership is entitled to inspect the books and records of Food Services at any time to review the determination of the amounts of the Royalty that is payable by Food Services. Food Services is required to provide the Partnership, by not later than March 15 of each year, with an audited statement of the amount of Gross Sales reported by restaurants in the Royalty Pool for the 52 or 53 week period ended at the end of the preceding fiscal year of Food Services.

Security for the Royalty

Payment of the Royalty and the other obligations of Food Services to the Partnership is secured by a first priority security interest, subject to certain exceptions, including the security interest permitted to be granted by Food Services as described under “Corporate Governance of the Company and the Partnership – Other Matters” (including an event of default under the Operating Loan or Term Loan), in all present and after acquired property of Food Services, including all amounts payable to Food Services by the A&W franchisees, pursuant to a General Security Agreement granted by Food Services to the Partnership. Under the General Security Agreement, the Partnership is entitled, in the event of a default by Food Services, to appoint a receiver of Food Services with the power to carry on the business of Food Services. All amounts realized by the receiver, after costs, are to be utilized towards the costs of operating the business of Food Services and to the payment of the Royalty to the Partnership.

Food Services covenanted in the General Security Agreement, among other things, not to:

1. permit to exist or otherwise become liable upon any indebtedness or obligation for borrowed money (including letters of credit, bankers’ acceptances and guarantees) except:
 - (a) an operating line of credit in an aggregate principal amount outstanding at any time of not more than \$5 million; and
 - (b) such indebtedness or obligation that:
 - (i) is secured, as permitted by the Governance Agreement, solely by the Exchangeable Securities and proceeds therefrom, where the recourse of the lender is limited to the Exchangeable Securities, and proceeds therefrom, and
 - (ii) does not exceed, at any time, 50% of the Current Market Price of the Units for which the Exchangeable Securities securing such indebtedness or obligation could be exchanged;
2. permit to exist any security interest on any of the property of Food Services that ranks equal or prior to the security interest granted to the Partnership, other than purchase money security interests on the property purchased, and other than a security interest on the Exchangeable Securities, and proceeds therefrom, to secure indebtedness and obligations permitted under paragraph 1(b) above;

3. guarantee or otherwise become liable in respect of the obligations of another person other than a wholly-owned subsidiary permitted under paragraph 5 below;
4. pay any dividends or redeem or repurchase any of its shares or otherwise make any distribution to any of its shareholders unless all amounts of the Royalty that are due and payable have been paid;
5. make any investment, directly or indirectly, in the business or property of another person, other than an existing wholly owned subsidiary, or a wholly owned subsidiary that carries on the same business as Food Services and, in either case, which has granted a first priority security interest in all of its present and after acquired property to the Partnership on the same terms as the General Security Agreement; and
6. dispose of the shares or other interests in any subsidiary referred to in paragraph 5 above except to another wholly owned subsidiary.

In the event of a default by Food Services under the Licence and Royalty Agreement or under the General Security Agreement, including the failure to pay the Royalty when due, the Partnership is entitled to a number of remedies, both at law and under the agreements. The principal remedies are as follows:

- the Partnership could commence legal proceedings against Food Services to collect the amount due;
- the Partnership could give notice to the franchisees of the A&W restaurants of the assignment to the Partnership of the amounts payable under the franchise agreements with Food Services and require the franchisees to pay these amounts to the Partnership;
- the Partnership could appoint, or apply to the court for the appointment of, a receiver to take possession of the assets of Food Services and carry on the business of Food Services until the payments were made. The receiver could, if the payments were not made, sell the assets of Food Services; and
- the Licence and Royalty Agreement also provides that, in the event of the bankruptcy of Food Services, Food Services is required to pay the Partnership the present value, at that time, of the Royalty over the remaining term of the Licence and Royalty Agreement. Until this amount is paid, or the Partnership agrees to other arrangements, and subject to applicable law (including laws governing reorganizations), a receiver appointed by the Partnership or by the court would continue to operate the business of Food Services. Payment of this amount would be subordinated to the prior payment of the operating line of credit of Food Services referred to in paragraph 1(a) above.

The foregoing is a summary only of the remedies available to the Partnership in the event of a default by Food Services under the Licence and Royalty Agreement.

Food Services is required to provide the Partnership with Food Services' unaudited financial statements within 60 days of the end of each quarterly accounting period of Food Services and audited annual consolidated financial statements within 90 days of the end of each fiscal year of Food Services. These financial statements are required to be prepared in accordance with generally accepted accounting principles.

Covenants of Food Services

Food Services agreed in the Licence and Royalty Agreement, among other things, to:

- operate and conduct its business in at least the manner and to at least the standards that its business is presently conducted;
- manage and supervise the management of the A&W franchises in the manner of a competent and qualified manager of similar franchises of branded quick service restaurants;
- collect all fees and other amounts payable to Food Services under franchise agreements with Food Services by owner/operators of A&W restaurants;

- monitor the compliance of A&W franchises with the trade-mark and character and quality standards set under the franchise agreements; and
- enforce the observance and performance of franchise agreements by owner/operators of A&W restaurants in a manner that is consistent with good and prudent business practices.

Adjustment of the Royalty

The Licence and Royalty Agreement provides for an annual adjustment to the amount of the Royalty to be paid by Food Services to the Partnership. The annual adjustment to the Royalty is reflected in an adjustment to the limited partnership interest of Food Services in the Partnership, represented by LP Units. The following is a summary only of the manner by which such adjustment is to be calculated and the limited partnership interest of Food Services is to be adjusted, and reference should be made to the Royalty and Licence Agreement and the Partnership Agreement for the full text of the provisions governing these adjustments and payments.

Closed A&W Restaurants

If an A&W restaurant is permanently closed, Food Services is required to pay the amount of the Royalty (the “Make-whole Payment”) payable in respect of the initial amount of the Gross Sales of the closed A&W restaurant. The initial amount of Gross Sales of the closed restaurant is its Gross Sales for the first 52 week period following the date as at which it was included in the Royalty Pool. If the closed restaurant was included in the Royalty Pool for less than 52 weeks, the initial Gross Sales for such A&W restaurant will be determined by dividing the Gross Sales for such A&W restaurant for the period that it was included in the Royalty Pool by the number of weeks (including a fraction of a week) that the restaurant was included in the Royalty Pool and multiplying the result by 52.

After A&W restaurants that have permanently closed are removed from the Royalty Pool annually on January 5th (the “Adjustment Date”), Food Services is required to continue to include a make-whole payment (the “Make-whole Carryover Payment”) in the event that the initial Gross Sales attributable to permanently closed A&W restaurants (the means of determination of which is summarized in the immediately preceding paragraph) removed from the Royalty Pool exceed the forecast System Sales of any Additional Restaurants added to the Royalty Pool on such date. The amount of the Make-whole Carryover Payment is adjusted on a rolling basis on each Adjustment Date to reflect the addition and removal of A&W restaurants to and from the Royalty Pool during the term of the Licence and Royalty Agreement.

Pursuant to the agreements between Food Services and the Fund, Food Services is not required to make the Make-whole Payment after the number of A&W restaurants included in the Royalty Pool first includes 1,000 A&W restaurants (the “1,000 Restaurant Threshold”); however: (i) to the extent any new A&W restaurants have been open for 60 days after the 1,000 Restaurant Threshold has been met and such new A&W restaurants are not included in the Royalty Pool (the “Exempt Restaurants”), Food Services will be required to pay a royalty to the Partnership equal to 3% of the System Sales of such Exempt Restaurants, provided that the aggregate amount of such royalty shall not exceed the aggregate of (A) the amount of the Make-whole Payment, and (B) the Make-whole Carryover Payment, that would have been required to be paid in such period by Food Services if the 1,000 Restaurant Threshold had not been met, and (ii) Gross Sales from closed A&W restaurants will continue to be netted against the Gross Sales from new A&W restaurants in the annual adjustment to the Royalty Pool after the 1,000 Restaurant Threshold is met. Pursuant to the agreements between Food Services and the Fund, Food Services is not required to make a royalty payment for Exempt Restaurants prior to the 1,000 Restaurant Threshold being met.

Accordingly, surpassing the 1,000 Restaurant Threshold is not expected to have an impact on the amount of the royalty payable by Food Services provided Food Services continues to expand the number of A&W restaurants in Canada each year by more than the number of closures.

New A&W Restaurants and Adjustment to the Royalty Pool

Food Services intends to continue to expand the number of A&W restaurants in Canada by entering into new franchise agreements with owner/operators of A&W restaurants that are not included in the Royalty Pool (the “Additional Restaurants”).

The Royalty Pool is to be adjusted on the Adjustment Date of each year by including the net Gross Sales of Additional Restaurants in the Royalty Pool. Net Gross Sales are the Gross Sales of the Additional Restaurants in excess of the Gross Sales of A&W restaurants upon which the Make-whole Payment and Make-whole Carryover Payment was based or, after 1,000 Restaurant Threshold is met, would be based on if Food Services were obligated to make such Make-whole Payment and, if applicable, the Make-whole Carryover Payment. The net Gross Sales of the Additional Restaurants to be added to the Royalty Pool at any Adjustment Date are the net Gross Sales by the Additional Restaurants open for at least 60 days at the end of the 44th week of the year immediately preceding such Adjustment Date. On and after the Adjustment Date, Gross Sales, for purposes of determining the amount of the Royalty, will include the net Gross Sales from the Additional Restaurants.

Adjustment of Limited Partnership Interest of Food Services in the Partnership

The limited partnership interest of Food Services is to be adjusted annually on the Adjustment Date in each year that reflects the value of the increase in the Royalty as a result of the inclusion of the net Gross Sales of the Additional Restaurants in the Royalty Pool (the “Determined Amount”). The adjustment to the limited partnership interest of Food Services each year is determined by a formula that is based upon:

- the amount of the net Gross Sales of the Additional Restaurants for the period commencing on the first day of the 45th week of the year immediately preceding the Adjustment Date and ending at the end of the 44th week of the immediately following year (the “Reporting Period”); and
- the Unit Yield as at the first day of the Reporting Period (the “Determination Date”).

The amount of the net Gross Sales of the Additional Restaurants for the Reporting Period that is used to determine the Determined Amount is based upon the actual net Gross Sales of the Additional Restaurants for the first Reporting Period in which such Additional Restaurants are included in the Royalty Pool. The adjustment is initially based upon the amount of the net Gross Sales of the Additional Restaurants for such Reporting Period as forecast by Food Services, on the basis of assumptions that are considered to be reasonable by the Governance Committee of the board of directors of the Company (as replaced by the Governance Committee of the Fund effective February 15, 2022). This initial adjustment is for an amount equal to 80% of such forecast of the Determined Amount. On the anniversary of such adjustment, a further adjustment is made based upon the actual Determined Amount for such Reporting Period and is determined on the basis of the actual net Gross Sales for such Additional Restaurants for such Reporting Period. Food Services is required to provide the Partnership with an audited report of the amount of such actual net Gross Sales of the Additional Restaurants for the first Reporting Period in which such Additional Restaurants are included in the Royalty Pool.

The Determined Amount for any Reporting Period is 92.5% of the amount determined by dividing the Royalty paid in respect of the net Gross Sales for such Additional Restaurants in respect of the first Reporting Period for which such Additional Restaurants are included in the Royalty Pool by the annual yield paid on the Trust Units for the Reporting Period immediately preceding the Determination Date. The annual yield is determined by dividing the per Trust Unit amount distributed in cash by the Fund in the Reporting Period ending on the day immediately preceding such Determination Date by the Current Market Price of the Units on such Determination Date. The yield is adjusted to reflect the income tax payable by the Company. The “Current Market Price” of the Units as at any date or for any period means the weighted average price at which the Units have traded on a Stock Exchange during the period of 20 consecutive trading days ending on the fifth trading day before such date or the end of each period (for the purposes of this calculation, (i) “Stock Exchange” means a stock exchange recognized by the Ontario Securities Commission for such purposes, and where the Units have traded on more than one Stock Exchange during the relevant period, “Stock Exchange” shall mean the Stock Exchange where the greatest volume of Units traded during the relevant period, and (ii) “weighted average price”, for any period, shall mean the amount obtained by dividing the aggregate sale price of all of the Units traded on the relevant Stock Exchange during such period divided by the total number of Units so traded).

