

# SIR Royalty Income Fund

June 1, 2021

Dear fellow SIR Royalty Income Fund Investors,

An important decision is at hand regarding your investment in SIR Royalty Income Fund (the “**Fund**”). First, though, let me give you some background information.

COVID-19 has affected the Canadian dine-in restaurant industry harshly. In particular, with SIR Corp. (“**SIR Corp.**” or the “**Corporation**”) being largely concentrated in Ontario, which has had no in-person dining for many months (and where outdoor patio dining has also been severely restricted or closed, including in our primary Toronto market), and given our format and menu, we have been affected worse than most restaurant chains.

As a result, after years and years of generally steadily rising distributions, the Fund’s last distribution was in March, 2020. Since that time, SIR Corp. has been fighting to survive, with the support of the Corporation’s lenders and landlords and with the help of the Fund. The Fund’s trustees realized early on that it was in the best interests of the Fund and its investors to seek to ensure the continued viability of SIR Corp.

The Fund’s royalty and other entitlements have always been subordinated to obligations owed by SIR Corp. to its lender. As a result, as the Corporation was not earning material revenues, it was not able to make royalty payments to the Fund. The Fund therefore deferred, but did not forgive, those payment obligations, in order to seek to ensure the long-term survival of SIR Corp.

With the vaccine rollout now well advanced and the economic outlook improving, SIR Corp.’s senior lender has approved a plan for the Fund to resume receiving royalty payments on current sales and a framework for the Fund to subsequently fully receive deferred royalty payments by mid-July 2022. The necessary agreements, which are expected to enable the Fund to re-commence distributions in the near future, have been executed. Distributions are expected to be modest at first and increase over time.

The key details are as follows:

- The Corporation’s credit facilities have been extended until July 6, 2022, with appropriate adjustments to its covenants.
- Royalty payments on current sales to the Fund are to recommence effective July 7, 2021.
- The Corporation will be entitled to begin repaying deferred royalty payments under the condition that at least 25 restaurants have, for six consecutive weeks, been allowed the use of at least 50 indoor dining seats and the use of their patios (with social distancing). The repayments, which on a net basis amount to approximately \$4.8 million as of May 9, 2021, are expected to be made in equal monthly installments such that the deferred amounts are targeted, absent any defaults occurring, to be fully repaid by the credit facility maturity date of July 6, 2022.

On May 22, 2021, the Ontario government announced a province-wide “Roadmap to Reopen.” The three-step plan allows restaurants to reopen for outdoor dining in Step 1 (estimated to start in the week of June 14, 2021) and allows indoor dining in Step 3 (estimated to begin in early August, 2021). These dates may be realized sooner (or potentially later) than estimated. However, a minimum 21-

day period has been mandated between each step of the plan. While the province has yet to formally outline all operating guidelines for restaurants, and while the reopening plans may change, physical distancing measures and capacity limits are expected to remain in effect through each step.

As well, SIR Corp. is very hopeful that the pent-up demand will lead to robust revenues in its restaurants.

The Fund's trustees have worked diligently to help the Fund and SIR Corp. through this difficult time. Now is not the time for a wholesale change, but for continued leadership by experienced trustees who understand the complexities of the Fund's structure and who have an appropriate appreciation for SIR Corp.'s business.

Lembit Janes has proposed that his three (3) nominees (the "**Janes' Nominees**") fully replace the Fund's three (3) current independent trustees. In addition, he has improperly besmirched the incumbents' integrity and independence. Replacing them with his three (3) nominees would give him full control of the Fund, while only holding approximately 16% of the Fund's equity and voting rights.

In fact, he made a partial offer (or mini-tender) on January 27, 2021 to acquire up to 825,000 units at a price of \$4.25 per unit (which was subsequently increased on February 5, 2021 to \$4.75 per unit). However, he only acquired 322,688 units, less than half of the number he was seeking. He later announced that he had purchased an additional 111,600 Fund units in the market at an average price of \$6.26 each. In addition, on May 10, 2021, he reported that he had acquired a further 46,800 units. His offer materials, press releases and legally required early warning report made no mention of any intention to subsequently seek control of the Fund, which we believe to be a material omission. In addition, he should likely not have been buying units in the market while SIR Corp. was seeking to negotiate a settlement with him.

Both the Fund's trustees and SIR Corp. believe that, it would be reasonable for Mr. Janes, as a significant Unitholder, to be represented on the board of trustees of the Fund (the "**Board of Trustees**") should he wish to be so represented. However, they do not believe that it would be appropriate or reasonable for him to take control of the Board of Trustees by replacing all of the independent trustees with the Janes' Nominees.

Mr. Janes is the holder of approximately 16% of the voting units (including SIR Corp.'s Class A GP units) of the Fund. Accordingly, the Fund believes that he should be entitled to nominate a number of persons for trustee positions that is proportionate to his holdings. SIR Corp. attempted to negotiate a settlement to the effect that Mr. Janes would be offered 2 of 7 nominees, as would SIR Corp., and that the balance of the nominees would be made up of independent persons approved by a majority of the independent trustees, including new trustees with increased diversity. Mr. Janes did not accept this proposed settlement offer.

There are a number of reasons for the trustees' conclusion that Mr. Janes should not be given control of the Fund, including the following:

- On several occasions, Mr. Janes has expressed his willingness to work with the current independent trustees of the Fund and stated that he intended to formally engage with them. However, he has to date made no real effort to do so, and he seems to simply want to assume control of the Fund.
- While the Board of Trustees renewal process has been slowed down by COVID-19, the Board of Trustees is committed to both refreshment and increased diversity.

- Given his ownership position, it appears that Mr. Janes may not be considered independent for audit committee purposes if he was to take control of the Board of Trustees in the manner he has proposed.
- Mr. Janes' press releases have failed to accurately describe the circumstances facing the Fund and SIR Corp., including the impact of COVID-19 on SIR Corp. and the obligations owed by the Fund and the Corporation to SIR Corp.'s bank lender. It could be that he has failed to understand the situation properly.
- The relationship with SIR Corp.'s bank and landlords is delicate, and both the Fund's trustees and SIR Corp. believe that it is imperative at this time to maintain a level of continuity in the Fund's independent trustees, who have a wealth of knowledge as to how the Fund's complex structure works, as well as experience in dealing with SIR Corp.'s bank lender. Both SIR Corp. and the Fund believe that it is in the best interests of the Fund to enable SIR Corp. to recover so as to be in a position to catch up on its deferred obligations and resume current payments as soon as practicable (in fact, everything that they have done since the start of the pandemic has been directed to that end).
- Mr. Janes appears willing to play "hardball" with the bank, and in fact requested that no agreements be entered into with the bank until after the unitholders' meeting. Given that the current credit facility expires on July 6, 2021, that would leave virtually no time for new trustees to get up to speed and reach an agreement. The Fund and SIR Corp. consider this to be a very dangerous and ill-informed approach to the situation. It is not clear what Mr. Janes' end goal is, but he appears to be willing to risk the business of SIR Corp. and the Fund. Despite this, SIR Corp. has advised Mr. Janes that it would be pleased to consider any reasonable suggestions that he may wish to make regarding the recommencement of royalty payments and the catch-up of deferred royalty payment obligations, having regard to both the need to seek to ensure that SIR Corp. will remain viable and the senior lender's position. No suggestions have been made to date by Mr. Janes.
- Mr. Janes has a demonstrated history of litigiousness and disruption which, coupled with his actions in respect of the Fund, leaves his true intentions in serious doubt, and may make him a poor choice to be a trustee, let alone to take control of the Board of Trustees, especially at this sensitive time.
- An agreement with the bank has now been reached, with royalty payments and distributions anticipated to resume shortly, and now is not the time to transfer full control of the Fund to Mr. Janes.

Accordingly, the Fund is proposing to increase the size of the Board of Trustees so as to facilitate board representation for Mr. Janes, but not control by Mr. Janes. However, the trustees recommend that you **WITHHOLD** your vote for each of Mr. Janes, Mr. Dewis and Mr. Fisher as trustees, as they are unclear as to Mr. Janes' real motivations. The current trustees are willing to work with him and the Janes' Nominees, should they be elected, to continue to act in the best interests of the Fund and its investors.

**Please vote your GOLD proxy in favour of the Fund's nominees. You may vote "FOR" up to nine (9) of the ten (10) nominees listed for election as trustees in total.**

**If you wish that a person other than the management nominees identified on the GOLD proxy or voting instruction form be able to attend and participate at the meeting as your proxy and vote your units, including if you are a beneficial unitholder and wish to appoint yourself as**

proxyholder to attend, participate and vote at the meeting, you **MUST** register such proxyholder, after having submitted your proxy or voting instruction form, and identify such proxyholder.

Failure to register the proxyholder will result in the proxyholder not being able to vote your units at the meeting. Voting will be solely by ballot.

To register a proxyholder, unitholders **MUST** visit [www.computershare.com/SIR](http://www.computershare.com/SIR) and provide Computershare with their proxyholder's contact information (including e-mail address), so that Computershare may provide the proxyholder with a ballot for use at the Meeting. Pursuant to the Declaration of Trust of the Fund, the Trustees have adopted rules for the Meeting, including to permit ballots to be deposited in advance by e-mail or otherwise.

The situation facing the Fund is important, and we look forward to all investors voting.

If you have any questions or require assistance with voting your units, please contact Carson Proxy: Toll Free Phone: 1-800-530-5189; Local (Collect outside North America): 416-751-2066; or Email: [info@carsonproxy.com](mailto:info@carsonproxy.com).

Sincerely,

(signed) "*John McLaughlin*"

John McLaughlin, Chair of the Board of Trustees and Independent Trustee of the Fund

(signed) "*Peter Fowler*"

Peter Fowler, Chief Executive Officer of SIR Corp. and Trustee of the Fund

# **SIR ROYALTY INCOME FUND**

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**NOTICE OF ANNUAL GENERAL MEETING OF UNITHOLDERS  
AND  
MANAGEMENT INFORMATION CIRCULAR**

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**ANNUAL GENERAL MEETING**

**June 29, 2021**



5360 South Service Road, Suite 200  
Burlington, Ontario  
L7L 5L1

**SIR ROYALTY INCOME FUND  
NOTICE OF ANNUAL GENERAL MEETING OF UNITHOLDERS**

**NOTICE IS HEREBY GIVEN** that the annual general meeting of the holders (the “**Unitholders**”) of trust units (including the class A GP units of SIR Royalty Limited Partnership, the “**Units**”) of SIR Royalty Income Fund (the “**Fund**”) will be held at **4:00 p.m. (Toronto time) on Tuesday, June 29, 2021** at SIR Corp., 5360 South Service Road, Suite 200, Burlington, Ontario (or any adjournment or postponement thereof, the “**Meeting**”).

**In light of the ongoing public health concerns related to COVID-19 and in order to comply with the measures imposed by the federal and provincial governments and social distancing protocols, the Fund is encouraging Unitholders and others not to attend the meeting in person. NO FOOD OR DRINK WILL BE OFFERED AT THE MEETING.** The Fund is offering its Unitholders the option to listen and participate (but not vote) at the Meeting in real time by conference call or webcast at the following coordinates:

**Conference Call:** 416-764-8659, or toll free 1-888-664-6392

**Webcast Link:**

[https://produceredition.webcasts.com/starthere.jsp?ei=1467193&tp\\_key=4e9aa45aa5](https://produceredition.webcasts.com/starthere.jsp?ei=1467193&tp_key=4e9aa45aa5)

**Or go to:** [www.sircorp.com/sir-royalty-income-fund/presentations](http://www.sircorp.com/sir-royalty-income-fund/presentations)

Unitholders can email any questions they may have for the board of trustees of the Fund (the “**Board of Trustees**”) and Officers of SIR Corp. in advance of the Meeting to [ir@sircorp.com](mailto:ir@sircorp.com).