The adjustment of the limited partnership interest of Food Services in the Partnership reflecting the Determined Amount for any Reporting Period is reflected by the issuance by the Partnership of LP Units to Food Services. The first adjustment, equal to 80% of the amount determined on the basis of the forecast of net Gross Sales, is to be made on the Adjustment Date immediately following the beginning of such Reporting Period. The number of LP Units issuable pursuant to the first adjustment is equal to 80% of the forecast of net Gross Sales divided by the Current Market Price of a Unit on the Adjustment Date. The second adjustment, equal to the

Determined Amount less the adjustment to the limited partnership interest of Food Services is made on the immediately following Adjustment Date or, upon the request of Food Services, as soon as the Determined Amount for the Reporting Period has been determined. At the time of the second adjustment, if the Determined Amount exceeds 80% of the forecast of Net Gross Sales, the Partnership will issue to Food Services a number of LP Units representing the amount of such excess (determined by dividing the Determined Amount by the Current Market Price of a Unit as at the first Adjustment Date, and subtracting the number of LP Units issued in respect of the first Adjustment Date) and the Company will dividend to Food Services an amount equal to the amount of dividends that would have been declared and paid by the Company on the Non Voting Common Shares that would have been issued to Food Services if such additional LP Units had been issued on the first Adjustment Date and Food Services had exchanged such additional LP Units for Non Voting Common Shares on the first Adjustment Date and continuously held such Non Voting Common Shares during the period from the first Adjustment Date to the second Adjustment Date (a “Special Dividend”). The Special Dividend is declared and paid to Food Services as the holder of sole outstanding Special Share of the Company.

The Company may, at its option, elect to require Food Services to surrender to the Partnership some or all of the LP Units to be issued to Food Services on the Adjustment Date for a payment to Food Services of cash in an amount equal to the Current Market Price of a Unit on such Adjustment Date multiplied by the total number of LP Units to be surrendered.

CORPORATE GOVERNANCE OF THE COMPANY AND THE PARTNERSHIP

The Fund has entered into the Governance Agreement with the Company, the Partnership, Food Services, and certain others (the “Related Parties”) who hold directly or indirectly, the issued shares of Food Services, which provides for various matters relating to the Company and the Partnership, including those described below. The following is a summary of certain material provisions of the Governance Agreement, which does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Governance Agreement, a copy of which is available on SEDAR+ at www.sedarplus.ca.

Directors and Officers

Pursuant to the provisions of the Governance Agreement, the board of directors of the Company is required to consist of five individuals. Three directors are nominated by the Fund and two directors are nominated by Food Services. Food Services’ entitlement to nominate directors is subject to Food Services and certain others holding at least 10% of the total issued and outstanding Common Shares or Units.

Restrictive Covenants

Food Services agreed with the Company in the Governance Agreement not to amend the term or provisions of the confidentiality, non-solicitation and non-competition covenants contained in employment agreements with its senior management without the consent of the Company, and to enforce these covenants to the extent required by the Company. See “Description of the Business – Business of Food Services – Management of Food Services”. Western Corporate Enterprises Inc. and 598942 British Columbia Ltd. entered into a confidentiality, non-solicitation and non-competition agreement with the Fund and the Company which applies while they hold, directly or indirectly, any shares of Food Services, and for one year thereafter. Food Services agreed with the Company not to provide any operating and financial information regarding Food Services that is not generally disclosed to the public, other than annual financial statements, to any of its senior management after their employment with Food Services terminates. Food Services agreed in the Licence and Royalty Agreement not to compete in Canada with the quick service restaurant business being carried on by Food Services. The Partnership provided a limited waiver of this covenant to allow Food Services to directly or indirectly operate, sub-licence, franchise or otherwise sell food and beverage products bearing the Pret brand in Canada outside of A&W restaurants and in the A&W restaurant business on the condition that for so long as food and beverage products bearing the Pret brand are being sold in reliance on such waiver, Food Services must also sell food and beverage products bearing the Pret brand in the A&W restaurant business, with the sale of such products occurring principally through A&W restaurants.

Future Financings

Each of the Fund and Food Services is entitled to participate in all issues of Common Shares by the Company in proportion to their respective holdings of Common Shares, other than issuances to Food Services under

the Exchange Agreement. To the extent the Fund or Food Services, as the case may be, is unable to or does not participate in any offering of Common Shares, the other may purchase such Common Shares and thereby increase its proportionate holdings in the Company, provided that Food Services shall not, through the exercise of the right to acquire such Common Shares described in this paragraph, be entitled to acquire any Voting Common Shares if, after giving effect to the issue of any of such Voting Common Shares under this paragraph, Food Services would hold more than 50% of the issued and outstanding Voting Common Shares.

Each of the Fund and Food Services is entitled to participate in all issues of LP Units and GP Units by the Partnership in proportion to their respective holdings, other than issuances to Food Services under the Partnership Agreement. To the extent the Fund or Food Services, as the case may be, is unable to or does not participate in any offering of LP Units or GP Units, the other may purchase such LP Units or GP Units and thereby increase its proportionate holdings in the Partnership.

The Fund agreed with Food Services in the Governance Agreement not to issue any Trust Units if the proceeds of such issue are to be used for the purposes of enabling the Fund or the Company to finance or refinance, directly or indirectly, the election by the Fund to require Food Services to surrender all or some of the LP Units issued to Food Services on any Adjustment Date unless:

- such Trust Units are first offered to Food Services at a price not greater than the price offered to any proposed purchaser thereof, less commissions, and on terms summarized by the Fund; and
- within 48 hours (excluding Saturdays, Sundays and holidays) Food Services does not agree to purchase any of such Trust Units.

Food Services is entitled to elect, within such 48-hour period, to purchase any of the Trust Units so offered at such price, less commissions, and on such terms, and if Food Services makes such election, the Fund will issue Limited Voting Units to Food Services at such price, less commissions, and on such terms. The Fund shall not thereafter issue such Trust Units at a price, less commissions, lower than the price at which, and on terms materially less favourable to the Fund from the terms on which, such Trust Units were first offered to Food Services without again first offering such Trust Units to Food Services in accordance with the foregoing.

Exchangeable Securities

Pursuant to the Declaration of Trust and the Governance Agreement, the holders of Exchangeable Securities (other than the Fund or its subsidiaries, if they hold Exchangeable Securities) are entitled to vote in all votes of Unitholders (including resolutions in writing) as if they were the holders of the number of Limited Voting Units which they would receive if they had effected the Company Exchange Rights and Fund Exchange Rights, as applicable, as of the record dates for such votes. Such holders are treated in all respects as Unitholders for the purposes of any such votes, except that holders of Limited Voting Units or Exchangeable Securities exchangeable for Limited Voting Units, as such, are not entitled in the aggregate to cast more than 40% of the votes cast upon a resolution with respect to the appointment or removal of Trustees of the Fund and are not entitled to cast votes with respect to certain other matters.

The Governance Agreement provides that the Fund has the overriding call right, but not the obligation, to acquire all but not less than all of the Exchangeable Securities held by Food Services upon the liquidation, dissolution or winding up of the Company or the Partnership, in exchange for a number of Limited Voting Units per Exchangeable Security equal to the number of Limited Voting Units that would have been received if the Company Exchange Rights and Fund Exchange Rights, as applicable, were effected as at the date of such distribution of assets. In the event of the liquidation, dissolution or winding-up of the Fund or any other distribution of the assets of the Fund among its Unitholders for the purpose of winding up its affairs, a holder of Exchangeable Securities is entitled pursuant to the Declaration of Trust and the Governance Agreement, subject to applicable law, to participate on a pro-rata basis with the Unitholders in the distribution of assets of the Fund through the immediate exchange of Exchangeable Securities for the number of Limited Voting Units it would receive if it had effected the Company Exchange Rights and the Fund Exchange Rights, as applicable, as at the date of such distribution of assets of the Fund. See “Share and Loan Capital of the Company – Rights of Exchange for Limited Voting Units” and “Description of the Partnership – Rights of Exchange for Common Shares”.

Restrictions on the Transfer of Securities of the Company and Partnership Issued to Food Services

Food Services agreed in the Governance Agreement that, until the Fund is liquidated, Exchangeable Securities held by Food Services may only be sold or otherwise disposed of by Food Services to the Fund or to the Company pursuant to the Company Exchange Rights. The Exchangeable Securities may also be sold or otherwise disposed of by Food Services in the event of:

- a takeover bid for all of the Trust Units in which the offeror acquires 90% of all of the issued and outstanding Trust Units (including rights to the Trust Units to be issued upon exercise of the Fund Exchange Rights), in which case Food Services will be obligated to sell its Exchangeable Securities to the successful offeror; or
- an amalgamation, plan of arrangement or other business combination involving all of the shares of the Company.

If a takeover bid is made for all of the issued and outstanding Trust Units (including rights to the Trust Units to be issued upon exercise of the Fund Exchange Rights) and not less than 90% of the Trust Units on a fully-diluted basis (other than Trust Units held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, or upon the merger of the Fund with another entity, the Fund shall have the option, exercisable within 60 days of the termination of the takeover bid, to require Food Services to sell its Exchangeable Securities to the Fund. The aggregate price at which such Exchangeable Securities will be sold is equal to the price paid per Trust Unit pursuant to the successful takeover bid multiplied by the number of Trust Units which Food Services would be entitled to receive if Food Services exercised its Fund Exchange Rights on the date of purchase.

Right of First Offer

Food Services and each of the Related Parties agreed with the Company, the Partnership and the Fund in the Governance Agreement that neither Food Services nor the Related Parties will enter into any agreement which, if completed, would result in a Change of Control (as defined hereafter) of Food Services unless the Company or the Fund is first provided with the opportunity to acquire the assets and undertaking of Food Services, or the shares of Food Services held directly or indirectly by the Related Parties, for the consideration and on terms set forth in a written ROFO Notice by Food Services to the Fund and the Company. The ROFO Notice must set forth the amount of the purchase price to be paid by the Company or the Fund for the assets and undertaking of the Company, or the shares of Food Services held directly or indirectly by the Related Parties, and a summary of the terms of the proposed transaction.

If, within 30 days after the receipt of the ROFO Notice, the Fund or the Company does not inform Food Services in writing that the Fund or the Company desires to purchase the assets and undertaking of Food Services, or the shares of Food Services held directly and indirectly by the Related Parties, or, within 30 days after the Fund or the Company does so inform Food Services in writing, the Fund or the Company does not enter into an agreement with Food Services or the Related Parties for the purchase of assets and undertaking of Food Services, or the shares of Food Services held directly and indirectly by the Related Parties, then Food Services or the Related Parties may enter into any agreement in respect thereof which, if completed, would result in a Change of Control of Food Services, so long as:

- the amounts that would be received by the direct and indirect shareholders of Food Services upon completion of the transaction contemplated by such agreement, after taking into account the amount of income taxes that would be payable under the Tax Act by Food Services and the Related Parties if the consideration payable in respect of the transaction that results in such Change of Control were immediately distributed to, or paid to, the Related Parties, is at least equal to the amount of such consideration set forth in the ROFO Notice;
- the terms of the transaction as contained in such agreement, when considered as a whole in a commercially reasonable manner having regard to the nature of the transaction and the summary of the proposed transaction as contained in the ROFO Notice, are not materially more favourable to Food Services and/or the Related Parties, as the case may be, than the summary of the terms of the proposed transaction contained in the ROFO Notice; and

- on or before the completion of the transaction as contained in such agreement, the purchaser or other party to such agreement enters into an agreement with the Company and the Fund agreeing to assume the obligations of Food Services under the General Security Agreement, the Governance Agreement, the License and Royalty Agreement and an indemnity for Part VI.1 taxes.

If Food Services or the direct or indirect shareholders of Food Services do not enter into such an agreement within 210 days after the date the ROFO Notice was given to the Fund or the Company by Food Services in respect of such transaction, or a transaction giving effect to a Change of Control permitted by the foregoing is not completed by the first anniversary of the date upon which such ROFO Notice was first given, then neither Food Services nor the Related Parties may enter into an agreement which, if completed, would result in a Change of Control, unless the Fund and the Company are again provided with the opportunity to acquire the assets and undertaking of Food Services, or all but not less than all of the shares of Food Services held directly or indirectly by the Related Parties in accordance with the foregoing.

A Change of Control is defined as:

- the direct or indirect acquisition by any person or persons, acting jointly or in concert, of beneficial ownership (“acting jointly or in concert” and “beneficial ownership” within the meaning of the *Securities Act* (Ontario) as of January 1, 2002) of 50% or more of the combined voting power of Food Services’ then outstanding voting shares;
- the individuals who are members of the board of directors of Food Services on the date of the Governance Agreement cease to constitute at least 50% of the board of directors of Food Services other than resulting from the replacement of a director who resigns upon retirement; or
- the approval by shareholders of Food Services of (a) an amalgamation involving Food Services, or (b) a complete liquidation or dissolution of Food Services or the sale or other disposition of all or substantially all of the assets of Food Services if immediately after the completion of a transaction referred to in (a) or (b) the Related Parties do not own directly or indirectly more than 50% of the combined voting power of the then outstanding voting securities of the corporation resulting from such amalgamation or the corporation that then owns the assets and undertaking previously owned by Food Services.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because 50% or more of the combined voting power of Food Services’ then outstanding securities is acquired by:

- a trustee or other fiduciary holding securities for the benefit of a Related Party or the estate of a deceased Related Party; or
- any corporation which, immediately prior to such acquisition, is owned directly or indirectly by the Related Parties in the same proportion as their ownership of the shares of Food Services immediately prior to such acquisition.