The Meeting will be held for the following purposes:

- (a) to receive the consolidated financial statements of the Fund for the year ended December 31, 2020 and the report of the auditors thereon;
- (b) to appoint auditors for the ensuing year and to authorize the Board of Trustees to fix the remuneration to be paid to the auditors;
- (c) to elect the members of the Board of Trustees for the ensuing year; and
- (d) to transact such other business as may properly come before the Meeting and any and all adjournments or postponements thereof.

The accompanying management information circular (the “**Circular**”) provides additional information relating to matters to be dealt with at the Meeting and forms part of this notice. The consolidated financial statements for the period ended December 31, 2020 and the report of the auditors thereon are included in the Fund’s annual report.

We are holding the Meeting via teleconference and webcast due to the current coronavirus (COVID-19) outbreak. In light of the rapidly evolving news and guidelines related to COVID-19, we ask that Unitholders follow, among other things, the instructions of the Public Health Agency of Canada (<https://www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19.html>) and any applicable additional provincial and local instructions. You are requested not to attend the

Meeting in person. **In order to minimize group sizes and respect social distancing regulations, all Unitholders are urged to vote on the matters before the Meeting by GOLD proxy or voting instruction form, which can be submitted by internet, by mail, or by phone, as further described herein.** We reserve the right to take any additional precautionary measures we deem appropriate in relation to the Meeting in response to further developments in respect of the COVID-19 outbreak. Changes to the Meeting date and/or means of holding the Meeting may be announced by way of press release which would be filed on SEDAR. Please monitor the Fund's press releases for updated information up until the date of the Meeting. We do not intend to prepare or mail an amended Circular in the event of changes to the Meeting format.

If you have any questions or require assistance with voting your Units, please contact Carson Proxy: Toll Free Phone: 1-800-530-5189; Local (Collect outside North America): 416-751-2066; or Email: [info@carsonproxy.com](mailto:info@carsonproxy.com).

**DATED** at Burlington, Ontario this 1<sup>st</sup> day of June, 2021.

**By Order of the Board of Trustees**

(signed) "*Jeff Good*"

JEFFREY GOOD  
Secretary, SIR GP Inc.



## MANAGEMENT INFORMATION CIRCULAR

dated June 1, 2021

For the Annual General Meeting of Unitholders to be held on June 29, 2021

The purpose of the annual general meeting (or any adjournment or postponement thereof, the “**Meeting**”) of holders (the “**Unitholders**”) of trust units (the “**Units**”) of SIR Royalty Income Fund (the “**Fund**”) is to elect the trustees (the “**Trustees**”) of its board of trustees (the “**Board of Trustees**”), to appoint auditors and fix their remuneration and to receive the 2020 consolidated financial statements of the Fund. Unless otherwise stated, all information contained in this management information circular (the “**Management Information Circular**”) is presented as at June 1, 2021 and all references to \$ in this Management Information Circular are to Canadian dollars unless otherwise noted.

### FORWARD-LOOKING INFORMATION

Certain statements contained in this Management Information Circular, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR Corp. (“**SIR Corp.**” or the “**Corporation**”), that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable securities laws (“forward-looking statements”). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, SIR Holdings Trust (the “**Trust**”), SIR Royalty Limited Partnership (the “**Partnership**”), SIR Corp., or industry results, are forward-looking statements. The words “may”, “will”, “should”, “would”, “could”, “expect”, “believe”, “plan”, “anticipate”, “intend”, “estimate” and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund, the Trust, the Partnership, SIR Corp., or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect SIR Corp. management’s (“**Management**”) current expectations, estimates and projections regarding future events and operating performance and are based on information currently available to Management, Management’s historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. The forward-looking statements speak only as of the date of this Management Information Circular. Readers should not place undue importance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur, and readers should not rely upon this information as of any other date. By their nature, forward-looking statements involve known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated by such statements. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including, without limitation: the impact of the COVID-19 pandemic, including a worsening of the COVID-19 pandemic, changes in governmental or customer responses to the COVID-19 outbreak, continued availability of required employees, business interruptions, access to restaurant locations and access to needed supplies and capital; market conditions at the time of filing of this Management Information Circular; competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; pandemics or other material

outbreaks of disease or safety issues affecting humans or animals or food products; changes in tariffs and international trade; changes in foreign exchange or interest rates; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR Corp.; legislation and governmental regulation, including the cost and/or availability of labour as it relates to changes in minimum wage rates or other changes to labour legislation and forced closures of restaurants and bars; changes in laws affecting the sale and use of alcohol (including availability and enforcement); changes in cannabis laws; changes in tax laws; changes in accounting policies and practices; and the results of operations and financial condition of SIR Corp. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR Corp.'s actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR Corp. There can be no assurance that SIR Corp. will remain compliant in the future with all of its financial covenants under the Credit Agreement (as defined herein) and otherwise, particularly amid the COVID-19 outbreak. Given these uncertainties, readers are cautioned that forward-looking statements are not guarantees of future performance and should not place undue reliance on them. The Fund and SIR Corp. expressly disclaim any obligation or undertaking to publicly disclose or release any updates or revisions to any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements are based on Management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR Corp. do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws.

In formulating the forward-looking statements contained herein, Management has assumed that its businesses will be able to continue to operate following the resolution of the COVID-19 pandemic and that business and economic conditions affecting SIR Corp.'s restaurants and the Fund will return to normalcy within the medium term. However, the continuation or escalation of this public health crisis could create adverse impacts on the Fund's and SIR Corp.'s workforce, supply chain and customer access and could reduce revenue for the Fund and SIR Corp. which could have a material adverse effect on SIR Corp.'s business, financial condition and results of operations. Management has also assumed that SIR Corp. will remain compliant in the future with, or receive waivers from, all of its financial covenants under the Credit Agreement and otherwise. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect. For more information concerning the Fund's risks and uncertainties, please refer to the Fund's annual information form dated March 31, 2021 for the period ended December 31, 2020, which is available under the Fund's profile at [www.sedar.com](http://www.sedar.com).

All of the forward-looking statements made herein are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Fund or SIR Corp. In particular, there can be no assurance that restaurants will be able to reopen as currently anticipated, or that current or deferred royalty payments will be able to be made as currently anticipated. See "Risk Factors" in the Fund's annual information form dated March 31, 2021 for the period ended December 31, 2020.

#### **THE FUND, SIR CORP. AND THE SIR ROYALTY LIMITED PARTNERSHIP**

The Fund is a trust established under the laws of the Province of Ontario by a declaration of trust dated as of October 12, 2004, as amended and restated (the "**Declaration of Trust**"). On such date, the Fund completed an initial public offering (the "**Offering**") of 5,356,667 Units at a price of \$10.00

per Unit for aggregate gross proceeds of \$53,566,670 pursuant to a final prospectus dated October 1, 2004 (the “**Prospectus**”). As at June 1, 2021, there were 8,375,567 Units issued and outstanding.

On the closing of the Offering, the Fund acquired, indirectly through the Partnership and the Trust, certain trademarks and licenses (the “**SIR Rights**”) from SIR Corp., used in connection with the operation by SIR Corp. and its subsidiaries or sub-licensees of the SIR Restaurants in Canada. At the same time, the Fund acquired a \$40 million loan (the “**SIR Loan**”) from a Canadian chartered bank to SIR Corp. Pursuant to a license and royalty agreement dated October 12, 2004 (as amended, the “**License and Royalty Agreement**”) with SIR Corp., the Partnership is entitled to a royalty based on the revenues generated by the SIR Restaurants.

SIR, which stands for “Service Inspired Restaurants”, is a privately held Canadian corporation in the business of creating, owning and operating full-service restaurants in Canada. SIR Corp. currently owns and operates a portfolio of 53 restaurants that have been characterized by SIR Corp. as Concept Restaurants and Signature Restaurants. These restaurants are collectively defined as the “**SIR Restaurants**”. Concept Restaurants (i.e., Jack Astor’s®, Canyon Creek® and Scaddabush Italian Kitchen & Bar®) are the brands that have been rolled out to multiple locations because of their broader appeal, earning potential and strategic growth opportunity. Signature Restaurants (i.e., Reds® Wine Tavern, Reds® Square One, and the Loose Moose Tap & Grill®) are one-of-a-kind brands that range in offerings from fine dining with award-winning menus to a very active sports bar in Toronto’s entertainment district. Each of these restaurants is located in a prime downtown Toronto location. Management believes that the Signature Restaurants provide strategic advantages, especially through increased market penetration, internal benchmarks for quality, and as a development area for new concepts. SIR also owns and operates one Duke’s Refresher® & Bar restaurants in downtown Toronto and one seasonal Signature Restaurant, Abbey’s Bakehouse® located in Muskoka, Ontario. None of these locations are currently part of Royalty Pooled Restaurants.

SIR believes that Duke’s Refresher has multi-unit growth potential and has advised the Fund that Duke’s Refresher should be considered as a potential New Concept Restaurant brand. As such, the earliest that any Duke’s Refresher would be added to the Royalty pool would be the Adjustment Date (as defined in the License and Royalty Agreement) following the earlier of: (i) the date that four Duke’s Refresher restaurants are open for business at the same time, and (ii) 90 days following the end of the fiscal year in which revenues from all Duke’s Refresher restaurants in Canada first exceed \$12.0 million. As neither of these events are expected to occur before August 30, 2021, Duke’s Refresher is not expected to be added to the Royalty Pool on January 1, 2022. The Duke’s Refresher brand is currently being managed and developed by SIR’s Signature group. Accordingly, the current Duke’s Refresher location in downtown Toronto is classified as a Signature Restaurant for reporting purposes.

The business of the Partnership is the ownership of the SIR Rights in Canada, the taking of actions consistent with the License and Royalty Agreement to exploit, to the fullest extent possible, the use of the SIR Rights in Canada by SIR Corp., the collection of the royalties payable to the Partnership under the License and Royalty Agreement, and the administration of the Fund and the Trust, respectively, pursuant to a fund administration agreement dated October 12, 2004 (the “**Fund Administration Agreement**”) and a trust administration agreement dated October 12, 2004 (the “**Trust Administration Agreement**”).

The affairs of the Fund are supervised by its Board of Trustees who are responsible for, among other things, effecting payments of distributions from the Fund to Unitholders. Each Unitholder participates pro rata in any distributions from the Fund. As a result of the COVID-19 outbreak, dine-in operations at all SIR Corp. restaurants have been temporarily closed and distributions have

been temporarily suspended effective March 20, 2020. As of May 31, 2021, dine-in operations are only permitted at three (3) SIR Corp. restaurants, patio operations are only permitted at two (2) SIR Corp. restaurants and SIR Corp. has 42 restaurants providing takeout and delivery services.

### **THE IMPACT OF COVID-19 ON SIR CORP. AND THE FUND**

COVID-19 has affected the Canadian dine-in restaurant industry harshly. In particular, with SIR Corp. being largely concentrated in Ontario, which has had no in-person dining for many months (and where outdoor patio dining has also been severely restricted or closed, including in our primary Toronto market), and given our format and menu, we have been affected worse than most restaurant chains.