Piggy-Back Rights

Pursuant to the Governance Agreement, neither Food Services nor the Fund (a “Seller”) is entitled to sell any Exchangeable Securities unless the person making a bona fide offer to purchase Exchangeable Securities (which offer must be for payment in cash, and from a person who is not a Related Party or an associate or affiliate of Food Services) also makes an offer to purchase the Exchangeable Securities held by the Fund or Food Services, as the case may be, at the same price per Exchangeable Security and on the same terms as the offer made to the Seller. Any purchaser of the Exchangeable Securities must become a party to the Governance Agreement and if such purchaser acquires less than all of the Exchangeable Securities held by the Fund or Food Services, the purchaser and the Fund or Food Services, as the case may be, will be treated as one party under the Governance Agreement. No sale or transfer of any of the Exchangeable Securities is permitted unless the purchaser has also made an offer to purchase all of the Exchangeable Securities at their fair market value.

Other Matters

The Governance Agreement also provides that:

- except as permitted or required under the Governance Agreement, the Exchange Agreement, the Licence and Royalty Agreement or the Partnership Agreement, no additional Common Shares are to be issued without the consent of Food Services; and
- notwithstanding the foregoing restrictions, Food Services or any subsidiary of Food Services may:
 - pledge Exchangeable Securities to a financial institution as security for a bona fide loan to Food Services or such subsidiary so long as the financial institution agrees to be bound by the restrictions contained in the Governance Agreement and that, upon any realization upon the Common Shares, the Exchangeable Securities will be exchanged for Limited Voting Units through the exercise of the Fund Exchange Rights or otherwise pursuant to the Fund Exchange Agreement; or
 - transfer Exchangeable Securities to a corporation in which Food Services holds more than 50%, and persons who are Related Parties at December 22, 2010 (the date of the Governance Agreement) who hold, directly or indirectly, the balance of the issued and outstanding shares of each class of shares, if the net working capital of Food Services is at least \$2 million.

RISK FACTORS

The risks and uncertainties described below are not the only risks and uncertainties applicable to the business operations of the Fund. Additional risks and uncertainties not currently known to the Trustees of the Fund or that are currently not considered to be material also may impair the Fund's business operations. If any of the following risks actually occur, the Fund's business, results of operations and financial condition, and the amount of cash available for distribution to Unitholders, could be adversely affected.

Risks and Uncertainties Related to the Quick Service Restaurant Industry

Restaurant Industry

The performance of the Fund is dependent upon the Royalty the Partnership receives from Food Services. The amount of the Royalty is dependent upon Gross Sales reported by restaurants in the Royalty Pool. Gross Sales reported by restaurants in the Royalty Pool are subject to a number of factors that affect the restaurant industry generally and the quick service segment of this industry in particular, including the highly competitive nature of the industry, traffic patterns, demographic considerations, weather, locations of restaurants and the type, number and proximity of competing quick service restaurants and government regulations concerning menu labelling or disclosure and drive-thru restrictions affecting the restaurant industry in general and the quick service restaurant segment of this industry particularly.

Competition

Food Services competes with other well-capitalized franchisors and operators of quick service restaurants with extensive financial, technological, marketing and personnel resources and high brand name recognition and awareness. There can be no assurance that Food Services will be able to respond to various competitive factors affecting the franchise operations of Food Services in the quick service restaurant industry. In addition, from time to time, new quick service restaurants may decide to enter the Canadian market, presenting new competitors.

Retail Hamburger Market and Changes in Consumer Taste

A&W franchisees receive most of their revenues from the sale of hamburgers, chicken, fries, breakfast items and soft drinks and Food Services, in turn, receives fees from A&W franchisees based on System Sales and payments on goods supplied to franchisees. The quick service restaurant industry is characterized by the frequent introduction of new products, accompanied by substantial promotional campaigns. In recent years, Food Services in

particular, and numerous others in the quick service restaurant industry have introduced products positioned to capitalize on the growing consumer preference for food products that are, or are perceived to be, healthful, nutritious, low in calories, fat and sodium content. Any significant event that adversely affects consumption of hamburgers, chicken, fries, breakfast items and soft drinks, such as cost, changing tastes, health concerns, economic conditions, unemployment, changes in disposable consumer income, a disease outbreak or inclement weather, could adversely impact the Gross Sales of A&W restaurants in the Royalty Pool and consequently, the amount of the Royalty payable to the Partnership.

Consumer perceptions may be affected by activist campaigns to promote adverse perceptions of the quick service restaurant industry, the A&W brand or Food Services' operations, suppliers, franchisees or other partners. Consumer demands for A&W's products and A&W's brand equity could diminish if A&W, or its franchisees or other business partners fail to preserve the quality of its products, act or are perceived to act as unethical, illegal, racially-biased or in a socially irresponsible manner, including with respect to the sourcing, content or sale of A&W products or the use of consumer data for general or direct marketing or other purposes, fail to comply with laws and regulations, publicly take controversial positions or actions or fail to deliver a consistently positive consumer experience in each of A&W's markets. If Food Services is unsuccessful in addressing consumer adverse perceptions, the value of the A&W brand could adversely impact the Gross Sales of A&W restaurants in the Royalty Pool and consequently, the amount of the Royalty payable to the Partnership.

Additionally, some products sold at A&W restaurants contain caffeine, dairy products, fats, sugar and other compounds, the health effects of which are the subject of public scrutiny, including suggesting that excessive consumption of caffeine, beef, sugar and other compounds can lead to a variety of adverse health effects. There is increasing consumer awareness of the health risks, including obesity, as well as increased consumer litigation based on alleged adverse health impacts of consumption of various food products. An unfavorable report on the health effects of caffeine or other compounds present in products sold at A&W restaurants, or negative publicity or litigation arising from other health risks such as obesity, could significantly reduce the demand for the beverages and food products sold at A&W restaurants. A decrease in customer traffic as a result of these health concerns or negative publicity could materially and adversely affect Gross Sales and thus the Royalty.

Food Borne Illnesses

Publicity from any food borne illness, such as salmonella and E. coli, could adversely affect the Gross Sales of A&W restaurants and consequently the amount of the Royalty. A&W restaurants are committed to ensuring customers enjoy safe, quality food products. However, food safety events have occurred in the food industry in the past and could occur in the future, and both the actual occurrence of these food safety events as well as the attendant negative publicity associated with these events could have an adverse affect upon Gross Sales.

Food Services and A&W franchisees may be the subject of complaints or litigation from guests alleging food-related illness, injuries suffered on the premises or other food quality, health or operational concerns. Adverse publicity, including on social media, resulting from these allegations or from public health inspection reports may adversely affect the sales by A&W restaurants, regardless of whether such allegations are true or whether Food Services or an A&W franchisee is actually held responsible. Any outbreak of a food borne illness or contamination at an A&W restaurant or within the foodservice industry more generally (even if it does not affect any A&W restaurants), or the perception of such an outbreak, could have an adverse effect on Gross Sales.

Availability and Quality of Raw Materials and Food Services' commitment to use Natural Ingredients

Sales by A&W franchisees are dependent upon the availability and quality of the raw materials used in A&W products. The availability and prices of these raw materials, such as beef or chicken, may fluctuate due to an increase in demand, a shortage of supply, disease and other factors. Additionally, certain products purchased by A&W franchisees are sourced from a single or a limited number of suppliers. A significant reduction in the availability or quality of raw materials purchased by A&W franchisees resulting from any of the above factors could have an adverse effect on Gross Sales.

Food Services has advertised its commitment to be a leader in sourcing simple, great-tasting natural ingredients in the A&W restaurants. This includes serving beef raised without the use of hormones or steroids, serving other proteins from animals that were raised without the use of artificial hormones and antibiotics, and serving organic and Fair Trade coffee and A&W Root Beer made from natural cane sugar and all natural

ingredients. There are risks associated with this commitment. In particular, restricting the supply of meat and dairy products to suppliers who meet these specifications reduces the total number of suppliers and makes prices for these products more sensitive to a fluctuation in supply. If there is a shortage of ingredients that meet these specifications, A&W may not be able to meet this commitment, which could damage A&W restaurants' reputation. In addition, it is necessary for Food Services to carefully monitor its supply chain and the ingredients A&W restaurants use in the preparation of its products, as publicity regarding a break in this commitment or supply chain could have an adverse affect upon sales at A&W restaurants.

New Products and Advertising Campaigns may not be Successful

Gross Sales are heavily influenced by brand marketing and advertising and by Food Services' ability to develop and launch new and innovative products. Food Services' marketing and advertising programs may not be successful, and Food Services' may fail to develop commercially successful new products, which may lead Food Services and its franchisees to fail to attract new guests and retain existing guests, which, in turn, could materially and adversely affect Gross Sales and thus the Royalty. Moreover, because franchisees contribute to advertising funds based on a percentage of System Sales at their franchise restaurants, advertising fund expenditures are dependent upon System Sales of all franchised A&W restaurants. If System Sales decline, there will be a reduced amount available for Food Services' marketing and advertising programs. Furthermore, to the extent that Food Services and its franchisees use value offerings in their marketing and advertising programs to drive traffic, the low-price offerings may condition guests to resist higher prices. In addition, Food Services continues to focus on restaurant modernization and technology and digital engagement in order to transform the restaurant experience. As part of these initiatives, Food Services is seeking to improve its service model and strengthen relationships with customers, digital channels, loyalty initiatives, mobile ordering and payment systems and delivery initiatives. These initiatives may not have the anticipated impact on System Sales; therefore, Food Services may not fully realize the intended benefits of these significant investments.

Climate Change

The operations of Food Services and A&W franchisees may be adversely affected by climate change. Changes to the climate, such as increased greenhouse gases and diminishing energy and water resources, may reduce the availability and quality of food ingredients purchased by A&W franchisees. Increased public focus on climate change and environmental sustainability may require A&W franchisees to take initiatives to, among other things, reduce packaging and waste and increase animal health and welfare. Executing these initiatives could involve substantial costs, and failing to execute these initiatives could damage the reputation of A&W restaurants. Increased public focus on climate change could also result in additional government regulation, increasing compliance costs for A&W restaurants. Failure to comply with government regulations could result in A&W restaurants being subject to administrative penalties and negative publicity. These events could result in diminished sales at A&W restaurants.

Additional Franchise Sales and Franchise Operations

The growth of the Royalty is dependent upon the ability of Food Services to (i) grow same store sales, (ii) maintain and grow the current system of franchises (iii) locate new retail sites in prime locations and (iv) obtain qualified operators to become A&W franchisees. Food Services faces competition for retail locations and franchisees from its competitors and from franchisors of other businesses. Food Services' inability to successfully obtain qualified operators to become its franchisees could adversely affect its business development. The opening and success of A&W franchised restaurants is dependent on a number of factors, including availability of skilled individuals to become A&W franchisees, availability of suitable sites, securing suitable financing for franchisees to open new restaurants, negotiations of acceptable lease or purchase terms for new locations, permits and government regulatory compliance, the ability to meet construction schedules, and the availability of experienced management and hourly employees (including of limitations on temporary foreign workers). Increases in minimum wage rates may also affect the opening and success of franchised restaurants, as a significant portion of the employees of these restaurants are paid at rates related to minimum wage. A&W franchisees may not have all these business abilities or access to financial resources necessary to open an A&W restaurant or to successfully develop or operate an A&W restaurant in their franchise areas in a manner consistent with Food Services' standards.

Food Services provides training and support to A&W franchisees, but the quality of franchised operations may be diminished by any number of factors beyond its control. Consequently, A&W franchisees may not successfully operate restaurants in a manner consistent with Food Services' standards and requirements, or may not

hire and train qualified managers and other restaurant personnel. If they do not, the image and reputation of Food Services may suffer, and Gross Sales of the A&W restaurants could decline.