As a result, after years and years of generally steadily rising distributions, the Fund's last distribution was in March, 2020. Since that time, SIR Corp. has been fighting to survive, with the support of the Corporation's lenders and landlords and with the help of the Fund. The Fund's Trustees realized early on that it was in the best interests of the Fund and its investors to seek to ensure the continued viability of SIR Corp.

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With the vaccine rollout now well advanced and the economic outlook improving, SIR Corp.'s senior lender has approved a plan for the Fund to resume receiving royalty payments on current sales and a framework for the Fund to subsequently fully receive deferred royalty payments by mid-July 2022. The necessary agreements, which are expected to enable the Fund to re-commence distributions in the near future, have been executed. Distributions are expected to be modest at first and increase over time.

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- The Corporation's credit facilities have been extended until July 6, 2022, with appropriate adjustments to its covenants.
- Royalty payments on current sales to the Fund are to recommence effective July 7, 2021.
- The Corporation will be entitled to begin repaying deferred royalty payments under the condition that at least 25 restaurants have, for six consecutive weeks, been allowed the use of at least 50 indoor dining seats and the use of their patios (with social distancing). The repayments, which on a net basis amount to approximately \$4.8 million as of May 9, 2021, are expected to be made in equal monthly installments such that the deferred amounts are targeted, absent any defaults occurring, to be fully repaid by the credit facility maturity date of July 6, 2022.

On May 22, 2021, the Ontario government announced a province-wide "Roadmap to Reopen." The three-step plan allows restaurants to reopen for outdoor dining in Step 1 (estimated to start in the week of June 14, 2021) and allows indoor dining in Step 3 (estimated to begin in early August, 2021). These dates may be realized sooner (or potentially later) than estimated. However, a minimum 21-day period has been mandated between each step of the plan. While the province has yet to formally outline all operating guidelines for restaurants, and while the reopening plans may change, physical distancing measures and capacity limits are expected to remain in effect through each step.

As well, SIR Corp. is very hopeful that the pent-up demand will lead to robust revenues in its restaurants.

## HISTORY OF DISCUSSIONS WITH AND CONDUCT OF LEMBIT JANES AND THE BASIS FOR THE TRUSTEES' RECOMMENDATIONS

Lembit Janes has to date proposed that his three (3) nominees (the “**Janes’ Nominees**”) fully replace the Fund’s three (3) current independent Trustees. In addition, he has improperly besmirched the incumbents’ integrity and independence. Replacing them with his three (3) nominees as he suggests would give him full control of the Fund, while only holding approximately 16% of the Fund’s voting rights.

In fact, he made a partial offer (or mini-tender) on January 27, 2021 to acquire up to 825,000 Units at a price of \$4.25 per unit (which was subsequently increased on February 5, 2021 to \$4.75 per unit). As disclosed in the Fund’s press release on February 8, 2021, the independent Trustees believe that (i) the partial offer was being made at a time when the trading price of the Units was not fully reflective of the underlying value of the Fund due to the devastating effect of Covid-19 on the restaurant industry and the fact that the Fund was restricted from making distributions, (ii) the partial offer could have been considered to be coercive because it was an offer for less than all of the Units where tendering Unitholders could have been significantly pro-rated and was structured to avoid compliance with procedural and substantive provisions of the Canadian take-over bid regime, and (iii) Mr. Janes’ press release at the time of the partial offer was misleading in certain respects as it characterized the Fund’s decision to stop distributions as voluntary rather than as the result of a necessary agreement with SIR Corp.’s senior lender as a condition to various covenant waivers. In connection with the partial offer, Mr. Janes only acquired 322,688 Units, less than half of the number he was seeking.

### **History of Discussions with Mr. Janes**

On March 8, 2021, counsel to Mr. Janes sent a letter to counsel to the independent Trustees of the Fund identifying alleged deficiencies in the Fund’s public disclosure regarding tax liabilities and material contracts. On March 11, 2021, despite viewing the requested information as immaterial, as all material information had previously been publicly disclosed, the Fund issued a press release addressing the alleged deficiencies in public disclosure and filed related documentation. Counsel to the Fund also responded to Mr. Janes’ counsel explaining that the Fund suspended distributions because it did not have the cash to continue paying them.

On March 15, 2021, Mr. Janes announced that he had purchased an additional 111,600 Units in the market at an average price of \$6.26 each and that the Units were acquired for investment purposes only. However, on April 12, 2021, Mr. Janes announced that he had lost confidence in the Board of Trustees and that he would be nominating three (3) Trustees to replace the three current independent Trustees. This proposal would provide the Janes’ Nominees with control of the Board of Trustees. Mr. Janes’ press release on April 12, 2021 contained a number of inaccurate statements regarding the status of the Fund and SIR Corp. which inaccuracies were outlined in the Fund’s press release of April 15, 2021 (and some of which are highlighted below). Mr. Janes’ offer materials, press releases and legally required early warning report made no mention of any intention to subsequently seek control of the Fund, which we believe to be a material omission.

On April 16, 2021, with a view to de-escalating the situation and seeking to amicably resolve matters with Mr. Janes in a low-cost manner, the Chief Executive Officer and the Chief Financial Officer of the Corporation and the Chair of the Fund proposed a meeting with Mr. Janes.

On April 29, 2021, Mr. Janes and his proposed Trustee nominees, namely, Stephen Dewis and Michael Fisher, met virtually with representatives of SIR Corp. and the Fund, where Mr. Janes and his proposed Trustee nominees were provided with a business update consistent with previous

public disclosure and informed that the Fund's and SIR Corp.'s goal were to resume distributions as soon as possible. The meeting was cordial, and Mr. Fowler agreed that he would follow up.

On May 10, 2021, the Chief Executive Officer of the Corporation made a proposal to Mr. Janes regarding the reconstitution of the Board of Trustees, which included the following key terms:

- the size of the Board of Trustees would be increased to seven (7) or eight (8) Trustees, of which Mr. Janes would be given two (2) nominees;
- the Fund would propose one (1) or two (2) new and diverse nominees to better reflect customers, employees and other stakeholders, and one of the existing independent Trustees would not stand for re-election, which was designed to result in board renewal and to provide Mr. Janes with a reasonable level of representation at the Board of Trustees reflecting his ownership stake;
- John McLaughlin would serve as Chair of the Board of Trustees and Mr. Janes would serve as Vice-Chair. If Mr. Janes' other nominee was Mr. Dewis, he would be offered the role of Vice-Chair of the Audit Committee of the Fund;
- SIR Corp. and Mr. Janes would agree to support and vote in favour of the Fund's nominees and Mr. Janes would agree not to solicit proxies for 18 months;
- SIR Corp. would agree to reimburse Mr. Janes for his documented out of pocket costs related to the Fund incurred in 2021 up to an aggregate maximum of \$25,000;
- Mr. Janes, SIR Corp. and the Fund would agree to a mutual release with respect to all matters occurring up to the date of the 2021 annual Unitholders' meeting, and to a mutual non-disparagement obligation for 18 months;
- Provided that he continued to be offered the opportunity to nominate at least two (2) members of the Board of Trustees at the 2022 annual general meeting and so long as he held at least 10% of the Fund's voting Units at that time, Mr. Janes would agree to a standstill for 18 months pursuant to which he would agree not to, directly or indirectly:
  - acquire or offer to acquire more Units (or economic equivalents), or increase his voting rights, other than a take-over bid by way of a formal circular in accordance with applicable law for all Units at any time;
  - publicly propose any merger or reorganization, provided that Mr. Janes could in confidence raise any such transaction for consideration by the Board of Trustees (and except that Mr. Janes would be permitted to make a take-over bid by way of a formal circular in accordance with applicable law for all Units at any time);
  - requisition, request or call any meeting of Unitholders, or propose any amendments to the Declaration of Trust;
  - solicit proxies from any Unitholders or otherwise participate in any proxy contest, or propose any additional or substitute nominees to the Board of Trustees; and
  - act or agree to act jointly or in concert with any other Unitholder with respect to any of the above, or enter into any other agreement or understanding with respect to Mr. Janes' voting rights.

On May 10, 2021, Mr. Janes reported that he had acquired a further 46,800 Units. He should likely not have been buying Units in the market while SIR Corp. was seeking to negotiate a settlement with him.

On May 11, 2021, Mr. Janes made a counter-proposal to the Corporation and the Fund regarding the reconstitution of the Board of Trustees which included the following key terms:

- increasing the size of the Board of Trustees to seven (7) Trustees, comprised of three (3) nominees of Mr. Janes, three (3) nominees of the Corporation (one of whom must be independent of the Corporation and can be an existing independent Trustees) and a nominee who is independent of each of the other nominees;
- the Chair of the Board of Trustees and the Audit Committee would be selected by the new Trustees, and that Mr. Janes would not be the Chair of the Board of Trustees and would recommend that the independent nominee be the Chair of the Board of Trustees;
- Mr. Janes would support the proposed reconstituted Board of Trustees at the 2021 and 2022 annual general meetings of the Fund and would expect the Corporation to do the same;
- Mr. Janes would not seek reimbursement of his expenses;
- Mr. Janes would agree to mutual release and non-disparagement obligations;
- the Fund would agree not to enter into any new agreements (including waivers) with any of the lenders to SIR Corp. prior to the reconstitution of the Board of Trustees; and
- Mr. Janes would agree to a standstill regarding the composition of the Board of Trustees up to the period immediately following the 2022 annual general meeting, but such standstill would not contain restrictions on his purchase of additional Units or supporting or rejecting a merger, sale or reorganization by a person that is arm's length to Mr. Janes.

SIR Corp. responded on May 14, 2021 as follows, outlining a few concerns with Mr. Janes' counter-proposal, namely:

- given his ownership stake, while it was willing to support two (2) of seven (7) nominees, it could not support three (3) of seven (7). Accordingly, it proposed that Mr. Janes would have two (2) nominees, as would SIR Corp., and that the balance of the nominees would be made up of independent persons approved by a majority of the independent Trustees, including new Trustees with increased diversity;
- as it may be important to be able to deal with its bank on a timely basis, SIR Corp. could not agree to no agreements with the bank being entered into prior to the Meeting, with the current credit facility expiring very shortly thereafter on July 6, 2021. It however offered to consider any reasonable suggestions that Mr. Janes may wish to make regarding the recommencement of royalty payments and the catch-up of deferred royalty payment obligations, having regard to both the need to seek to ensure that SIR Corp. will remain viable and the senior lender's position; and
- lastly, SIR Corp. advised that the carve-outs Mr. Janes was proposing to the standstill agreement would seem to effectively neutralize it, and proposed that he would be permitted (i) to acquire up to an additional 1% of Units without making a formal take-over bid to acquire Fund units, and (ii) to enter into a customary "soft" lockup agreement with an

unsolicited arm's length third party proposing to make a formal take-over bid to acquire Units.

On May 17, 2021, counsel to Mr. Janes informed counsel to the Fund that an agreement regarding the reconstitution of the Board of Trustees between Mr. Janes and the Fund was not possible and proposed that the parties agree to a meeting protocol and form of universal proxy. At no time has Mr. Janes made any suggestions regarding the recommencement of royalty payments.

On May 20, 2021, Mr. Janes issued a press release indicating that he had failed to reach an agreement with the Fund to reconstitute the Board of Trustees and that he would be proceeding with his previously announced plan to seek to replace the three (3) independent Trustees at the Meeting.