The Closure of A&W Restaurants may Affect the Amount of the Royalty

The amount of the Royalty payable to the Partnership by Food Services is dependent upon the Gross Sales reported by restaurants in the Royalty Pool which is dependent, for its stability, on the number of A&W restaurants that are included in the Royalty Pool and the Gross Sales by these A&W restaurants. Each year a number of A&W restaurants close, and while Food Services is required to replace the Gross Sales that are lost as a result of the closure of A&W restaurants with the Gross Sales from new A&W restaurants, or pay the Make-whole Payment for closed A&W restaurants and, if applicable, the Make-whole Carryover Payment, there is no assurance that Food Services will be able to obtain sufficient new A&W restaurants to replace the Gross Sales of the A&W restaurants that have closed, or will have the financial resources to make the Make-whole Payment and, if applicable, the Make-whole Carryover Payment. Pursuant to the agreements between Food Services and the Fund, Food Services is not required to make the Make-whole Payment after the 1,000 Restaurant Threshold is met; however: (i) to the extent any new A&W restaurants have been open for 60 days after the 1,000 Restaurant Threshold has been met and such new A&W restaurants are not included in the Royalty Pool, Food Services will be required to pay a royalty to the Partnership equal to 3% of the System Sales of such new A&W restaurants, provided that the aggregate amount of such royalty shall not exceed the aggregate of (A) the amount of the Make-whole Payment, and (B) the Make-whole Carryover Payment, that would have been required to be paid in such period by Food Services if the 1,000 Restaurant Threshold had not been met, and (ii) Gross Sales from closed A&W restaurants will continue to be netted against the Gross Sales from new A&W restaurants in the annual adjustment to the Royalty Pool after the 1,000 Restaurant Threshold is met. In addition, many of the remaining terms of the leases from which A&W restaurants operate are shorter than the remaining terms of the associated franchise agreements, and it will be necessary to renew these leases or to obtain satisfactory alternate locations. There is no assurance that the leases will be renewed, or suitable alternate locations will be obtained and, in this event, the A&W restaurant will close. As a result, the closure of A&W restaurants may adversely affect the amount of the Royalty.

Changes in Traffic Patterns at Shopping Centres and other retail nodes

A number of A&W restaurants are located in shopping centres and retail nodes. Any significant event that adversely impacts traffic to shopping centres, including closures of “anchor stores”, closures of those shopping centres or retail nodes could result in decreased traffic to those locations which could adversely impact the Gross Sales of A&W restaurants in these shopping centres and in those retail nodes, consequently affecting the amount of Royalty paid to the Partnership.

Service Fees and Other Revenues

The ability of Food Services to pay the Royalty is dependent on A&W franchisees’ ability to generate sales and to pay service fees and other amounts to Food Services. The impact of an increase in food and packaging costs, labour costs, occupancy costs or interest rates could also adversely affect A&W franchisees’ profitability and therefore ability to pay service fees and other amounts to Food Services. Failure to achieve adequate levels of collection from A&W franchisees, including by reason of disputes or litigation, could have a serious effect on the ability of Food Services to pay the Royalty.

Government Regulation

Food Services and A&W franchisees are subject to a wide variety of laws, regulations, rules and policies, including laws involving product liability, tax, labour and employment, franchises, competition, food safety, intellectual property, privacy, environmental and other matters. Changes to any of the laws, regulations, rules or policies applicable to Food Services or A&W franchisees could adversely affect the operations or financial condition or performance of A&W restaurants and in turn the Fund.

Franchise Legislation

Food Services is required to comply with franchise disclosure laws and regulations of the provinces of British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Prince Edward Island. Claims arising from any non-compliance with franchise disclosure laws may adversely affect the performance of Food Services and affect

the payment of the Royalty to the Partnership. The failure to provide a disclosure document as required by those franchise disclosure laws gives a franchisee a two-year absolute right of rescission. Franchise legislation also provides a franchisee with a statutory right of action to sue if a franchisee suffers a loss because of a misrepresentation contained in a franchise disclosure document, or as a result of the franchisor's failure to comply with its disclosure obligations. These rights are in addition to any rights that might exist at common law.

The Impact of Sales Tax upon Gross Sales

Sales tax upon the products sold by A&W Restaurants has a negative impact on Gross Sales. Accordingly, increases in sales taxes upon sales by restaurants generally, or quick service restaurants particularly, could negatively affect sales at A&W restaurants. In addition, an increase in provincial, federal or harmonized sales taxes on sales by restaurants could adversely affect disposable consumer income and consequently consumer visits to restaurants in general and Gross Sales of A&W restaurants in particular.

Dependence on Key Personnel

The success of Food Services depends upon the personal efforts of senior management, including their ability to retain and attract qualified franchisee operators. The loss of the services of such key personnel or the inability to attract qualified franchise operators could have an adverse effect on the operations of Food Services, and consequently the Fund.

Labour Availability

Food Services' restaurant business, including the business of its franchisees, depends upon the ability to attract and retain restaurant management staff and hourly employees. The inability to attract and retain qualified staff could impact the hours an A&W restaurant can operate, impacting the level of sales that can be achieved and consequently the amount of royalty that can be paid to the Fund.

Intellectual Property

The ability of Food Services to maintain or increase its Gross Sales depends on its ability to maintain "brand equity" through the use of the A&W Marks licenced from the Partnership. If the Partnership fails to enforce or maintain any of its intellectual property rights, Food Services may be unable to capitalize on its efforts to establish brand equity. All registered trade-marks in Canada can be challenged pursuant to provisions of the *Trade-marks Act* (Canada), and if any A&W Marks are ever successfully challenged, this may have an adverse impact on Gross Sales and therefore on the Royalty.

The Partnership owns the A&W Marks in Canada, however it does not own identical and similar trade-marks in other jurisdictions. Third parties may use such trade-marks in jurisdictions other than Canada in a manner that diminishes the value of such trade-marks. If this occurs, the value of the A&W Marks may suffer and Gross Sales by A&W restaurants could decline. Similarly, negative publicity or events associated with A&W in jurisdictions outside of Canada may negatively affect the image and reputation of A&W restaurants in Canada, resulting in a decline in Gross Sales.

Reliance on Technology and Cybersecurity

Food Services depends on the uninterrupted operation of its information systems, networks and services including point-of-sale processing at restaurants and the mobile app, to operate its business. Food Services' operations depend on its ability to protect its computer equipment and systems against damage from physical theft, fire, power loss, computer and telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive events. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new systems or platforms or a breach in security of these systems could result in transaction errors, processing inefficiencies, the destruction or corruption of data, a decrease in the effectiveness of internal financial controls, the loss of or failure to attract new customers, the loss of sales, the loss of or unauthorized access to confidential and personal information, the loss of or damage to intellectual property or trade secrets, damage to Food Services' reputation, litigation, regulatory enforcement actions, higher insurance premiums, violation of privacy, security or other laws and regulations and remediation costs. Furthermore, adverse

publicity resulting from allegations of security breaches resulting in the theft of credit and debit card information or personal information of guests may materially adversely affect the sales of A&W restaurants.

Security of Confidential Consumer Information and Personal Information

Food Services' business, including the business of its franchisees, requires the collection and transmission of large volumes of guest and employee data, including credit and debit card numbers and other personally identifiable information, in various information technology systems that Food Services maintains and in those maintained by third party service providers. The integrity and protection of that guest and employee data is critical to Food Services and its franchisees. Furthermore, Food Services' and its franchisees' guests and employees have a high expectation that Food Services, its franchisees and their service providers will adequately protect their personal information. The information, security and privacy requirements imposed by governmental regulation are increasingly demanding. Food Services' systems may not be able to satisfy these changing requirements and guest and employee expectations, or may require significant additional investments or time in order to do so. Efforts to hack or breach security measures, failures of systems or software to operate as designed or intended, viruses, operator error or inadvertent releases of data all threaten Food Services, its franchisees' and its service providers' information systems and records. A breach in the security of Food Services' information technology systems or those of its franchisees or their respective service providers could lead to an interruption in the operation of its systems, resulting in operational inefficiencies or a loss of Gross Sales, which could impact the Royalty. Additionally, a significant theft, loss or misappropriation of, or access to, guests' or other proprietary data or other breach of Food Services' or its franchisees' information technology systems could result in fines, legal claims or proceedings, including regulatory investigations and actions, or liability for failure to comply with privacy and information security laws, and negative publicity all of which could disrupt Food Services' and its franchisees' operations, damage their reputation and expose them to claims from guests and employees, any of which could have a material adverse effect on Food Services' financial condition and results of operations and the Royalty.

Effect of Media and Social Media

Food Services and A&W franchisees may be adversely affected by the increased use of social media. Events reported in the media, including social media, whether or not accurate or involving A&W restaurants, could create and/or amplify negative publicity for A&W restaurants or the industry or market segments in which A&W restaurants operate. This could reduce demand for A&W's products and could decrease guest traffic to A&W restaurants as customers shift their preferences to competitors or to other products or food types. A decrease in guest traffic to A&W restaurants as a result of negative publicity from the media, including social media, could result in a decline in sales at those restaurants and in turn reduce the Royalty paid to the Fund.

Effect of Health Epidemics or Pandemics on the Quick Service Restaurant Industry

Food Services and A&W franchisees may be adversely affected by health epidemics or pandemics, such as COVID-19, which could disrupt A&W restaurant operations, suppliers or customers or result in economic instability. Health epidemics or pandemics could reduce demand for A&W products or make it difficult or impossible to receive products from suppliers, consequently affecting sales and the Royalty paid to the Fund.

Health epidemics or pandemics can adversely affect consumer spending and confidence levels and supply availability and costs, as well as the local operations in impacted markets, all of which can adversely affect the financial results, condition and outlook of Food Services and A&W franchisees.

Health epidemics or pandemics may also heighten other risks disclosed in these Risk Factors, such as, but not limited to, those related to consumer behavior, consumer perceptions of the A&W brand, supply chain interruptions, inflation, commodity costs and labor availability and cost.

Insurance Coverage

Food Services maintains and requires its franchisees to maintain insurance coverage to protect them from liabilities they incur in the course of their respective business. There is no assurance that such insurance coverage will respond to, or be adequate to protect them from, such liabilities. Additionally, in the future, Food Services' and its franchisees' insurance premiums may increase and they may not be able to obtain similar levels of insurance on reasonable terms or at all. Any substantial inadequacy of, or inability to obtain insurance coverage could materially

adversely affect Food Services and its franchisees' business, financial condition and results of operations, and thus the Royalty. Furthermore, there are types of losses Food Services and its franchisees may incur that cannot be insured against or that are not economically reasonable to insure. Such losses could have a material adverse effect on Food Services' and its franchisees' business and results of operations and thus the Royalty.

Economic Conditions

Food Services' profitability and correspondingly, the funds available to be paid as dividends by the Company to Food Services and the Fund and available to distribute to unitholders of the Fund, are indirectly impacted by consumer discretionary spending which is influenced by general economic conditions. These economic conditions could include economic recession or changes in the rate of inflation or deflation, unemployment rates and household debt, political uncertainty, interest rates, housing and shelter costs, currency exchange rates or derivative or commodity prices, such as fuel and energy costs. A number of these conditions could impact consumer spending and, as a result, payment patterns could deteriorate or remain unpredictable due to global, national, regional or local economic volatility. Uncertain economic conditions may adversely impact demand for A&W's products and services which could adversely affect the Fund's financial performance.

International Conflict

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes, and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in the global supply chain and financial markets. Currently, there are various factors that impact geopolitical risk and uncertainty, including but not limited to the elevated geopolitical risk exemplified by ongoing active conflicts in the Middle East, between Israel and Palestine, and in Europe, between Russia and Ukraine, as well as risks associated with China-Taiwan tensions. The imposition of strict economic sanctions by Canada, the United States, the European Union, the United Kingdom and others in response to such conflict may have a destabilizing effect on commodity prices, supply chain and global economies more broadly. Supply chain disruptions may adversely affect the business, financial condition, and results of operations for Food Services, its franchisees and the Fund. The extent and duration of international conflicts, geopolitical tensions and related international action cannot be accurately predicted and the effects of such conflicts may magnify the impact of the other risks identified.

Catastrophic Events

Food Services and A&W franchisees may be adversely affected by catastrophic events, or the prospect of catastrophic events, including war, terrorism and other domestic and international conflicts, public health issues, including health epidemics or pandemics, and natural disasters such as earthquakes or other adverse weather and climate conditions, whether occurring in Canada or abroad, could disrupt A&W restaurants operations, suppliers or customers, or result in political or economic instability. These events could reduce demand for A&W products or make it difficult or impossible to receive products from suppliers.

Risks and Uncertainties Related to the Structure of the Fund

Dependence of the Fund on the Company, Partnership and Food Services

The Fund is a limited purpose trust which is entirely dependent, through the Company and Partnership, upon the obligation of Food Services to pay the Royalty. The cash distributions to the Unitholders are dependent on the ability of the Company to declare and pay dividends or make other distributions on the Common Shares. The Company is in turn dependent upon distributions on its interest in the Partnership.