On May 21, 2021, in order to seek to ensure a clear and transparent process is followed by all Unitholders who intend to nominate Trustees for election to the Board of Trustees, the Board of Trustees adopted an advance notice by-law (the "**Advance Notice By-Law**"). Many Canadian reporting issuers and Toronto Stock Exchange-listed issuers have chosen to adopt advance notice by-laws similar to the Advance Notice By-Law, as the nomination of Trustees (or directors) for election to a board during or shortly before a securityholders' meeting may be viewed as unreasonable since it may not provide securityholders with sufficient time to evaluate information concerning the new candidates and it may be unexpected by securityholders, particularly those who have granted discretionary authority to a proxyholder.

Both the Trustees and SIR Corp. believe that, it would be reasonable for Mr. Janes, as a significant Unitholder, to be represented on the Board of Trustees should he wish to be so represented. However, they do not believe that it would be appropriate or reasonable for him to take control of the Board of Trustees by replacing all of the independent Trustees with the Janes' Nominees.

Mr. Janes is the holder of approximately 16% of the voting Units (including SIR Corp.'s Class A GP units) of the Fund. Accordingly, the Fund believes that he should be entitled to nominate a number of persons for Trustee positions that is proportionate to his holdings. As discussed above, SIR Corp. attempted to negotiate a settlement to the effect that Mr. Janes would be offered two (2) of seven (7) nominees, as would SIR Corp., and that the balance of the nominees would be made up of independent persons approved by a majority of the independent Trustees, of which one (1) would be expected to be both new and of a diverse background. Mr. Janes did not accept this proposed settlement offer.

### **Prior Disruptive Conduct of Mr. Janes**

Mr. Janes has a demonstrated history of litigiousness and disruption which, coupled with his actions in respect of the Fund, leaves his true intentions in serious doubt. In July 2002, a group of shareholders were attempting to take Sepp's Gourmet Foods Ltd. ("**Sepp's**"), a thinly-traded British Columbia TSX-listed public company, private via a court-approved plan of arrangement at a price of \$0.71 per share.

According to a British Columbia court decision, Janes Family Foods was a competitor of Sepp's. On July 16, 2002, a few days after the transaction was announced, Lembit Janes called the acquiror and asked whether Janes could "get in". At the same time, Janes Family Foods was buying shares in the market. It ultimately purchased approximately 18% of the shares of Sepp's at prices averaging \$0.80 per share.

At one point, one of its advisors telephoned the acquiror and a Sepp's director proposing various alternative transactions, but after being asked to put his thoughts on paper did not do so.



In August, a group organized by Mr. Janes (the “**Janes Group**”) began discussions about a higher priced bid, and in September the Janes Group advised Sepp’s that it intended to make a take-over bid at \$0.84 per share. The Sepp’s independent committee advised Mr. Janes that if his bid were to proceed, it would withdraw its recommendation that minority shareholders vote in favour of the \$0.71 transaction.

The independent committee and Mr. Janes then agreed that the Janes Group bid would proceed and that the proposed \$0.71 transaction would be terminated. The Janes Group then sent a draft agreement, which the court described as a “significant departure from the terms” discussed on the previous day. When Sepp’s independent committee pushed back and asked Mr. Janes if he would make the bid on the terms previously discussed, Mr. Janes did not respond and instead announced that he was withdrawing his intention to make a take-over bid.

At the Sepp’s shareholders’ meeting, the Janes Group requested an independent chair and objected to the meeting proceeding and to various other matters including certain proxies and to the independence of the independent committee. The court rejected Mr. Janes’ assertions regarding the lack of independence of the independent committee, as well as his other assertions.

Mr. Janes then proceeded to seek to appeal this decision to the British Columbia Court of Appeal. A further appeal to the Supreme Court of Canada was involved.

As noted, Mr. Janes’ history of not following through on agreements, attacking independence and generally litigious behaviour may make him a poor choice to be a Trustee, let alone to take control of the Fund’s Board of Trustees, and especially at this sensitive time.

### **Basis for the Trustees’ Recommendations**

There are a number of reasons for the Trustees’ conclusion that Mr. Janes should not be given control of the Fund, including the following:

- On several occasions, Mr. Janes has expressed his willingness to work with the current independent Trustees of the Fund and stated that he intended to formally engage with them. However, he has to date made no real effort to do so, and he seems to simply want to assume control of the Fund.
- While the Board of Trustees renewal process has been slowed down by COVID-19, the Board of Trustees is committed to both refreshment and increased diversity.
- Given his ownership position, it appears that Mr. Janes may not be independent for audit committee purposes if he was to take control of the Board of Trustees in the manner he has proposed.
- Mr. Janes’ press releases have failed to accurately describe the circumstances facing the Fund and SIR Corp., including the impact of COVID-19 on SIR Corp. and the obligations owed by the Fund and the Corporation to SIR Corp.’s bank lender. It could be that he has failed to understand the situation properly.
- The relationship with SIR Corp.’s bank and landlords is delicate, and both the Fund’s Trustees and SIR Corp. believe that it is imperative at this time to maintain a level of continuity in the Fund’s independent Trustees, who have a wealth of knowledge as to how the Fund’s complex structure works, as well as experience in dealing with SIR Corp.’s bank lender. Both SIR Corp. and the Fund believe that it is in the best interests of the Fund to

enable SIR Corp. to recover so as to be in a position to catch up on its deferred obligations and resume current payments as soon as practicable (in fact, everything that they have done since the start of the pandemic has been directed to that end).

- Mr. Janes appears willing to play “hardball” with the bank, and in fact requested that no agreements be entered into with the bank until after the Meeting. Given that the current credit facility expires on July 6, 2021, that would leave virtually no time for new Trustees to get up to speed and reach an agreement. The Fund and SIR Corp. consider this to be a very dangerous and ill-informed approach to the situation. It is not clear what Mr. Janes’ end goal is, but he appears to be willing to risk the business of SIR Corp. and the Fund. Despite this, SIR Corp. has advised Mr. Janes that it would be pleased to consider any reasonable suggestions that he may wish to make regarding the recommencement of royalty payments and the catch-up of deferred royalty payment obligations, having regard to both the need to seek to ensure that SIR Corp. will remain viable and the senior lender’s position. No suggestions have been made by Mr. Janes.
- Mr. Janes has a demonstrated history of litigiousness and disruption which, coupled with his actions in respect of the Fund, leaves his true intentions in serious doubt, and may make him a poor choice to be a Trustee, let alone to take control of the Board of Trustees, especially at this sensitive time.
- An agreement with the bank has now been reached, with royalty payments and distributions anticipated to resume shortly, and now is not the time to transfer full control of the Fund to Mr. Janes.

Accordingly, the Fund is proposing to increase the size of the Board of Trustees so as to facilitate board representation for Mr. Janes, but not control by Mr. Janes. However, the Trustees recommend that you **WITHHOLD** your vote for each of Mr. Janes, Mr. Dewis and Mr. Fisher as Trustees, as they are unclear as to Mr. Janes’ real motivations. The current Trustees are willing to work with the Janes’ Nominees, should they be elected, to continue to act in the best interests of the Fund and its investors.

**Please vote your GOLD proxy in favour of the Fund’s nominees. You may vote “FOR” up to nine (9) of the ten (10) nominees listed for election as Trustees in total. Those nominees receiving the greatest number of votes will be declared elected.**

The situation facing the Fund is important, and we look forward to all investors voting.

#### **INFORMATION FOR BENEFICIAL HOLDERS OF SECURITIES**

The information set forth in this section is of significant importance to beneficial Unitholders, as they do not hold Units in their own names. Such holders (referred to herein as “**Beneficial Unitholders**”) should note that all Units are held in the book-entry system operated by CDS Clearing and Depository Services Inc. (“**CDS**”). If Units are listed in an account statement provided to a Beneficial Unitholder by a broker, then those Units will not be registered in the Beneficial Unitholder’s name on the records of the Fund. All of such Units will be registered under the name of CDS & Co. (the registration name for CDS). Units can only be voted upon the instructions of the Beneficial Unitholders. Without specific instructions, brokers and nominees are generally prohibited from voting Units on behalf of their clients.

In accordance with applicable securities laws, the Fund has distributed copies of the notice of meeting (the “**Notice of Meeting**”) accompanying this Management Information Circular, this Management Information Circular and the **GOLD** form of proxy (collectively, the “**Meeting**

**Materials**”) to be used by CDS as the sole registered Unitholder to CDS and intermediaries for onward distribution to Beneficial Unitholders.

## **Voting**

Intermediaries are required to forward Meeting Materials to Beneficial Unitholders unless a Beneficial Unitholder has objected or waived the right to receive them. Typically, intermediaries will use service companies to forward the Meeting Materials to Beneficial Unitholders. Beneficial Unitholders who have not objected or waived the right to receive Meeting Materials will either:

- (a) be given a voting instruction form or proxy authorization form which must be completed and signed by the Beneficial Unitholder in accordance with the directions on the voting instruction form or proxy authorization form (which may in some cases permit the completion of the voting instruction form or proxy authorization form by telephone or through the Internet); or
- (b) less frequently, be given a proxy which has already been signed by the intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Units beneficially owned by the Beneficial Unitholder but which is otherwise uncompleted. In this case, the Beneficial Unitholder who wishes to submit a proxy should properly complete the form of proxy received from the intermediary and deposit it with Computershare Investor Services Inc., 100 University Ave, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1.

**A Unitholder who wishes to appoint a person other than the management nominees identified on the GOLD proxy or voting instruction form to represent him, her or it at the Meeting may do so by inserting such person's name in the blank space provided in the GOLD proxy or voting instruction form and following the instructions for submitting such proxy or voting instruction form. This must be completed prior to registering such proxyholder, which is an additional step to be completed once you have submitted your GOLD proxy or voting instruction form.**

**If you wish that a person other than the management nominees identified on the GOLD proxy or voting instruction form be able to attend and participate at the Meeting as your proxy and vote your Units, including if you are a Beneficial Unitholder and wish to appoint yourself as proxyholder to attend, participate and vote at the Meeting, you MUST register such proxyholder, after having submitted your GOLD proxy or voting instruction form, and identify such proxyholder.**

**Failure to register the proxyholder will result in the proxyholder not being able to vote your Units at the Meeting. Voting will be solely by ballot.**

**To register a proxyholder, Unitholders MUST visit [www.computershare.com/SIR](http://www.computershare.com/SIR) and provide Computershare Investor Services Inc. ("Computershare") with their proxyholder's contact information (including e-mail address), so that Computershare may provide the proxyholder with a ballot for use at the Meeting. Pursuant to the Declaration of Trust of the Fund, the Trustees have adopted rules for the Meeting, including to permit ballots to be deposited in advance by e-mail or otherwise.**

## **Revocation of Proxies**

A registered Unitholder who has given a proxy may revoke the proxy:

- (a) by completing a proxy signed by the Unitholder or by the Unitholder's attorney authorized in writing bearing a later date and depositing it with the transfer agent as described above; or
- (b) by depositing an instrument of revocation in writing executed by the Unitholder or by the Unitholder's attorney authorized in writing:
  - (i) at the head office of the Fund (namely, Suite 200, 5360 South Service Road, Burlington, Ontario L7L 5L1) at any time up to and including the last business day preceding the day of the Meeting, or any adjournment of the Meeting, at which the proxy is to be used, or
  - (ii) with the Chairperson of the Meeting, prior to the exercise of the proxy; or
- (c) in any other manner permitted by law.

A Beneficial Unitholder may revoke a voting instruction or proxy authorization form or a waiver of the right to receive Meeting Materials and to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary may not act on a revocation of a voting instruction or proxy authorization form or a waiver of the right to receive Meeting Materials and to vote that is not received by the intermediary in sufficient time prior to the Meeting.

**IF YOU ARE A BENEFICIAL UNITHOLDER AND WISH TO VOTE IN PERSON AT THE MEETING, NOTWITHSTANDING THE FUND'S APPEAL TO UNITHOLDERS AND OTHERS NOT TO ATTEND THE MEETING IN PERSON IN LIGHT OF THE OUTBREAK OF COVID-19, PLEASE REVIEW THE VOTING INSTRUCTIONS PROVIDED TO YOU OR CONTACT YOUR BROKER OR AGENT WELL IN ADVANCE OF THE MEETING TO DETERMINE HOW YOU CAN DO SO.**

## **PROXY SOLICITATION AND VOTING AT THE ANNUAL GENERAL MEETING**

### **Solicitation of Proxies and Voting Instructions**

This Management Information Circular is furnished in connection with the solicitation of proxies and voting instructions by the Management of SIR GP Inc. ("**SIR GP**") for use at the Meeting to be held on Tuesday, June 29, 2021, at SIR Corp., 5360 South Service Road, Suite 200, Burlington, Ontario at 4:00 p.m. (Toronto time), and at any adjournment or postponement thereof, for the purposes set forth in the Notice of Meeting and in this Management Information Circular. The costs incurred in the preparation and mailing of the Notice of Meeting and this Management Information Circular and related materials will be borne by the Fund or its subsidiaries and/or SIR Corp. In addition to the use of mail, proxies and voting instructions may be solicited in person, by telephone, or by other means of communication, or by employees of SIR Corp., who will not be remunerated therefor. The Fund reserves the right to retain proxy solicitation services or dealers, for appropriate compensation. As of the date of this Management Information Circular, the Fund has engaged Carson Proxy Advisors on an hourly basis, subject to a maximum fee of \$125,000 excluding out-of-pocket expenses and applicable taxes.

### **Appointment of Proxyholders**

**The persons named in the enclosed GOLD proxy or voting instruction form are Trustees of the Fund. A Unitholder who wishes to appoint a person other than the management nominees identified on the GOLD proxy or voting instruction form to represent him, her or it at the Meeting may do so by inserting such person's name in the blank space provided in the GOLD proxy or voting instruction form and following the instructions for submitting such proxy or voting instruction form. This must be completed prior to registering such proxyholder, which is**

an additional step to be completed once you have submitted your proxy or voting instruction form.

If you wish that a person other than the management nominees identified on the GOLD proxy or voting instruction form be able to attend and participate at the Meeting as your proxy and vote your Units, including if you are a Beneficial Unitholder and wish to appoint yourself as proxyholder to attend, participate and vote at the Meeting, you **MUST** register such proxyholder, after having submitted your proxy or voting instruction form, and identify such proxyholder.

Failure to register the proxyholder will result in the proxyholder not being able to vote your Units at the Meeting. Voting will be solely by ballot.

To register a proxyholder, Unitholders **MUST** visit [www.computershare.com/SIR](http://www.computershare.com/SIR) and provide Computershare with their proxyholder's contact information (including e-mail address), so that Computershare may provide the proxyholder with a ballot for use at the Meeting. Pursuant to the Declaration of Trust of the Fund, the Trustees have adopted rules for the Meeting, including to permit ballots to be deposited in advance by e-mail or otherwise.

To be valid, proxies must be returned to Computershare so as to arrive not later than 4:00 p.m. (Toronto time) on June 25<sup>th</sup>, 2021 or, if the Meeting is adjourned or postponed, 48 hours before any reconvened meeting or be deposited with the Chairperson of the Meeting prior to the commencement of the Meeting or any reconvened meeting. Proxies may be returned by mail in the enclosed envelope.

### **Voting of Proxies**

The persons named in the accompanying GOLD form of proxy, who are Trustees, will vote Units in respect of which they are appointed, on any ballot that may be called for, in accordance with the direction of the Unitholder appointing them and if the Unitholder specifies a choice with respect to any matter to be acted upon, the Units will be voted accordingly. **In the absence of such specification, such Units will be voted FOR the election, as Trustees, of Douglas Buchanan, Peter Fowler, Sandra Levy, Norm Mayr, John McLaughlin, William Rogers and Kim van Nieuwkoop and will WITHHOLD votes in respect of the Janes' Nominees, namely, Lembit Janes, Stephen Dewis and Michael Fisher, and FOR the appointment of auditors for the ensuing year. The persons appointed under the GOLD form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and Notice of Meeting and with respect to any other matters which may be properly brought before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting, it is the intention of the persons designated in the enclosed GOLD form of proxy to vote in accordance with their judgment on such matter or business. As at the date of this Management Information Circular, the Trustees are not aware of any such amendment, variation, or other matter.**

### **QUORUM**

A quorum for the Meeting consists of one or more individuals present in person either holding personally or representing by proxy not less in aggregate than 25% of the votes attached to all outstanding Units and Class A GP units of the Partnership (the "**Class A GP Units**") entitled to vote at such meeting. In the event that a quorum is not present within 30 minutes after the time fixed for the Meeting, the Meeting, if called by request of Unitholders or holders of Class A GP Units, shall be terminated (and not adjourned) and, if otherwise called, shall stand adjourned to such day being not less than seven (7) days later and to such place and time as may be appointed by the Chairperson of the Meeting and notified by news release of the Fund. If at such adjourned meeting a quorum as above defined is not present, the Unitholders and holders of Class A GP Units present either in

person or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original Meeting in accordance with the notice calling the same.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The Fund is authorized to issue an unlimited number of Units and 8,375,567 Units were issued and outstanding as at the record date and as at June 1, 2021.

SIR Corp. holds Class A GP Units of the Partnership which are exchangeable into Units of the Fund on a one-for-one basis. If all of the Class A GP Units of the Partnership were converted as of the date of this Management Information Circular, SIR Corp. would own 1,971,552 Units of the Fund. These special voting Class A GP Units allow SIR Corp. to vote at the Meeting as if it owned Units of the Fund. As at the record date and as at June 1, 2021, the Class A GP Units issued and outstanding represent in aggregate 1,971,552 votes.

At the Meeting, each Unitholder of record at the close of business on May 17, 2021, the record date established for notice of and voting at the Meeting, will be entitled to one vote for each Unit held by such person on all matters proposed to come before the Meeting.

Based on information publicly available on the System for Electronic Disclosure by Insiders (SEDI) and on the System for Electronic Document Analysis and Retrieval (SEDAR), as at May 31, 2021, the only persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, Units carrying 10% or more of the voting rights attached to the issued and outstanding Units or Class A GP Units are as follows:

| <b>Name</b>             | <b>Number of Votes and Class of Voting Units</b>                                                 | <b>% of Class / % of Aggregate Votes</b>                                                                                  |
|-------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| SIR Corp.               | 1,971,552 Class A GP Units of the Partnership (equivalent to 1,971,552 voting Units of the Fund) | 100% of Class A GP Units / 19.1% of aggregate votes of voting Units of the Fund and Class A GP Units of the Partnership   |
| William Fredrick Irvine | 1,020,417 Units of the Fund <sup>(1)</sup>                                                       | 12.2% of Units of the Fund / 9.9% of aggregate votes of voting Units of the Fund and Class A GP Units of the Partnership  |
| Lembit Janes            | 1,646,388 Units of the Fund                                                                      | 19.7% of Units of the Fund / 15.9% of aggregate votes of voting Units of the Fund and Class A GP Units of the Partnership |

Note:

(1) Certain of these Units were purchased following the record date for the Meeting.

### **MATTERS TO BE CONSIDERED AT THE MEETING**

#### **Financial Statements**

The consolidated financial statements of the Fund for the period ended December 31, 2020, together with the auditors' report thereon, are contained in the 2020 Annual Report mailed to Unitholders

with this Management Information Circular, and will be presented to the Unitholders at the Meeting.

### **Appointment of Auditors and Remuneration**

It is proposed that the firm of PricewaterhouseCoopers LLP, Chartered Accountants, be re-appointed as auditors of the Fund, to hold office until the next annual general meeting of the Unitholders or until their successor is appointed, and that the Trustees be authorized to fix the remuneration of the auditors. PricewaterhouseCoopers LLP have been the auditors of the Fund since its inception in 2004. The persons named in the enclosed **GOLD** form of proxy, if not expressly directed to the contrary in any such proxy, will vote such proxy **FOR** a resolution to re-appoint PricewaterhouseCoopers LLP as auditors of the Fund and authorize the Trustees to fix their remuneration.

### **Election of Trustees**

The Declaration of Trust provides that the Fund shall have a minimum of three (3) Trustees and a maximum of 10 Trustees, with the number of Trustees from time to time within such range being as determined by the Trustees.

The Trustees have determined that the number of Trustees to be elected at the Meeting will be nine (9), which, given that the Fund's and the Janes' Nominees total ten (10), is designed to result in a contested meeting where the nine (9) nominees with the highest numbers of votes in favour will be elected as Trustees in accordance with the wishes of those voting.

The persons named in the enclosed **GOLD** form of proxy, if not expressly directed to the contrary in such form of proxy, intend to vote **FOR** the election, as Trustees, of Douglas Buchanan, Peter Fowler, Sandra Levy, Norm Mayr, John McLaughlin, William Rogers and Kim van Nieuwkoop and will **WITHHOLD** votes in respect of the Janes' Nominees, namely, Lembit Janes, Stephen Dewis and Michael Fisher. All the nominees, other than Douglas Buchanan, Sandra Levy, Norm Mayr, Kim van Nieuwkoop, Lembit Janes, Stephen Dewis and Michael Fisher are currently Trustees of the Fund and have been Trustees of the Fund since its formation on August 23, 2004. Kim van Nieuwkoop was appointed as a Trustee of the Fund and as a Director of SIR GP Inc. on April 11, 2014. It is not contemplated that any of the Fund's proposed nominees will be unable to serve as a Trustee but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each Trustee elected will hold office until the end of the next annual general meeting or until his or her successor is elected or appointed.

The Fund has a majority voting policy in effect (the "**Majority Voting Policy**"). The Majority Voting Policy applies to an "uncontested election", which is one where the number of nominees for election as a Trustee equals the number of Trustees to be elected. Pursuant to the Majority Voting Policy, if any nominee for Trustee receives a greater number of votes "withheld" from his or her election than votes "for" such election, that Trustee should promptly tender his or her resignation. The Trustees are expected to accept the resignation except in situations where extenuating circumstances would warrant the Trustee continuing to serve as such. The amendment was designed to conform to the latest guidance from the Toronto Stock Exchange. A copy of the Majority Voting Policy is on [www.sircorp.com](http://www.sircorp.com).

Since the election of Trustees will not be an "uncontested election", the Majority Voting Policy will not apply.