Dependence of the Partnership on Food Services

The sole source of revenue of the Partnership is the Royalty payable to it by Food Services. Food Services collects service fees and other amounts from A&W franchisees. In the conduct of the business, Food Services incurs debts and obligations to third parties. These debts and obligations could impact the ability of Food Services to pay the Royalty to the Partnership.

The Partnership is entirely dependent upon the operations and assets of Food Services to pay the Royalty to the Partnership, and is subject to the risks encountered by Food Services in the operation of its business, including the risks relating to the quick service restaurant industry referred to above.

Leverage; Restrictive Covenants

The Company has third-party debt service obligations under the Credit Facility, which have been guaranteed by the Partnership. The degree to which the Company is leveraged could have important consequences to the holders of the Units, including: (i) the Company's and Partnership's ability to obtain additional financing for working capital may be limited; (ii) a portion of the Company's or Partnership's cash flow may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for distribution to the Fund and Company, respectively; and (iii) certain of the Company's borrowings are at variable rates of interest, which exposes the Company and Partnership to the risk of increased interest rates. The Company will need to refinance the Term Loan when its term expires on September 10, 2026. There can be no assurance that refinancing will be available to the Company, or available to the Company on acceptable terms. The Company's ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness depends on its future cash flow, which is subject to distributions from the Partnership that are in turn subject to the operations of Food Services, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The Credit Facility contains numerous covenants that limit the discretion of the Company's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Company to:

- permit EBITDA, measured quarterly on a trailing four quarters basis, to be less than \$23 million in any fiscal quarter;
- permit the ratio of consolidated funded debt to EBITDA, measured quarterly on a trailing four quarters basis, to exceed 2.50:1 in any fiscal quarter until the date that the Term Loan is repaid in full;
- grant or allow any liens, without the prior written consent of the Bank;
- grant or permit to exist any debt;
- become a guarantor or otherwise liable for any note or obligation, other than in the ordinary course of business;
- sell, dispose, transfer or permit the Partnership to sell, dispose or transfer any material subsidiaries or material operating assets except in the nominal course of business of the Company or the Partnership, provided that if the net proceeds thereof are in excess of \$750,000, 100% of the net proceeds are to be used to pay down the Term Loan and the authorized limit of the Term Loan is permanently reduced to the extent of such repayment;
- amalgamate or sell substantially all of the assets of the Company;
- make capital investments or provide financial assistance, except for payments to Food Services in respect of Additional Restaurants added to the Royalty Pool under the Amended and Restated Licence and Royalty Agreement;
- issue shares other than to Food Services and the Fund;
- make principal payments on debt (other than debt under the Credit Facility);
- amend or waive any right under certain material contracts, which would reasonably be expected to result in a material adverse financial impact on (i) any such material contract, such material contracts as a whole, or the interests of the Company or the Partnership therein, or (ii) the Company;

- permit any property taxes to be past due;
- enter into any contracts for the purchase and sale of property that is not in the ordinary course of business;
- borrow money, obtain credit or incur additional funded indebtedness (other than under the Credit Facility); and
- declare or pay dividends on any class or kind of its shares, repurchase or redeem any of its shares or reduce its capital in any way whatsoever or repay any shareholders' advances or otherwise advance, pay, disburse or distribute cash or other property in any form to any of its shareholders, directors, officer, senior managers, or subordinated debt holders except as contemplated in the facility letter for the Term Loan or under certain material contracts, which, in each case, would cause it to breach its financial or other covenants and conditions to the Bank under the facility letter for the Term Loan.

A failure to comply with the obligations under the Credit Facility could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Facility were to be accelerated, there can be no assurance that the Company's or Partnership's assets would be sufficient to repay in full that indebtedness.

Cash Distributions Are Not Guaranteed and Will Fluctuate with the Partnership's Performance

Although the Fund intends to distribute the dividend income earned by the Fund less expenses of the Fund and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the Partnership and paid, through the Company, to the Fund. The actual amount distributed in respect of the Units depends upon numerous factors, including payment of the Royalty by Food Services, and the determination of taxable income and taxes payable. Accordingly, distributions are not guaranteed and may be reduced, suspended or terminated by the Fund at any time.

Unpredictability and Volatility of Unit Prices

The Units have been and could continue to be subject to significant fluctuations in market price and trading volumes in response to numerous factors, many of which are beyond the Fund's control. In addition, industry specific fluctuations in the stock market may adversely affect the market price of the Units regardless of the Fund's operating performance and the performance of the A&W restaurants in the Royalty Pool. There can be no assurance that the price of the Units will remain at current levels. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Units.

One of the factors that may influence the price of the Units in public trading will be the annual return from distributions by the Fund on the Units as compared to returns on other financial instruments. A general increase in interest rates may result in higher returns on other financial instruments, which could adversely affect the market price of the Units.

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

Nature of Units

Securities such as the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the Company or Partnership and should not be viewed by investors as shares in the Company or interests in the Partnership. As holders of Units, Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including,

for example, the right to bring “oppression” or “derivative” actions or the right to “dissent” on certain material transactions. The Units represent a fractional interest in the Fund. The Fund’s only assets are the Common Shares. The price per Unit is a function, among other things, of anticipated Distributable Cash.

Distribution of Securities on Redemption or Termination of the Fund

Upon a redemption of Units or termination of the Fund, the Trustees may distribute promissory notes of the Fund (in the case of a redemption) or the Common Shares directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for such promissory notes or the Common Shares. In addition, such promissory notes and Common Shares are not freely tradeable and are not currently listed on any stock exchange. Such promissory notes and Common Shares so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit-sharing plans, registered education savings plans, tax-free savings accounts and registered disability savings plans depending upon the circumstances at the time.

The Fund May Issue Additional Units Diluting Existing Unitholders’ Interests

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units for such consideration and on such terms and conditions as shall be established by the Trustees without the approval of any Unitholders. Additional Units will be issued by the Fund upon the exchange of the Exchangeable Securities for Units. Issuances of substantial numbers of Units, or the perception that such issuances could occur, may adversely affect prevailing market prices of the Units. With any additional issuance of Units investors will suffer dilution to their voting power and the Fund may experience dilution in its earnings per Unit.

Income Tax Matters

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts, specified investment flow through trusts and partnerships will not be changed in a manner which adversely affects the Fund and its Unitholders.

The Fund and the Company are of the view that all expenses to be claimed by them in the determination of their respective incomes under the “Tax Act” will be reasonable and deductible in accordance with the applicable provisions of the Tax Act (including the amount of the interest to be deducted by the Company), the Company’s Capital Cost Allowance Class 14.1 asset (eligible capital property, formerly cumulative eligible capital) has been determined in accordance with the applicable provisions of the Tax Act and the Company’s taxable income will be investment income eligible for refundable tax treatment. However, there can be no assurance that the Tax Act, or the interpretation of the Tax Act will not change, or that Canada Revenue Agency (“CRA”) will agree with the expenses claimed, the computation of the Company’s “eligible capital property” or the claims made by the Company in respect thereof, or the nature and taxation of the Company’s income. If CRA successfully challenges the deductibility of such expenses or the correctness of such amounts or claims or the nature and taxation of the Company’s income, the Company’s cash available for the payment of dividends or other distributions on the Common Shares would be materially adversely affected and the amount of Distributable Cash available to the Fund, and the distributions by the Fund to the Unitholders would be materially adversely affected and could be suspended.

The amount of the Company’s deduction for eligible capital property declines over time. Based on the continuing decline in the amount of deductions for eligible capital property the Company is able to claim, the amount of cash taxes the Company will become liable to pay will increase. The amounts paid by the Company in cash taxes reduces the Company’s cash available for dividends on the Common Shares and, as a result, Distributable Cash available to the Fund and the distributions by the Fund to the Unitholders would be reduced by a pro rata amount.

Food Services agreed to indemnify the Company for any liability the Company may incur for taxes under Part VI.1 of the Tax Act. There is no indemnity by Food Services for any other tax liabilities the Company may incur as a result of the structure of the Fund.

In addition, pursuant to the acquisition agreement by which Food Services sold the A&W Marks to the Company, Food Services and the Company elected under the Tax Act to transfer the A&W Marks on a tax-deferred

basis. The cost to the Company of the A&W Marks that are subject to that election is less than fair market value, such that the Company may realize taxable income on the future disposition of such marks.

Investment Eligibility

There can be no assurance that the Units will continue to be qualified investments for registered retirement savings plans, registered retirement income funds, deferred profit-sharing plans, registered education savings plans, registered disability savings plans or tax-free savings accounts under the Tax Act. In addition, a Unit may be a prohibited investment in respect of a registered disability savings plan, registered education savings plan, registered retirement savings plan, registered retirement income fund or tax-free savings account where, in general terms, the holder, subscriber or annuitant (as the case may be) does not deal at arm's length with the Fund or has a "significant interest" (as defined in the Tax Act) in the Fund. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments.

Internal Controls Over Financial Reporting

All internal control systems contain inherent limitations, no matter how well designed. As a result, management acknowledges that its internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of internal controls can provide only reasonable, not absolute, assurance that all internal control issues that may result in material misstatements, if any, have been detected.

Effect of Health Epidemics or Pandemics on the Fund

Health epidemics or pandemics, such as COVID-19, could have significant impacts on the Canadian economy and financial markets and cause fluctuations in the stock market which adversely affect the market price of the Units regardless of the Fund's operating performance and the performance of the A&W restaurants in the Royalty Pool. The uncertainty brought on by such health epidemics or pandemics could increase volatility in capital markets and therefore, there can be no assurance that the price of the Units will remain at current levels.

If future health epidemics or pandemics emerge, the adverse impact on the economy could deepen and result in further volatility and declines in financial markets. Moreover, it remains uncertain how the macroeconomic environment, and societal and business norms will be impacted following a pandemic. Unexpected developments in financial markets, regulatory environments, or consumer behaviour and confidence may also have adverse impacts on the Fund's financial results and condition and business operations, for a substantial period of time.

Effect of Economic Conditions on the Fund

Food Services' profitability and correspondingly, the funds available to be paid as dividends by the Company to Food Services and the Fund and available to distribute to unitholders of the Fund, are indirectly impacted by consumer discretionary spending which is influenced by general economic conditions. These economic conditions could include economic recession or changes in the rate of inflation or deflation, unemployment rates and household debt, political uncertainty, interest rates, housing and shelter costs, currency exchange rates or derivative or commodity prices, such as fuel and energy costs. A number of these conditions could impact consumer spending and, as a result, payment patterns could deteriorate or remain unpredictable due to global, national, regional or local economic volatility. Uncertain economic conditions may adversely impact demand for A&W's products and services which could adversely affect the Fund's financial performance.

Effect of International Conflict on the Fund

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes, and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in the global supply chain and financial markets. Currently, there are various factors that impact geopolitical risk and uncertainty, including but not limited to the elevated geopolitical risk exemplified by ongoing active conflicts in the Middle East, between Israel and Palestine, and in Europe, between Russia and Ukraine, as well as risks associated with China-Taiwan tensions. The imposition of strict economic sanctions by Canada, the United States, the European Union, the United Kingdom and others in response to such conflict may have a destabilizing effect on commodity prices, supply chain and global economies more broadly. Supply chain

disruptions may adversely affect the business, financial condition, and results of operations for Food Services, its franchisees and the Fund. The extent and duration of international conflicts, geopolitical tensions and related international action cannot be accurately predicted and the effects of such conflicts may magnify the impact of the other risks identified.

Pret A Manger

There can be no assurance that Food Services will open additional Pret locations within A&W restaurants, and that Food Services will be granted continuing rights to expand the Pret brand across Canada. It cannot be predicted how well Canadian consumers will receive the Pret brand or what the impact will be on overall sales in A&W restaurants (and therefore what the impact would be on royalty payments to the Fund).

DISTRIBUTIONS

Distribution Policy

The Fund intends to make monthly cash distributions of its net cash receipts, less estimated amounts required for the payment of expenses and cash redemptions of Trust Units. See “Description of the Fund – Cash Distributions”.

Historical Distributions

The following is a summary of the amount of cash distributions per Unit for the fiscal years ended December 31, 2023, 2022 and 2021.