The Trustees' seven (7) nominees are as follows:

| Name, Residence and Principal Occupation                                                                                                                                                                                          | Ownership, Control or Direction over Voting Securities <sup>(1)</sup> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| <p><b>Douglas Buchanan</b><br/>Toronto, Ontario<br/>Canada<br/>Managing Director, Granite Partners (Private Equity Investor)</p>                                                                                                  | Nil                                                                   |
| <p><b>Peter Fowler<sup>(2)</sup></b><br/>Burlington, Ontario<br/>Canada<br/>Chief Executive Officer, SIR Corp. (Restaurant Industry)</p>                                                                                          | 2,003,052 <sup>(2)</sup>                                              |
| <p><b>Sandra Levy</b><br/>Toronto, Ontario<br/>Canada<br/>Chief People Officer, Canadian Olympic Committee (Human Resources Executive)</p>                                                                                        | Nil                                                                   |
| <p><b>Norm Mayr</b><br/>Burnaby, British Columbia<br/>Canada<br/>Corporate Director (Former KPMG Audit Partner)</p>                                                                                                               | Nil                                                                   |
| <p><b>John McLaughlin<sup>(3, 4)</sup></b><br/>Omeme, Ontario<br/>Canada<br/>President, Treasury Technologies International Inc. (Strategic and Financial Advisory Firm) and Co-Founder and Director of CEM Benchmarking Inc.</p> | 5,000                                                                 |
| <p><b>William Rogers<sup>(3, 4)</sup></b><br/>Mississauga, Ontario<br/>Canada<br/>Managing Director and Chief Executive Officer, The Commercial Capital Corporation (Investment Banking Firm)</p>                                 | 9,085                                                                 |
| <p><b>Kim van Nieuwkoop</b><br/>Burlington, Ontario<br/>Canada<br/>Senior Vice President Human Resources &amp; General Counsel, SIR Corp.</p>                                                                                     | 5,660                                                                 |

Notes:

- (1) The information as to Units beneficially owned, directly or indirectly, including by associates or affiliates, not being within the knowledge of the Fund, has been furnished by the respective nominees individually.



- (2) Peter Fowler, directly or indirectly, owns approximately 58.15% of the common shares of SIR Corp., which holds 1,971,552 Class A GP Units of the Partnership, equivalent to 1,971,552 voting Units of the Fund, representing 19.1% of the aggregate voting Units of the Fund. Peter Fowler also directly owns 31,500 Units of the Fund.
- (3) Member of the Audit Committee of the Board of Trustees. For a copy of the Audit Committee's Charter, please see Schedule "C" of the Fund's annual information form dated March 31, 2021 for the period ended December 31, 2020.
- (4) Member of the Corporate Governance Committee of the board of directors of SIR GP (the "**Board of Directors**").

The following is a brief biography of each of the seven (7) nominees proposed by the Trustees. Douglas Buchanan, Sandra Levy, Norm Mayr, John McLaughlin and William Rogers are independent within the meaning of National Instrument 52-110 as defined in the *Ontario Securities Act*.

**Douglas Buchanan - New Trustee Nominee**



Douglas Buchanan is the Managing Director of Granite Partners, a Toronto-based, mid-market private equity firm established in 1996. Granite has generated industry leading equity returns for its investors and operating partners since inception. Under his leadership, Granite has invested in companies involved in a wide variety of industries including aerospace, insurance services, event rental, film and television production and post-production services as well as food ingredient manufacturing. Mr. Buchanan obtained his MBA from the University of Toronto and is a former director of a number of publicly-listed Toronto Stock Exchange corporations, as well as director and chairman of the board of many private corporations.

**Peter Fowler - Trustee Since 2004**



Peter Fowler has been a director of SIR Corp. since 1992 and the Chief Executive Officer since 2004. He is a significant shareholder of SIR Corp. and helped create SIR concepts and continues to focus on concepts. He is also the Chief Executive Officer of SIR GP Inc.

**Sandra Levy - New Trustee Nominee**



Sandra Levy is currently the Chief People Officer at the Canadian Olympic Committee. She is a senior human resources executive with over 20 years experience in human resources and legal roles. She is a lawyer by training and brings proven management expertise from both national and global organizations. Ms. Levy has extensive corporate and volunteer board experience. She is a two time Canadian Olympic athlete in the sport of field hockey (1988 and 1992). Ms. Levy is a graduate of Osgoode Hall Law School.

**Norm Mayr - New Trustee Nominee**



Norm Mayr currently serves as a director of Kadestone Capital, a real estate company operating in British Columbia, and of Sunniva Inc. and Next Green Wave, both vertically integrated cannabis companies with operations in the state of California. Mr. Mayr is a retired Audit Partner having spent 38 years in public practice with KPMG. He was the Risk Management and Business Unit Professional Practice Partner for the Greater Vancouver Area practice of KPMG for the most recent 18 years of his career. In this role, Norm was responsible for managing risk in the audit practice, and regularly consulted with engagement teams dealing with complex financial reporting, accounting, audit and securities issues in their clients.

### **John McLaughlin – Independent Chair of the Board of Trustee’s since 2004**



John McLaughlin, as President of Treasury Technologies International Inc., has advised business leaders as they conceive, consider and crystallize strategic decisions. He has more than 30 years of experience as a director of public, private and not-for-profit organizations. Mr. McLaughlin has received the ICD.D designation from the Rotman School of Business and the Institute of Corporate Directors – Directors Education Program.

### **William Rogers – Trustee Since 2004**



William Rogers is the founder of Commercial Capital Corporation and has led a significant number of the firm’s transactions and advisory assignments. His areas of expertise include financing, restructuring, value-creation strategies, corporate governance and advising boards. Mr. Rogers serves on the boards of the Eating Disorders Foundation of Canada, Bailey Hunt Limited, NATT Tools Group Inc. and StarfieldConnects Ltd. Mr. Rogers has completed the Directors Education Program at the Rotman School of Business.

### **Kim van Nieuwkoop – Trustee Since 2014**



Kim van Nieuwkoop is Senior Vice President & General Counsel of SIR Corp. Ms. van Nieuwkoop previously held the position of Senior Counsel at GE Capital (UK) and was an associate at Holman, Fenwick & Willan LLP. She has experience with governance, compliance, culture and strategy in the hospitality industry. As the first woman appointed to the Fund’s Board of Trustees she has been an integral part of the advancement of board diversity and looks forward to further progress with fair and true representation of the restaurant guest base and business.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Fund, other than as disclosed below in respect of Norm Mayr, none of the Trustees’ proposed nominees for election as a Trustee has been, at the date of the Management Information Circular or within the last 10 years: (a) a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (ii) was the subject of an event that resulted, after that person ceased to be a director or chief executive officer or chief financial officer, in the company being the subject of such an order; or (b) a director or executive of a 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, transaction or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On June 22, 2020, Norm Mayr, a nominee Trustee, was a director of Sunniva Inc. (“**Sunniva**”), which received a cease trade order issued by the British Columbia and Ontario Securities Commissions resulting from Sunniva failing to file its audited financial statements, related management discussion and analysis and related certifications for the financial year ended December 31, 2019. The cease trade order continues to be in effect at the date of this circular. On October 18, 2020, Sunniva voluntarily filed for, and obtained, creditor protection under the *Companies Creditors Arrangement Act* (“**CCAA**”) pursuant to an initial order from the Supreme Court of British Columbia. As of the date of the Management Information Circular, the CCAA proceedings continue to be in progress.

No Trustee proposed by the Trustees of the Fund has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in making an investment decision.

To the knowledge of the Fund, no Trustee proposed by the Trustees of the Fund has, within the 10 years before the date of the Management Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, transaction or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Trustee.

The foregoing does not apply to Lembit Janes' proposed nominees as Trustees of the Fund.

### **LEMBIT JANES' PROPOSED NOMINEES FOR ELECTION TO THE BOARD**

Based on the information statement filed on May 20, 2021 by Lembit Janes (the "**Information Statement**"), Mr. Janes intends to nominate the Janes' Nominees, namely, Stephen Dewis, Michael Fisher and Lembit Janes.

### **THE TRUSTEES RECOMMEND THAT YOU WITHHOLD YOUR VOTE WITH RESPECT TO THE JANES' NOMINEES.**

Unless contrary instructions are indicated on the **GOLD** form of proxy or the voting instruction form, the persons designated in the accompanying **GOLD** form of proxy or voting instruction form intend to vote **WITHHOLD** with respect to the Janes' Nominees. Unitholders are NOT permitted to vote for more than a total of nine (9) Trustee nominees. The nine (9) nominees receiving the highest numbers of votes in favour will be elected as Trustees in accordance with the wishes of those voting.

### **COMPENSATION OF TRUSTEES**

During 2020, each of the independent Trustees of the Fund and each of the independent Directors of SIR GP was entitled to annual compensation for their services as a Trustee/Director of \$22,500 per year plus an additional \$1,000 per Trustee/Director for attending each regularly scheduled monthly meeting and \$500 per Trustee/Director for each extraordinary meeting. This may change given that there are more than five (5) Trustees to be elected.

The practice is to hold meetings for the Trustees of the Fund and the Directors of SIR GP on the same day. In the event the Trustees of the Fund and the Directors of SIR GP were to hold meetings on a separate day, the Trustees/Directors would be entitled to separate compensation for each meeting attended.

For fiscal 2020, aggregate compensation in the amount of \$13,250 was paid by the Fund to William Rogers, \$8,625 was paid by the Fund to John McLaughlin and \$35,000 was paid by the Fund to Peter Luit (who are each also current Directors of SIR GP). John McLaughlin was entitled to the same amount but agreed to defer these entitlements until Fund distributions resume. William Rogers also agreed to defer his entitlements until Fund distributions resume.

During fiscal 2020, a special committee of the independent Trustees was formed to oversee the interests of the Unitholders in certain financing proposals being considered at the time by SIR Corp. The committee was chaired by Peter Luit. In addition to the amounts described above, during fiscal 2020, aggregate compensation in the amount of \$59,678 was paid to Peter Luit, and \$52,516 was paid to John McLaughlin by the Fund. The fees for the special committee were reimbursed by SIR Corp.

Each of the Trustees of the Fund, the Trustees of the Trust and the Directors of SIR GP are reimbursed for general expenses as they arise from time to time.

In addition, compensation of \$12,500 was paid to Kim van Nieuwkoop for attendance at regularly scheduled monthly Trustees Meetings and extraordinary Trustees Meetings. Ms. van Nieuwkoop is paid \$1,000 for each regularly scheduled monthly meeting of the Board of Trustees and \$500 for each extraordinary meeting of the Board of Trustees, but since she is a compensated employee of SIR Corp. she is not paid the annual compensation amounts.

No compensation is paid by the Fund to the executives of SIR GP. Such executives are compensated by SIR Corp. Information regarding SIR Corp.'s executive compensation is included in the notes to its financial statements for the year ended August 30, 2020.

There are currently no equity compensation plans of the Fund.

See "Appendix "A" - Statement of Corporate Governance - Compensation" for information on how compensation is determined.

### **TRUSTEES' INSURANCE**

The Fund has a policy of insurance for its Trustees. The policy also insures the Fund against liability for certain securities claims. The aggregate limit of liability under the policy is \$10 million, inclusive of defence costs, plus excess liability coverage of \$7.5 million and Excess Side A DIC coverage of \$2.5 million.

For the period from January 1, 2020 to December 31, 2020, the total premium paid on the policy was \$64,200 (\$42,800 of the total amount was covered by the Fund and \$21,400 of the total amount was covered by the Partnership). The policy is subject to aggregate limits of liability, and therefore, the amount of coverage is contingent upon the availability of renewal insurance, or of replacement insurance without a retroactive date to limit coverage for prior wrongful acts.

### **INDEBTEDNESS TO FUND**

None of the Trustees of the Fund, the directors or officers of SIR GP, or any associates of such persons, (i) is or has been indebted to the Fund or any of its subsidiaries at any time since the beginning of the fiscal year ended December 31, 2020, or (ii) has at any time since the beginning of the fiscal year ending December 31, 2020 been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Fund or SIR GP.

### **CORPORATE GOVERNANCE PRACTICES**

The Canadian Securities Administrators require disclosure on an annual basis of the Fund's corporate governance practices in accordance with National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, which disclosure is set forth in Appendix "A" to this Management Information Circular.