2023		2022		2021	
February 28, 2023	\$0.160	February 28, 2022	\$0.155	February 26, 2021	\$0.100
March 31, 2023	\$0.160	March 31, 2022	\$0.155	March 31, 2021	\$0.135
April 28, 2023	\$0.160	April 29, 2022	\$0.155	April 30, 2021	\$0.135
May 31, 2023	\$0.160	May 31, 2022	\$0.155	May 31, 2021	\$0.135
June 30, 2023	\$0.160	June 30, 2022	\$0.155	June 30, 2021	\$0.135
July 31, 2023	\$0.160	July 29, 2022	\$0.155	July 30, 2021	\$0.135
August 31, 2023	\$0.160	August 31, 2022	\$0.155	August 31, 2021	\$0.150
September 29, 2023	\$0.160	September 30, 2022	\$0.155	September 30, 2021	\$0.150
October 31, 2023	\$0.160	October 31, 2022	\$0.155	October 29, 2021	\$0.150
November 30, 2023	\$0.160	November 30, 2022	\$0.160	November 30, 2021	\$0.155
December 29, 2023	\$0.160	December 30, 2022	\$0.160	December 31, 2021	\$0.155
January 31, 2024	\$0.160	January 31, 2023	\$0.160	January 31, 2022	\$0.155
				December 31, 2021 ⁽¹⁾	\$0.050
	<u>\$1.920</u>		<u>\$1.875</u>		<u>\$1.740</u>

(1) Special distribution.

MARKET FOR SECURITIES

Trading Price and Volume

The Units are listed and posted for trading on the Toronto Stock Exchange under the symbol “AW.UN”.

The following table sets forth the price ranges and volume traded for the Units on the Toronto Stock Exchange, on a monthly basis, during the financial year ended December 31, 2023.

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume Traded</u>
January	37.50	34.51	202,480
February	38.63	36.35	249,765
March	38.51	34.90	349,735
April	38.00	35.95	161,714
May	37.54	35.26	188,710
June	36.31	33.94	217,943
July	36.24	34.09	163,305
August	35.19	32.87	210,117
September	33.67	31.55	172,360
October	32.67	29.18	234,528
November	31.70	29.80	160,486
December	31.95	30.57	340,715

Prior Sales

During the financial year ended December 31, 2023, the Fund did not issue any Trust Units. On January 5, 2023, the Company issued 760,736 Non-Voting Common Shares Without Par Value at a price of \$33.90 per share in connection with the addition of new A&W restaurants to the Royalty Pool. These Common Shares, through the exercise of the Fund Exchange Rights, are convertible into 380,368 Limited Voting Units. On December 7, 2023, the Company issued 218,664 Non-Voting Common Shares Without Par Value at a price of \$33.90 per share in connection with the adjustment to the consideration for the addition of new A&W restaurants to the Royalty Pool on January 5, 2023 based on the actual sales reported by the new restaurants. These Common Shares, through the exercise of the Fund Exchange Rights, are convertible into 109,332 Limited Voting Units. On January 5, 2024, the Company issued 436,058 Non-Voting Common Shares Without Par Value at a price of \$30.48 per share in connection with the addition of new A&W restaurants to the Royalty Pool. See “General Development of the Business”. These Common Shares, through the exercise of the Fund Exchange Rights, are convertible into 218,029 Limited Voting Units.

TRUSTEES, DIRECTORS AND OFFICERS

Trustees and Officers of the Fund

The following table sets forth the name, province or state, and country of residence, position with the Fund, principal occupation during the five preceding years and period of service as a Trustee, as applicable, for each of the current Trustees and executive officers of the Fund:

Name, Province or State and Country of Residence⁽¹⁾	Position with the Fund	Principal Occupation ⁽¹⁾	Period of Service as a Trustee
KEVIN MAHONEY ⁽²⁾ ⁽³⁾ British Columbia, Canada	Trustee and Chairman	Chair of the Board, InTransit British Columbia GP Ltd. (2005 – present) Director of Universal Rail Systems Inc. (2014 – 2022) and Chairman (2018 – 2022); Lead Director of RIWI Corp. (2015 – 2022)	Since May 3, 2022
FERN GLOWINSKY ⁽²⁾ ⁽³⁾ Ontario, Canada	Trustee	President, Chief Executive Officer and Director, Haventree Bank (banking services) (2023 – present); Chair of the Board, Merrco Payments Inc. (payment processing provider) (2023 – present) President, Chief Executive Officer and Director, Merrco Payments Inc. (2018 – 2023)	Since May 4, 2021
ANDREW W DUNN ⁽²⁾ ⁽³⁾ Ontario, Canada	Trustee	Founder and Managing Partner, Canadian Shield (2014 – present); Director of DGI Geoscience, Ocean Renewable Power Corporation, (2022 – present); Directors of Creyos (2021 – present); Directors of GSDunn (2015 – present); Chair of the board, NutriPea (2018 – present); and Board of Advisers, Noveon Magnetics (2022 – present)	Since May 2, 2023
SUSAN D. SENEAL..... British Columbia, Canada	Chief Executive Officer	President and Chief Executive Officer, Food Services since 2018 President and Chief Operating Officer, Food Services from 2015 to 2018	–
KELLY A. BLANKSTEIN... British Columbia, Canada	Chief Financial Officer	Chief Financial Officer, Food Services since 2020 Controller, Cadillac Fairview Corporation Ltd 2010 – 2020	–

Name, Province or State and Country of Residence⁽¹⁾	Position with the Fund	Principal Occupation ⁽¹⁾	Period of Service as a Trustee
CATHERINE ANDERSON British Columbia, Canada	Secretary	General Counsel, Food Services since 2023; Senior Counsel, Food Services since 2019	–

(1) The information as to province or state, and country of residence and principal occupation, not being within the knowledge of the Fund, has been furnished by the respective Trustees and executive officers individually.

(2) Member of the Audit Committee

(2) Member of the Governance Committee

Each of the Trustees of the Fund holds office for a term expiring at the close of the next annual meeting of Unitholders or until their successors are appointed, unless his or her office is earlier vacated in accordance with the Declaration of Trust.

Directors and Officers of the Company

The following table sets forth the name, province or state, and country of residence, position with the Company, principal occupation during the five preceding years and period of service as a director, as applicable, for each of the current directors and executive officers of the Company:

Name, Province or State and Country of Residence⁽¹⁾	Position with the Company	Principal Occupation⁽¹⁾	Period of Service as a Director
KEVIN MAHONEY ⁽²⁾ British Columbia, Canada	Director and Chairman	Director of Universal Rail Systems Inc. (2014 – present) and Chairman (2018 – present); Lead Director of RIWI Corp. (2015 – present); Chairman of InTransit British Columbia GP Ltd. (2005 – present)	Since May 3, 2022
FERN GLOWINSKY ⁽²⁾ Ontario, Canada	Director	President, Chief Executive Officer and Director, Haventree Bank (banking services) (2023 – present); Chair of the Board, Merrco Payments Inc. (payment processing provider) (2023 – present) President, Chief Executive Officer and Director, Merrco Payments Inc. (2018 – 2023)	Since May 4, 2021
ANDREW W DUNN ⁽²⁾ Ontario, Canada	Director	Founder and Managing Partner, Canadian Shield (2014 – present); Director of DGI Geoscience, Ocean Renewable Power Corporation, (2022 – present); Directors of Creyos (2021 – present); Directors of GSDunn (2015 – present); Chair of the Board, NutriPea (2018 – present); and Board of Advisers, Noveon Magnetics	Since May 2, 2023

<u>Name, Province or State and Country of Residence⁽¹⁾</u>	<u>Position with the Company</u>	<u>Principal Occupation⁽¹⁾</u> (2022 – present)	<u>Period of Service as a Director</u>
DAVID A. MINDELL ⁽³⁾ British Columbia, Canada	Director	President, Western Corporate Enterprises Inc. (private investment company)	Since Feb. 15, 2002
PAUL F.B. HOLLANDS ⁽³⁾ ... British Columbia, Canada	Director	Chairman, Food Services (2015 – Present) Chief Executive Officer, Food Services from 2005 to 2018	Since Feb. 16, 2018
SUSAN D. SENEAL..... British Columbia, Canada	Chief Executive Officer	President and Chief Executive Officer, Food Services since 2018 President and Chief Operating Officer, Food Services from 2015 to 2018	–
KELLY A. BLANKSTEIN... British Columbia, Canada	Chief Financial Officer	Chief Financial Officer, Food Services since 2020 Controller, Cadillac Fairview Corporation Ltd 2010 – 2020	–
CATHERINE ANDERSON British Columbia, Canada	Secretary	General Counsel, Food Services since 2023; Senior Counsel, Food Services since 2019	–

- (1) The information as to province or state, and country of residence and principal occupation, not being within the knowledge of the Fund, has been furnished by the respective directors and officers individually.
- (2) Nominee of the Fund
- (3) Nominee of Food Services

Pursuant to the provisions of the Governance Agreement, the board of directors of the Company is required to consist of five individuals. Three directors are nominated by the Fund and two directors are nominated by Food Services. Food Services' entitlement to nominate directors is subject to Food Services and the Related Parties holding, directly or indirectly, at least 10% of the total of the issued and outstanding Common Shares or Units. The Fund and Food Services are required, pursuant to the Governance Agreement, to vote their Common Shares in favour of such nominees.

Each of the directors of the Company holds office until the close of the next annual meeting of the shareholders of the Company or until he or she ceases to be a director by operation of law or his or her resignation becomes effective.

Security Holdings of the Trustees, Directors and Officers

The Trustees and the directors and executive officers of the Company beneficially own, directly or indirectly, or exercise control or direction, directly or indirectly, over an aggregate of 154,184 Trust Units of the Fund, representing 0.8% of the issued and outstanding Trust Units.

Susan D. Senecal, Kelly A. Blankstein, Paul F.B. Hollands and David A. Mindell, who are directors and/or officers of the Company and/or the Fund, are also directors, officers and/or shareholders of Food Services, which

currently owns securities of the Fund, Company and Partnership that, through the exercise of the Company Exchange Rights and the Fund Exchange Rights, as applicable, are convertible into approximately 29.2% of the outstanding Trust Units, on a fully diluted basis.

Audit Committee of the Fund

The Trustees of the Fund have established an Audit Committee, which is responsible for, among other things, monitoring the Fund’s financial reporting, accounting systems, internal controls and liaising with external auditors. The members of the Audit Committee are Andrew W. Dunn, Kevin Mahoney, and Fern Glowinsky. See “Audit Committee Information”.

Governance Committee

The Trustees established a Governance Committee for the Fund on February 15, 2022. This replaced the former Governance Committee of the board of directors of the Company that had existed since 2002. Fern Glowinsky is the Chair of the Governance Committee, and both Andrew W. Dunn and Kevin Mahoney are committee members. The purpose of the Governance Committee is to monitor the governance of the Trustees and to develop methods of enhancing performance, to assess and make recommendations regarding Trustee effectiveness, and to establish a process for identifying, recruiting and recommending new Trustee candidates. The Governance Committee also develops and monitors the Fund’s approach to corporate governance issues and compliance with applicable laws, regulations, rules and policies with respect to corporate governance issues and implements and administers the system to ensure good corporate governance practices.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease Trade Orders

To the knowledge of the Trustees, no Trustee or executive officer of the Fund, or director or executive officer of the Company is, at the date hereof, or was within the ten years before the date hereof, a director, chief executive officer or chief financial officer of any company that: (i) was subject to a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of the Trustees, no Trustee or executive officer of the Fund, or director or executive officer of the Company, or Unitholder holding a sufficient number of securities of the Fund to affect materially the control of the Fund: (i) is, at the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company that, while that 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; or (ii) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold such persons assets.

Penalties or Sanctions

To the knowledge of the Trustees, no Trustee or executive officer of the Fund, or director or executive officer of the Company, or a Unitholder holding a sufficient number of securities of the Fund to affect materially the control of the Fund is at the date hereof, or has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority has entered into a settlement agreement with a

securities authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Other than disclosed herein, to the knowledge of the Trustees, there are no existing or potential material conflicts of interest among the Fund or a subsidiary of the Fund and a Trustee, director or officer of the Fund or a subsidiary of the Fund.