#### **Role of the Trustees**

The role of the Trustees of the Fund is primarily to act on behalf of the Fund as sole unitholder and noteholder of the Trust, shareholder of SIR GP and lender under the SIR Loan and to manage the limited affairs of the Fund. In turn, the role of the Trustees of the Trust is to act on behalf of the Trust as the owner of the limited partner units of the Partnership and to manage the limited affairs of the Trust. The Fund and the Trust have each respectively delegated certain operating functions to the Partnership under the Fund Administration Agreement and Trust Administration Agreement.

## Administration

Under the Trust Administration Agreement and the Fund Administration Agreement, the Partnership has agreed to provide or arrange for the provision of administrative services to the Fund and the Trust. Copies of each agreement are available on SEDAR at [www.sedar.com](http://www.sedar.com) under the "SIR Royalty Income Fund" profile, and the summary below is qualified in its entirety by the actual terms of such agreements.

With respect to the administration of the Fund, the administrative services provided by the Partnership will include, without limitation, those necessary to: (i) seek to ensure compliance by the Fund with continuous disclosure obligations under applicable securities legislation, including the preparation of financial statements relating thereto; (ii) provide or cause to be provided to Unitholders all information to which Unitholders are entitled under the Declaration of Trust, including relevant information regarding income taxes; (iii) at the request of the Trustees, call and hold meetings of voting Unitholders of the Fund pursuant to the Declaration of Trust and distribute required materials, including notices of meetings and proxy circulars in respect of all such meetings; (iv) provide (or cause to be provided for) the calculation of distributions to Unitholders of the Fund; (v) attend to all administrative matters arising in connection with any redemption of Units of the Fund; (vi) seek to ensure compliance with the Fund's limitations on non-resident ownership; (vii) administer the SIR Loan; and (viii) provide or cause to be provided general accounting, bookkeeping and administrative services to the Fund.

The Partnership is obligated to pay all expenses incurred by it and attributable to the exercise of its duties in the administration of the Fund and the Trust. In 2020, a fee of \$12,000 was payable to the Partnership for the services provided by it to the Fund under the Fund Administration Agreement. A similar fee in the amount of \$12,000 is also payable to the Partnership in respect of the Trust under the Trust Administration Agreement.

## Role of the Partnership in Corporate Governance

Since the Fund does not carry on an active business and since the responsibility for the administration and management of the day-to-day operations of the Fund has been delegated to the Partnership, the governance matters addressed in National Instrument 58-101 - *Disclosure of Corporate Governance Practices* are matters dealt with by the Partnership, through its managing general partner, SIR GP. As the managing general partner of the Partnership, SIR GP has the authority to manage the business and affairs of the Partnership, including the authority to carry out the Partnership's obligations under the Fund Administration Agreement. Thus, the Fund is managed and administered by the Partnership which, in turn, is managed by the managing general partner. Certain matters relating to the conduct of the business and affairs of the managing general partner are provided by the governance agreement dated October 12, 2004 (the "**Governance Agreement**") among the Fund and SIR Corp., and certain of their associates and affiliates. The Fund and SIR Corp. are, respectively, 80% and 20% holders of the common shares of the managing general partner. The relevant terms of the Governance Agreement are described below, a copy of which is available on [www.sircorp.com](http://www.sircorp.com) and on SEDAR at [www.sedar.com](http://www.sedar.com) under the "SIR Royalty Income Fund" profile, and the following summary is qualified in its entirety by the actual terms of that agreement.

## Governance Agreement

Under the Governance Agreement, as amended, three of the Directors of the managing general partner are nominated by the Fund (each of whom may be a Trustee of the Fund and must be an unrelated Director) and, for so long as SIR Corp. holds at least a 10% interest in the Fund, whether directly or indirectly through its Class A GP Units of the Partnership (which are exchangeable for

Units), two of the Directors are nominated by SIR Corp. In addition, the Governance Agreement provides for the establishment of a Corporate Governance Committee of the managing general partner, which are comprised solely of nominees of the Fund.

The Corporate Governance Committee is responsible for, among other things, overseeing the operations of the Partnership including payments to be made by SIR Corp. to the Partnership under the License and Royalty Agreement, considering and providing a recommendation on any material conflict of interest involving SIR Corp. and SIR GP or the Partnership before such material conflict of interest is approved by the Board of Directors of SIR GP, developing SIR GP's approach to corporate governance issues and compliance with applicable laws, regulations, rules, policies and orders with respect to such issues, and advising the Board of Directors of SIR GP in filling vacancies on such Board of Directors, and advising the Trustees of the Fund in filling vacancies on the Board of Trustees.

The corporate governance practices of the managing general partner are discussed in detail in Appendix "A" to this Management Information Circular by reference to National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

The Board of Trustees has unanimously adopted the Majority Voting Policy for circumstances involving an "uncontested election", as described above under "Matters to be considered at the Meeting – Election of Trustees".

In addition, the Board of Trustees is assisted in certain areas by the Fund's Audit Committee, which, among other things, monitors the Fund's financial reporting and internal controls and liaises with external auditors. A copy of the Audit Committee Charter is contained in Schedule "C" of the Fund's annual information form dated March 31, 2021 for the period ended December 31, 2020, a copy of which is available on [www.sircorp.com](http://www.sircorp.com) and on SEDAR at [www.sedar.com](http://www.sedar.com) under the "SIR Royalty Income Fund" profile.

## **MANAGEMENT CONTRACTS**

There are no management functions of the Fund, the Partnership or SIR GP which are to any substantial degree performed by a person other than the Trustees in the case of the Fund, or the directors and officers of SIR GP in the case of the Partnership and SIR GP. Certain Executive Officers of SIR Corp. are also Executive Officers of SIR GP.

## **INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

None of the Trustees of the Fund, nominees for election as Trustees proposed by the Trustees (which, for the avoidance of doubt, does not include Lembit Janes, Stephen Dewis or Michael Fisher), or persons who have been Trustees of the Fund since the commencement of the Fund's last financial year, and no associate or affiliate of any of the foregoing, has any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than as disclosed in this Management Information Circular or the Fund's annual information form dated March 31, 2021 for the period ended December 31, 2020.

## **INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS**

On the closing of the Offering, the Fund acquired, indirectly through the Partnership and the Trust, the SIR Rights from SIR Corp., which are used in connection with the operation by SIR Corp., and its subsidiaries or sub-licensees of the SIR Restaurants in Canada. At the same time, the Fund acquired the SIR Loan which was made to SIR Corp. from a Canadian chartered bank. Pursuant to the License

and Royalty Agreement with SIR Corp., the Partnership is entitled to a royalty based on the revenues generated by the SIR Restaurants.

None of the Trustees of the Fund, nominees for election as Trustees of the Fund proposed by the Trustees of the Fund (which, for the avoidance of doubt, does not include Lembit Janes, Stephen Dewis or Michael Fisher), nor persons who have been Trustees of the Fund since the commencement of the Fund's last financial year, and no associate or affiliate of any of the foregoing, has any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, in any proposed transaction which has materially affected or would materially affect the Fund or any of its subsidiaries other than as disclosed in this Management Information Circular or the Prospectus.

### **OTHER BUSINESS**

Management is not aware of any matter intended to come before the Meeting other than those items of business set forth in the attached Notice of Meeting. If any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy to vote in respect of those matters in accordance with their judgment.

### **ADDITIONAL INFORMATION**

The Fund's Units are listed on the Toronto Stock Exchange with the trading symbol: SRV.UN.

Financial information is provided in the Fund's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2020 and is available on [www.sircorp.com](http://www.sircorp.com) and on SEDAR at [www.sedar.com](http://www.sedar.com) under the "SIR Royalty Income Fund" profile.

Copies of the Fund's audited consolidated financial statements for the period ended December 31, 2020 together with the report of the auditors thereon, the Fund's management's discussion and analysis for the year ended December 31, 2020, the Fund's interim financial statements for periods subsequent to the end of the Fund's last fiscal year, the Fund's annual information form dated March 31, 2021 for the period ended December 31, 2020 (together with any document incorporated therein by reference) and this Management Information Circular are available upon request from the Secretary of SIR GP Inc. at [jgood@sircorp.com](mailto:jgood@sircorp.com).

Additional information relating to the Fund is available at [www.sedar.com](http://www.sedar.com) under the "SIR Royalty Income Fund" profile.

**By Order of the Board of Trustees**

(signed) "Jeff Good"

JEFFREY GOOD  
Secretary, SIR GP Inc.  
Burlington, Ontario  
June 1, 2021





## APPENDIX "A"

### **Corporate Governance of SIR Royalty Income Fund (the "Fund") and of SIR GP Inc. (the "Company") in its capacity as managing general partner of SIR Royalty Limited Partnership (the "Partnership"), as administrator of the Fund**

#### **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

On June 30, 2005, the Canadian Securities Administrators implemented National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201"). NI 58-101 and NP 58-201 have effectively replaced the corporate governance guidelines of the Toronto Stock Exchange and provide for mandated disclosure under NI 58-101 of a corporation's corporate governance practices under NP 58-201. The Company's and the Fund's corporate governance practices are set out below.

The following is the statement of corporate governance of the Fund and the Company. The Company is managing general partner of the Partnership. The Partnership acts as administrator of the Fund. The Company's operations are limited to acting as managing general partner of the Partnership, whose business is the ownership of the SIR Rights, the licensing of the SIR Rights in a manner consistent with the License and Royalty Agreement and the administration of the Fund and SIR Holdings Trust (the "Trust"). The business of the Company is managed and supervised by its Board of Directors. All references to the "Board of Directors" or "Directors" are to the Board of Directors and Directors of the Company, respectively. All references to the "Board" is to the Board of Trustees of the Fund.

#### ***The Board of Directors and the Board of Trustees***

The Board of Directors and the Board of Trustees are currently comprised of the same members, a majority of whom are considered independent as defined in the *Ontario Securities Act*. The current three independent Directors are Peter Luit, John McLaughlin and William Rogers.

The other two Directors are Peter Fowler and Kim van Nieuwkoop. Peter Fowler is not considered independent as he is the CEO and a Director of SIR Corp., the licensee or sub-licensee of the SIR Rights, which are the principal assets of the Partnership. Kim van Nieuwkoop is not considered independent as she is an Officer of SIR Corp.

While the independent Directors and Trustees do not hold regularly scheduled meetings, to the extent that they wish to consider matters separately from the SIR Corp. Directors, they have met in camera from time to time. The independent members comprise both the Audit Committee of the Board of Directors and the Corporate Governance Committee of the Board of Trustees which enables the Board of Directors and the Board of Trustees to function independently of Management, where necessary. The Audit Committee and Corporate Governance Committee each met four times during fiscal 2020.