Susan D. Senecal, Kelly A. Blankstein, Paul F.B. Hollands and David A. Mindell, who are directors and/or officers of the Company and/or the Fund, are also directors, officers and/or shareholders of Food Services. Due to the relationship between Food Services and the Company, such persons may have conflicting interests.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Trustees are not aware of any legal proceedings or contemplated legal proceedings to which the Fund or its subsidiaries is or were a party to, or that any of the Fund's or a subsidiary's property is or was the subject, during the Fund's financial year ended December 31, 2023. In addition, the Trustees are not aware of any penalties or sanctions imposed against the Fund or the Fund's subsidiaries by a court relating to securities legislation or by a securities regulatory authority during the Funds' financial year ended December 31, 2023, or any other penalties or sanctions imposed by a court or regulatory body against the Fund or Fund's subsidiaries that would likely be considered important to a reasonable investor in making an investment decision, and the Fund and Fund's subsidiaries have not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the Fund's financial year ended December 31, 2023.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

MATERIAL CONTRACTS

The only contracts entered into by the Fund, the Company or the Partnership, other than in the ordinary course of business and not required by applicable securities law to be filed with a securities regulatory authority in Canada, that are material to the Fund and that were entered into within the most recently completed financial year, or before the most recently completed financial year but are still in effect, are as follows:

- (a) the Licence and Royalty Agreement and General Security Agreement referred to under "Licence and Royalty";
- (b) the facility letter for the Term Loan, the Operating Loan and interest rate swaps referred to under "Share and Loan Capital of the Company – Credit Facilities";
- (c) the Governance Agreement referred to under "Corporate Governance of the Company and the Partnership";
- (d) the indemnity for taxes under Part VI.1 of the Tax Act referred to under "Risk Factors – Risks and Uncertainties Related to the Structure of the Fund – Income Tax Matters";
- (e) the Exchange Agreement and Registration Rights Agreement referred to under "Share and Loan Capital of the Company";
- (f) the Declaration of Trust and Administration Agreement referred to under "Description of the Fund";
- (g) the Partnership Agreement referred to under "Description of the Partnership"; and

- (h) the Services Agreement referred to under “Description of the Fund – Fund Administration”.

This Annual Information Form includes summaries of certain material terms of the above noted material contracts, which summaries do not purport to be complete and are subject to, and qualified in their entirety by, the full text of such agreements, copies of which are available under the Fund’s profile at www.sedarplus.ca.

INTEREST OF EXPERTS

PricewaterhouseCoopers LLP, Chartered Professional Accountants, is the external auditor of the Fund and has prepared the Auditors’ Report to the Unitholders dated February 27, 2024, with respect to the financial statements of the Fund for the years ended December 31, 2023 and December 31, 2022. As of February 27, 2024, PricewaterhouseCoopers LLP was independent from the Fund within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, is the external auditor of Food Services and has prepared the Auditors’ Report to the shareholders of Food Services dated February 27, 2024, with respect to the financial statements of Food Services for the 52-week period ended December 31, 2023 and 52-week period January 1, 2023. As of February 27, 2024, PricewaterhouseCoopers LLP, Chartered Professional Accountants, was independent from Food Services within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than the transactions with Food Services described herein and those transactions with Food Services disclosed in notes 14 and 17 to the Fund’s 2023 and 2022 consolidated financial statements and notes 12 and 15 to the Fund’s 2021 consolidated financial statements (including, in each case, the indirect interests of certain executive officers of the Fund and directors and executive officers of the Company in Food Services), there have been no transactions during the Fund’s three most recently completed financial years with directors or senior officers of the Fund, or any person that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of the Fund’s voting securities, that, in each case, has materially affected or is reasonably expected to materially affect the Fund.

AUDIT COMMITTEE INFORMATION

Charter of the Audit Committee

The terms of reference of the Audit Committee of the Fund are attached as Schedule A to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee of the Fund presently consists of Andrew W. Dunn (Chair), Kevin Mahoney, Fern Glowinsky.

Each member of the audit committee of the Fund is independent and financially literate, as such terms are defined in *National Instrument 52-110 – Audit Committees*.

Relevant Education and Experience

The education and experience of each Audit Committee member of the Fund that is relevant to the performance of his responsibilities as an Audit Committee member is described below:

Andrew W Dunn

Andrew W. Dunn is the Founder and Managing Partner at Canadian Shield Capital, a growth equity investment boutique focused on energy transition, food and water supply, and smart industrial businesses. Mr. Dunn is a member of the Board of Directors of DGI Geoscience, Ocean Renewable Power Corporation, Creyos, and GS Dunn. He is also Chair of the Board of Directors for NutriPea and a member of the Board of Advisers for

Noveon Magnetics. Mr. Dunn is currently the Chair of the McMichael Canadian Art Foundation and is the past Chair of the McMichael Canadian Art Collection. Mr. Dunn is a former member of the Board of Directors of Hatch, Right Health/Akira, NSC Minerals and of Aquila Resources, for which he was also Chair of the Audit Committee. Mr. Dunn was a Co-Founder, Managing Partner and Chief Operating Officer with Altas Partner and has held numerous philanthropic roles including serving as Chair of the Audit Committees of the Childrens' Aid Foundation of Canada and Upper Canada College Foundation. Mr. Dunn was the Managing Partner, Tax for Deloitte Canada, where he also served as the Chair of the Client Cabinet and Vice-Chair of the firm. Mr. Dunn has a Bachelor of Arts and Masters of Accounting, Taxation from the University of Waterloo, and holds the Fellow of Chartered Professional Accountants, Fellow Chartered Accountant, and Certified Management Accountant designations. Mr. Dunn has supervised individuals engaged in preparing, analyzing and evaluating financial statements. This experience provides Mr. Dunn with an understanding of accounting principles, an ability to assess the general application of accounting principles in connection with accounting for estimates, accruals and provisions, and an understanding of internal controls and procedures for financial reporting. Mr. Dunn is the Chair of the Audit Committee.

Kevin Mahoney

Kevin Mahoney is the Chair of the board for InTransit British Columbia GP Ltd. Mr. Mahoney previously served as the Lead Director for RIWI Corp and as the Chair of the Board of Universal Rail Systems Inc., Delta Hotels & Resorts, SilverBirch Hotels & Resorts and BC Transit. Mr. Mahoney formerly held senior executive positions in a number of companies including serving as President and Chief Executive Officer of the British Columbia Railway Company, Senior Vice President, Industrial Components for Wajax Limited and Vice President and General Manager, Customer Services for the Saskatchewan Power Corporation. Mr. Mahoney holds a Bachelor of Administration, Personnel/Industrial Relations degree from Lakehead University. Mr. Mahoney has supervised individuals engaged in preparing, analyzing and evaluating financial statements. This experience provides Mr. Mahoney with an understanding of accounting principles, an ability to assess the general application of accounting principles in connection with accounting for estimates, accruals and provisions, and an understanding of internal controls and procedures for financial reporting.

Fern Glowinsky

Fern Glowinsky is President, Chief Executive Officer and Director of Haventree Bank, a privately owned Schedule 1 bank seeking to provide financial security and upward mobility to Canadians. Ms. Glowinsky is also the Chair of the Board of Directors of Merrco Payments Inc., a payment processing provider that develops and delivers technology, financial services and innovative payment solutions tailored to the cannabis industry. Ms. Glowinsky was formerly President and Chief Executive Officer of Merrco, and former Chief Executive Officer and a Director of Cliffside Capital, investing in the alternative lending sector. Ms. Glowinsky spent 15 years with Moneris, an RBC and BMO joint venture, in senior executive roles, including Chief Operations Officer. Ms. Glowinsky holds the ICD.D designation and serves on the Boards of Baycrest Foundation and Baycrest Academy, formerly serving on the Board of Sinai Health Foundation. Ms. Glowinsky is a graduate of the MBA/JD program at the Schulich School of Business and Osgoode Hall Law School, and earned a Bachelor of Arts (Economics) degree from Western University. She began her career practicing law at Torys LLP, having been called to the Bar in Ontario. Ms. Glowinsky's experience and education provide her with an understanding of accounting principles, an ability to assess the general application of accounting principles in connection with accounting for estimates, accruals and provisions, and an understanding of internal controls and procedures for financial reporting. Ms. Glowinsky is the Chair of the Governance Committee.

Prior Approval Policies and Procedures

The Audit Committee of the Fund must pre-approve all non-audit services to be provided to the Fund or its subsidiaries by the Fund’s external auditor, other than non-audit services where:

- (a) the aggregate amount of all such non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Fund and its subsidiaries to the Fund’s external auditor during the fiscal year in which the services are provided;
- (b) the Fund or its subsidiary, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- (c) the services are promptly brought to the attention of the Audit Committee of the Fund and approved, prior to the completion of the audit, by the Audit Committee of the Fund or by one or more of its members to whom authority to grant such approvals had been delegated by the Audit Committee of the Fund.

External Auditor Service Fees (by category)

The following table sets forth, by category, the fees billed by PricewaterhouseCoopers LLP, Chartered Professional Accountants, the Fund’s auditors, for the years ended December 31, 2023 and 2022:

Fee category	Fees Paid	
	2023	2022
Audit fees	\$140,838	\$136,647
Audit-related fees	\$6,420	\$5,885
Tax fees	\$30,923	\$21,400
Total	\$178,181	\$163,932

“**Audit fees**” include all fees paid to PricewaterhouseCoopers LLP, Chartered Professional Accountants, for the audit of the Fund’s and the Company’s annual financial statements, review of the interim financial statements and other services in connection with regulatory filings.

“**Audit-related fees**” include all fees paid to PricewaterhouseCoopers LLP, Chartered Professional Accountants, related to amendments to the Royalty Pool.

“**Tax fees**” include all fees paid to PricewaterhouseCoopers LLP, Chartered Professional Accountants, for tax compliance and tax planning.

ADDITIONAL INFORMATION

Additional information relating to the Fund may be found under the Fund’s profile on SEDAR+ at www.sedarplus.ca. Additional information, including Trustees’, directors’ and officers’ remuneration and indebtedness, principal holders of the Fund’s securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in the Fund’s information circular for the most recent annual meeting of Unitholders that involves the election of Trustees. Additional financial information is provided in the Fund’s and the Company’s audited financial statements and management’s discussion and analysis for the Fund’s most recently completed financial year.

SCHEDULE A

TERMS OF REFERENCE AUDIT COMMITTEE

A&W REVENUE ROYALTIES INCOME FUND (the “Fund”)

A. PURPOSE

The Audit Committee (the “Committee”) of the Fund is a standing committee of the trustees. The Committee is responsible for the oversight and supervision of the Fund’s accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of the Fund’s financial statements. In addition, the Committee is responsible for directing the auditors’ examination of specific areas and for the selection of the independent auditors. The Committee also reviews all public disclosure of financial information and ensures compliance with legal reporting requirements.

B. COMPOSITION AND TERMS OF OFFICE

Following each annual meeting of the Fund, members of the Committee will be appointed by the trustees and will serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority of the trustees.

In performing its functions, the Committee must comply with the requirements of applicable legislation, regulations and the rules of the Toronto Stock Exchange, which includes National Instrument 52-110 – *Audit Committees* (“NI 52-110”), as may be amended from time to time. Nothing herein is intended to expand, or will result in the expansion of, applicable standards of liability under the Amended and Restated Declaration of Trust of the Fund dated May 1, 2018, or applicable legal requirements.

The Committee is comprised of the minimum number of persons required under NI 52-110, as amended from time to time. Each member of the Committee satisfies the independence and financial literacy requirements prescribed by NI 52-110, which includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the financial statements of the Fund.

C. THE CHAIR OF THE COMMITTEE

Unless the trustees elect a Chair of the Committee, the members of the Committee will appoint a Chair by the majority vote of the full Committee membership.

The Chair of the Committee will:

- (a) not be an officer or employee of the Fund or a director of A&W Food Services of Canada Inc. (“Food Services”);
- (b) call and conduct the meetings of the Committee;
- (c) in the case of an equality of votes, not have a second casting vote;
- (d) prepare and forward to members of the Committee the agenda for each meeting of the Committee, and include, in the agenda, any items proposed for inclusion in the agenda by any member of the Committee;

- (e) review with the Chief Financial Officer (“CFO”) and the auditors for the Fund any matters referred to the Chair by the CFO or the auditors of the Fund; and
- (f) act in a manner ensuring that the Committee meetings are conducted in an efficient, effective and focused manner.

D. MEETINGS

As part of its goal to foster open communication, the Committee will:

- (a) meet at least quarterly or more frequently as deemed necessary by the Chair of the Committee or as requested by any member of the Committee, or by the external auditors;
- (b) meet with the Chief Executive Officer and CFO of the Fund, certain employees of Food Services, the provider of administrative services to the Fund (all such persons collectively, “Management”) and the external auditors periodically in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately; and
- (c) meet with the external auditors and Management quarterly to review the Fund’s financial statements in a manner consistent with that outlined in these Terms.

The Secretary of the Fund will also act as Secretary of the Committee unless the Committee approves the appointment of another individual to act as its Secretary. The Secretary will be responsible for taking minutes at Committee meetings.