John McLaughlin is the Chair of both the Board of Directors and the Board of Trustees. John McLaughlin is considered to be an independent Director and Trustee. The role and responsibilities of the Chair include: the Chair shall be expected to attend and chair meetings of the Board of Directors and the Board of Trustees; the Chair shall not be a member of management of SIR Corp.; the Chair shall not be expected to perform policy making functions other than in his or her capacity as a Trustee of the Fund; the Chair shall not have the right or entitlement to bind the Fund in his or her capacity as Chair; the Chair shall provide direction with respect to the dates and frequencies of Board of Trustees Meetings and related committee meetings and shall liaise with the other Trustees

to prepare Board and committee meeting agendas; and the Chair should seek to ensure that the Board of Trustees carries out its responsibilities effectively.

| <b>Record of Attendance by Trustees</b>                         |                                               |                                    |                             |
|-----------------------------------------------------------------|-----------------------------------------------|------------------------------------|-----------------------------|
| <b>For the period from January 1, 2020 to December 31, 2020</b> |                                               |                                    |                             |
| <b>Trustee</b>                                                  | <b>Board Meetings Attended <sup>(1)</sup></b> | <b>Committee Meetings Attended</b> |                             |
|                                                                 |                                               | <b>Audit</b>                       | <b>Corporate Governance</b> |
| Kim van Nieuwkoop                                               | 100%                                          | N/A                                | N/A                         |
| Peter Fowler                                                    | 92%                                           | N/A                                | N/A                         |
| Peter Luit                                                      | 100%                                          | 100%                               | 100%                        |
| John McLaughlin                                                 | 100%                                          | 100%                               | 100%                        |
| William Rogers <sup>(2)</sup>                                   | 23%                                           | 0%                                 | 0%                          |

*(1) Includes both Board of Directors' and Board of Trustees' meetings.*

*(2) William Rogers was on medical leave from March 2, 2020 to November 30, 2020.*

### ***Board of Directors***

The Company is governed by the Governance Agreement, a copy of which is available on [www.sircorp.com](http://www.sircorp.com) and on SEDAR at [www.sedar.com](http://www.sedar.com) under the “SIR Royalty Income Fund” profile. Pursuant to the provisions of the Governance Agreement, the Board of Directors consists of five individuals. Three of the Directors are nominated by the Fund (each of whom is a Trustee of the Fund and considered to be independent of the Company) and the other two Directors are nominated by SIR Corp.

### ***Corporate Governance Committee***

The Board of Directors appointed a Corporate Governance Committee which is currently comprised of the three independent Directors (Peter Luit, John McLaughlin and William Rogers).

The Corporate Governance Committee is responsible for such matters in respect of the Partnership as may be determined by the Board of Directors, including: (i) overseeing the operations of the Partnership, including payments to be made by SIR Corp. to the Partnership, (ii) considering, and providing a recommendation on, any material conflict of interest involving SIR Corp. and the Company or the Partnership before such material conflict of interest is approved by the Board of Directors, (iii) annually reviewing the operations of SIR Corp. including its business plans and prospects for the ensuing year, the performance of management of SIR Corp., and any adjustments to be made pursuant to the License and Royalty Agreement, the full text of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) under the “SIR Royalty Income Fund” profile, (iv) developing the Company’s approach to corporate governance issues and compliance with applicable laws, regulations, rules, policies and orders with respect to such issues, (v) advising the Board of Directors and the Board of Trustees in filling vacancies, and (vi) periodically reviewing the composition and effectiveness of the Board of Directors and the Board of Trustees and the contribution of individual Directors and Trustees.

The Corporate Governance Committee supervises the Fund’s written corporate disclosure and insider trading policies. This policy, among other things: (i) articulates the legal obligations of the

Fund, its affiliates and their respective Trustees, Directors, Officers and employees with respect to confidential information, (ii) identifies spokespersons of the Fund who are authorized to communicate with third parties such as analysts, the media and investors, (iii) provides guidelines on the disclosure of forward-looking statements, (iv) requires advance review by senior representatives of any disclosure of financial information to seek to ensure that the information is not material, and to seek to ensure that selective disclosure of material information does not occur, and that if it does occur, a news release is issued promptly, and (v) establishes “black-out” periods immediately prior to and following the disclosure of quarterly and annual financial results during which the Fund, its affiliates and their respective Trustees, Directors, Officers and certain other persons may not purchase or sell units of the Fund in the market.

### ***Board of Trustees***

The Fund is required to have a minimum of three Trustees and a maximum of ten Trustees. At least three-quarters of the Trustees are required to be resident in Canada and questions are to be decided by a majority of resident Canadian Trustees. The role of the Board of Trustees is to supervise the activities and manage the affairs of the Fund.

The Declaration of Trust, a copy of which is available on [www.sircorp.com](http://www.sircorp.com) and on SEDAR at [www.sedar.com](http://www.sedar.com) under the “SIR Royalty Income Fund” profile, provides that the Trustees may, in respect of the trust assets, exercise all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and will supervise the activities and manage the affairs of the Fund. The role of the Trustees includes, among other things: (i) acting for, voting on behalf of and representing the Fund as a unitholder and noteholder of the Trust, (ii) acting for, voting on behalf of and representing the Fund as a shareholder of the Company, including voting for the election of the Directors thereof, (iii) maintaining records and providing reports to voting unitholders of the Fund, (iv) supervising the activities of the Fund, (v) supervising the administration of a loan of \$40 million acquired by the Fund from a Canadian chartered bank, (vi) effecting payments of distributions from the Fund to unitholders of the Fund, and (vii) voting in favour of the Fund’s nominees to serve as Trustees of the Trust.

The Declaration of Trust provides that the Trustees must act honestly and in good faith with a view to the best interests of the Fund and in connection therewith must exercise the degree and 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*.

### ***Audit Committee***

The Board of Trustees’ Audit Committee was established to monitor the Fund’s financial reporting, accounting systems and internal controls, and to liaise with the Fund’s external auditors. The members of the Audit Committee currently are Peter Luit, John McLaughlin and William Rogers. Each member is considered to be independent within the meaning of applicable securities laws and none receives, directly or indirectly, any compensation from the Company other than for service as a member of the Board of Directors and applicable committees.

All members of the Audit Committee are considered by the Directors to be financially literate. In considering criteria for determinations of financial literacy, the Directors look at the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Fund’s financial statements. A Charter for the Audit Committee has been approved by the Board of Trustees. A copy of the Audit Committee Charter is

contained at Schedule “C” of the Fund’s annual information form dated March 31, 2021 for the period ended December 31, 2020, a copy of which is available on [www.sircorp.com](http://www.sircorp.com) and on SEDAR at [www.sedar.com](http://www.sedar.com) under the “SIR Royalty Income Fund” profile.

The Audit Committee periodically meets with the external auditors of the Fund without the presence of Management. The Audit Committee assists the Board of Trustees in its oversight of (i) the integrity of the Fund’s financial statements, (ii) the external auditor’s qualifications and independence, (iii) the performance of the external auditors, (iv) the adequacy and effectiveness of internal controls, and (v) compliance with legal and regulatory matters. The Audit Committee Charter provides that the committee is responsible for establishing procedures for the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

### ***Board Mandate***

The role of the Board of Directors is outlined in the Governance Agreement. The role of the Board of Trustees is outlined in the Declaration of Trust. Both of these documents are available on [www.sircorp.com](http://www.sircorp.com) and on SEDAR at [www.sedar.com](http://www.sedar.com) under the “SIR Royalty Income Fund” profile.

### ***Position Descriptions***

No specific position descriptions have been adopted due to the limited operations of the Fund.

### ***Orientation and Continuing Education***

The Board of Directors and the Board of Trustees have an informal orientation program for new Directors and Trustees in order to seek to ensure that new members are familiarized with the role of the Boards, their committees and their Directors and Trustees as well as with the Company’s business. Additional orientation or information is provided as requested to new Directors or Trustees. The Board of Directors and the Board of Trustees do not have continuing education programs for Directors or Trustees but informal updates are provided for, including by external advisors. Directors and Trustees are expected to maintain the skill and knowledge necessary to meet their respective obligations.

### ***Ethical Business Conduct***

No formal Code of Ethics has been adopted for the Fund, given its limited operations.

### ***Nomination of Directors and Trustees***

The Charter of the Corporate Governance Committee provides that the committee will recommend nominees to the Board of Directors. The Corporate Governance Committee, in consultation with the Board of Directors as a whole, acts as the nominating committee. The Corporate Governance Committee periodically reviews the composition and effectiveness of the Board of Directors and analyzes the needs of the Board of Directors when vacancies arise. The Corporate Governance Committee is composed entirely of independent Directors.

The Directors support an individual, rather than a slate-based, nomination process.

The Board of Trustees has unanimously adopted the Majority Voting Policy for circumstances involving an “uncontested election”, as described above under “Matters to be considered at the Meeting – Election of Trustees”.

While the role of the Chair has been established as described above, chairs of committees are expected to manage the functioning of such committees, and the CEO is expected to liaise with SIR Corp.

### ***Compensation***

The Corporate Governance Committee periodically reviews the compensation of the Directors and Trustees against the compensation paid to Directors and Trustees of similar entities and makes recommendations to the Board of Directors and to the Board of Trustees. The Fund does not have a compensation committee nor has it engaged a compensation consultant during the 2020 financial year.

The Company's and the Fund's operations are limited and as a consequence there are no paid employees.

### ***Assessments***

The Corporate Governance Committee Charter provides that the committee should periodically review the composition and effectiveness of the Board of Directors and the Board of Trustees, and the contribution of individual Directors and Trustees. The Board of Directors intends to review, on a periodic basis, the effectiveness of the Directors and the Board of Directors as a whole, the Audit Committee of the Board of Trustees and of the Corporate Governance Committee, as well as the contributions of individual Directors.

### ***Policies Generally***

As a passive income fund, the Fund seeks to pass through substantially all of its distributable cash to its investors. It weighs the benefits of adopting any additional policies and procedures against their costs.

### ***Director Term Limits and Other Mechanisms of Board Renewal***

The Fund has not adopted formal term limits or other mechanisms of board renewal because the Board of Trustees' view is that it benefits from the experience of its Trustees. However, the Trustees intend to continue to seek renewal.

### ***Policies Regarding the Representation of Women on the Board and Consideration of the Representation of Women in the Director Identification and Selection Process***

The Fund supports and embraces diversity. The ongoing success of the Royalty Pooled Restaurants depends on diversity. The Fund has not adopted, and does not currently intend to adopt, a written policy relating to the identification and nomination of women Trustees because the Board of Trustees generally considers a range of diversity criteria including, but not limited to: gender, age, professional experience, cultural and educational background, skill set, expertise in a particular field and length of service. The appointment is based on merit and contribution that each candidate brings to the Board of Trustees. The Board of Trustees' composition and criteria is discussed annually by the Corporate Governance Committee.

The Fund will be seeking to continue to enhance the diversity of its Trustees.

### ***Consideration of the Representation of Women in Executive Officer Appointments***

In appointing Executive Officers to the management team, the Fund does not consider the level of representation of women in Executive Officer positions. The Fund has no paid Executive Officers.

Rather, the CEO and CFO of SIR Corp. from time to time also fulfil these functions for the Fund without additional compensation. The incumbents in these positions are recruited by SIR Corp. The independent Corporate Governance Committee reviews the qualifications of SIR's executives for their suitability of their roles in the governance and management of the Fund.

***The Fund's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions***

The Fund has not adopted a target regarding women on the Board of Directors or the Board of Trustees because the Fund does not believe that any Director or Trustee nominee should be chosen or excluded solely or largely because of gender. The Board of Trustees composition and criteria is discussed annually by the Corporate Governance Committee.

***Number of Women on the Board and in Executive Officer Positions***

As at May 31, 2021 one of the Fund's Trustees is a woman, representing 20% of the Trustees. While the CFO's immediate predecessor was a woman, at the current time, both the CEO and CFO are men. As a result, as at May 31, 2021, none of the Fund's Executive Officers are women, representing zero percent of the Fund's Executive Officers. However, Ms. van Nieuwkoop is a senior executive of SIR Corp., as well as a Trustee of the Fund, and proposed nominee Ms. Sandra Levy is a woman.

The Fund will be seeking to continue to enhance the diversity of its Trustees.



# VOTE TODAY

If you have any questions or require assistance with voting your units, please contact:



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