In order to carry out its responsibilities as outlined in these Terms, the Committee may:

- (a) invite to its meetings, any trustees, Management, directors of A&W Trade Marks Inc., directors of Food Services and such other persons as it deems appropriate in order to carry out its responsibilities;
- (b) meet privately with counsel of its choosing and the CFO of the Fund, as necessary; and
- (c) exclude from its meetings any persons it deems appropriate.

A majority of the Committee members, but not less than two, will constitute a quorum. A majority of members present at any meeting at which a quorum is present may act on behalf of the Committee. Matters arising at any meetings will be determined by a majority of votes of the Committee members present. The Committee may meet by telephone or videoconference and may take action by unanimous written consent with respect to matters that may be acted upon without a formal meeting.

The Committee will:

- (a) maintain minutes or other records of meetings and activities of the Committee; and
- (b) make all supporting schedules and information reviewed by the Committee available for examination by any trustee upon request to the secretary of the Committee.

Notice of the time and place of every meeting will be given by email to each member of the Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

E. RESPONSIBILITIES, DUTIES, AUTHORITY

The following functions will be the common recurring activities of the Committee in carrying out its responsibilities outlined in these Terms. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legal, regulatory and other conditions. The Committee will also carry out any other responsibilities and duties delegated to it by the trustees from time to time related to the purposes of this Committee outlined in these Terms.

The Committee in discharging its oversight role, is empowered to investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee and each member of the Committee will have the authority to retain outside counsel, accounting, or other advisors for this purpose, including authority to approve the fees payable to such advisors and other terms of retention. In addition, the Committee will have the authority to communicate directly with external auditors of the Fund.

The Committee will be given full access to Management, the trustees, and to external auditors, as necessary, to carry out these responsibilities. While acting within the scope of this stated purpose, the Committee will have all the authority of the trustees.

In addition, the Committee will encourage continuous improvement of, and foster adherence to, the Fund's financial policies, procedures and practices at all levels in the organization; and provide an avenue of communication among the external auditors, Management and the trustees.

Absent actual knowledge to the contrary, each member of the Committee will be entitled to rely on (i) the integrity of those persons or organizations within and outside the Fund from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations, and (iii) representations made by Management and the external auditors, as to any information technology, internal audit and other non-audit services provided by the external auditors to the Fund.

For so long as the Audit Committee is composed of all trustees of the Fund, the trustees delegate to the Audit Committee authority to approve all matters referred to herein as being subject to approval by the trustees.

DOCUMENT REPORTS/REVIEWS

Annual Financial Statements

1. The Committee will review with Management and the external auditors, both together and separately, prior to public dissemination:
 - (a) the annual audited consolidated financial statements of the Fund;
 - (b) the external auditor's review of the annual consolidated financial statements and their report;
 - (c) the annual financial statements of Food Services, to ensure consistency with the information presented in the Fund's annual audited consolidated financial statements;
 - (d) any significant changes that were required in the external audit plan;
 - (e) any significant issues raised with Management during the course of the audit, including any restrictions on the scope of activities or access to information; and
 - (f) those matters related to the conduct of the audit that are required to be discussed under generally accepted auditing standards applicable to the Fund.

Following completion of the matters contemplated above, the Committee will make a recommendation to the trustees with respect to the approval of the annual financial statements with such changes contemplated and further recommended, as the Committee considers necessary.

Interim Financial Statements

2. The Committee will review with Management and the external auditors, both together and separately, prior to public dissemination, the interim unaudited consolidated financial statements of the Fund, including to the extent considered necessary by the Committee, a discussion with the external auditors of those matters required to be discussed under generally accepted auditing standards applicable to the Fund. The interim unaudited financial statements of Food Services will also be reviewed to ensure consistency with the information presented in the Fund’s interim unaudited consolidated financial statements.

Management’s Discussion and Analysis

3. The Committee will review with Management and the external auditors, both together and separately prior to public dissemination, the annual and interim Management’s Discussion and Analysis (“MD&A”) of the Fund.

Approval of Annual MD&A, Interim Financial Statements and Interim MD&A

4. The Committee will approve the annual MD&A with such changes contemplated and further recommended by the Committee as the Committee considers necessary. In addition, the Committee will approve, prior to public dissemination, the interim financial statements and interim MD&A of the Fund, if the trustees have delegated such function to the Committee. If the Committee is not composed of all the trustees, the Committee will make a recommendation to the trustees with respect to the approval of the interim financial statements and annual and interim MD&A with such changes contemplated and further recommended as the Committee considers necessary.

Press Releases

5. The Committee will review with Management, prior to public dissemination, the annual and interim earnings press releases (paying particular attention to the use of any “pro forma” or “adjusted non-IFRS” information) as well as financial information and earnings guidance provided to analysts and rating agencies, if any.

Reports and Regulatory Returns

6. The Committee will review and discuss with Management, and the external auditors to the extent the Committee deems appropriate, such reports and regulatory returns of the Fund as maybe specified by law.

Other Financial Information

7. The Committee will review, independently and with Management and the external auditors, the financial information of the Fund included in any prospectus, annual information form, information circular, or other document prior to its filing, issue or publication. If the Committee is not composed of all the trustees, the Committee will make a recommendation to the trustees with respect to the approval of such prospectus, annual information form or information circular with such changes contemplated and further recommended as the Committee considers necessary.

Financial Reporting Processes

Establishment and Assessment of Procedures

8. The Committee will satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements of the Fund and assess the adequacy of these procedures at such intervals determined to be appropriate by the Committee.
9. The Committee will satisfy itself that disclosure controls and procedures and internal controls over financial reporting are in place and maintained for the Fund to provide reasonable assurance that all relevant information is gathered and reported to Management on a timely basis so that appropriate decisions can be made regarding public disclosures and all public disclosures are complete and fairly presented.

Application of IFRS

10. The Committee will assure itself that the external auditors are satisfied that the accounting estimates and judgements made by Management, and their selection of accounting principles reflect an appropriate application of International Financial Reporting Standards (“IFRS”).

Practices and Policies

11. The Committee will review with Management and the external auditors, together and separately, the principal accounting practices and policies of the Fund.

External Auditors

Oversight and Responsibility

12. The Committee will, if the Committee is not composed of all trustees, recommend to the trustees the external auditor nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Fund, and the compensation of the external auditor.
13. The Committee will oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between Management and the external auditors regarding financial reporting.

Reporting

14. The external auditors will report directly to the Committee and are ultimately accountable to the Committee.

Performance and Review

15. The Committee will annually review the performance of the external auditors and recommend to the unitholders the appointment of the external auditors or approve any discharge of the external auditors when circumstances warrant, for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Fund.

Annual Audit Plan

16. The Committee will review with the external auditors and Management, together and separately, the overall scope of the annual audit plan and the resources the external auditors will devote to the audit. The Committee will annually review and approve the fees to be paid to the external auditors with respect to the annual audit.

Non-Audit Services

17. “Non-audit services” means all services performed by the external auditors other than audit services. The Committee will pre-approve all non-audit services to be provided to the Fund by the Fund’s external auditor and permit all non-audit services, where:
- (a) the aggregate amount of all such non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the Fund and its subsidiary entities to the Fund’s external auditor during the fiscal year in which the services are provided;
 - (b) the Fund did not recognize the services as non-audit services at the time of the engagement; and
 - (c) the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals had been delegated by the Committee.
18. The Committee may delegate to one or more members of the Committee the authority to grant such pre-approvals for non-audited services. The decisions of such member(s) regarding approval of non-audit services will be reported by such member(s) to the full Committee at its first scheduled meeting following such pre-approval.
19. The Committee will adopt specific policies and procedures for the engagement of the non-audit services if:
- (a) the pre-approval policies and procedures are detailed as to the particular services;
 - (b) the Committee is informed of each non-audit service; and
 - (c) the procedures do not include delegation of the Committee’s responsibilities to Management.

Independence Review

20. The Committee will review and assess the qualifications, performance and independence of the external auditors, including the requirements relating to such independence of the law governing the Fund. At least annually, the Committee will receive from and review with the external auditors, their written statement delineating all relationships with the Fund and, if necessary, recommend that the trustees take appropriate action to satisfy itself of the external auditors’ independence and accountability to the Committee.

Reports to Board of Trustees

Reports

21. The Committee will consider and, if the Committee is not composed of all the trustees, in addition to such specific reports contemplated elsewhere in these Terms, the Committee will report regularly to the trustees regarding such matters, including:
- (a) with respect to any issues that arise with respect to the quality or integrity of the financial statements of the Fund, compliance with legal or regulatory requirements by the Fund, or the performance and independence of the external auditors of the Fund;
 - (b) the results of meetings of and recommendations by the Committee; and
 - (c) with respect to such other matters as are relevant to the Committee’s discharge of its responsibilities.

Any report to the trustees may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make such report.

Recommendations

22. In addition, to such specific recommendations contemplated elsewhere in these Terms, the Committee will provide such recommendations as the Committee may deem appropriate.

Whistle Blowing

Procedures

23. The Committee will establish procedures for:
- (a) the receipt, retention and treatment of complaints received by the Fund regarding questionable accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by individuals of concerns regarding questionable accounting or auditing matters.

Notice to Employees

24. To comply with the above, the Committee will ensure the Fund advises all employees of Food Services, by a written or electronic notice, that any employee who reasonably believes that questionable accounting, internal accounting controls, or auditing matters have been employed by the Fund is strongly encouraged to report such concerns by way of communication directly to the Chair. Matters referred may be done so anonymously and in confidence.

The Fund will ensure that Food Services will not take or allow any reprisal against any employee for, in good faith, reporting questionable accounting, internal accounting controls, or auditing matters. Any such reprisal will itself be considered a very serious breach of this policy.

All reported violations will be investigated by the Committee following rules of procedure and process as will be recommended by outside counsel.

General

Access to Counsel

25. The Committee will review, periodically, with outside counsel of its choosing, any legal matter that could have a significant impact on the financial statements, the Fund's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

General

26. The Committee will perform such other duties and exercise such powers as may, from time to time, be assigned or vested in the Committee by the trustees, and such other functions as may be required of an audit committee by law, regulations or applicable stock exchange rules.

F. AGENDA

29. Attached to these Terms of Reference is the Forward Agenda for the Committee, which may be adjusted by the Committee members as the Committee members determine is necessary.

A & W REVENUE ROYALTIES INCOME FUND

Audit Committee Forward Agenda

Meeting Timing	February	May	July	October
<i>Agenda Item</i>				
A. Governance				
(i) Review any new appointments by Food Services to senior positions with financial reporting responsibilities	X	X	X	X
B. Financial Reporting Control Systems				
(i) Review any reports from Management outlining changes in financial reporting risks	X	X	X	X
(ii) Review management letter of external auditor and Management's responses to suggestions made	X			
(iii) Obtain assurance from external auditors regarding the overall control environment and the adequacy of accounting system controls	X	X	X	X
(iv) Review financial statement certification process and internal controls over financial reporting			X	
(vi) Receive and review external auditors report	X	X	X	X
B. Interim Financial Statements				
(i) Review interim financial statements prior to their release and recommend their approval to the trustees	X	X	X	X
(ii) Review MD&A and associated press releases accompanying interim financial statements	X	X	X	X
C. Annual Financial Statements and Other Financial Information				
(i) Review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements	X	X	X	X

Meeting Timing	February	May	July	October
<i>Agenda Item</i>				
(ii) Obtain summaries of any significant transactions, and other potentially difficult matters whose treatment in the annual financial statements merits advance consideration	X	X	X	X
(iii) Obtain draft annual financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analysis provided by Management	X			
(iv) Discuss the annual financial statements and the auditors' report thereon in detail with Management and the auditors	X			
(v) Review critical accounting policies, alternative treatments of financial information and material communication between Management and external auditors	X	X	X	X
(vi) Review the annual report and other annual continuous disclosure documents, including MD&A and earnings press release	X			
(vii) Provide to trustees a recommendation as to whether the annual financial statements should be approved	X			
D. External Audit Terms of Reference, Reports, Planning and Appointment				
(i) Review the audit plan with the external auditors				X
(ii) Discuss in private with the external auditors matters affecting the conduct of their audit and other matters	X	X	X	X
(iv) Review the performance of the external auditors and recommend their retention or replacement. If there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition	X			
(v) Assess independence of external auditors. Ensure rotation of lead or coordinating audit partner having primary responsibility for the audit as required by law	X			
(vi) Review and approve engagement of external auditors for non-audit services	X	X	X	X

Meeting Timing	February	May	July	October
<i>Agenda Item</i>				
(vii) Review and recommend for approval to the trustees the terms of engagement and the remuneration of the external auditor	X			
E. Material Disclosure Documents				
(i) Review the contents of any material disclosure document prior to their release and recommend their approval to the trustees	X	X	X	X
