SECOND CUP ROYALTY INCOME FUND

- and -

SECOND CUP TRADE-MARKS LIMITED PARTNERSHIP

- and -

THE SECOND CUP LTD.

SUBSCRIPTION AGREEMENT

April 16, 2007

SUBSCRIPTION AGREEMENT

THIS AGREEMENT is made as of April 16, 2007.

AMONG:

SECOND CUP ROYALTY INCOME FUND, an open-ended trust governed by the laws of the Province of Ontario,

(the "Fund")

- and -

SECOND CUP TRADE-MARKS LIMITED PARTNERSHIP, a limited partnership governed by the laws of the Province of Ontario,

(the "Partnership")

- and -

THE SECOND CUP LTD., a corporation governed by the laws of the Province of Ontario,

("Second Cup")

RECITALS:

1. A licence and royalty agreement was entered into on November 26, 2004 between The Second Cup Ltd. ("**Old Marksco**") and New Second Cup Inc. ("**NSC**") (the "**Licence and Royalty Agreement**"), and together with all other assets was assigned to the Partnership pursuant to an asset purchase agreement dated as of April 2, 2007 between Second Cup Trade-Marks Inc. ("**Marksco**") (a successor corporation of Old Marksco and therefore party to the Licence and Royalty Agreement) and the Partnership (the "**Asset Purchase Agreement**").

2. Pursuant to the Licence and Royalty Agreement, the Partnership may be obligated to make certain payments (collectively, the "**Determined Amounts**") to Second Cup (a successor corporation of NSC and therefore party to the Licence and Royalty Agreement), including the Forecast Determined Amount and the Settlement Amount, as those terms are defined in the Licence and Royalty Agreement. The payment of the Determined Amounts by the Partnership to Second Cup may be satisfied in cash or by the delivery of units of the Fund ("**Units**").

3. The Licence and Royalty Agreement also provides in certain circumstances that the Partnership may require Second Cup to subscribe for Units from the Fund for an aggregate subscription price equal to the Estimated Determined Amount or Settlement Amount, as the case may be.

4. It is desirable that the Parties enter into this Agreement in order to set out the terms and conditions pursuant to which the Fund shall grant a right to the Partnership and Second Cup to subscribe for Units of the Fund from time-to-time in the event that the Partnership chooses to satisfy its obligations to pay the Determined Amounts by the delivery of Units, or in the event that the Partnership requires Second Cup to subscribe for Units of the Fund, all as provided in the Licence and Royalty Agreement.

THEREFORE, the parties agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

Defined terms used in this Agreement and not defined herein shall have the meanings attributed to them in the License and Royalty Agreement. In this Agreement, the following terms have the following meanings:

"**Adjustment Date**" has the meaning given to it in the Licence and Royalty Agreement;

"**Asset Purchase Agreement**" shall have the meaning set out in the recitals;

"**Current Market Price of the Units**" has the meaning given to it in the Licence and Royalty Agreement;

"**Declaration of Trust**" means the amended and restated declaration of trust of the Fund dated April 2, 2007 as further amended or amended and restated from time to time;

"**Determined Amounts**" shall have the meaning set out in the recitals;

"**Exercise Notice**" shall have the meaning set out in Section 2.3;

"**Fund**" means Second Cup Royalty Income Fund;

"**Licence and Royalty Agreement**" shall have the meaning set out in the recitals;

"**LP Units**" means the limited partnership units of the Partnership;

"**Parties**" means collectively the Fund, the Partnership, and Second Cup;

"**Partnership**" means Second Cup Trade-Marks Limited Partnership;

"**Party**" means individually any and each member of the Parties;

"**Second Cup**" means The Second Cup Ltd.

"**Subscription Amount**" has the meaning set out in Section 2.5(a) of this Agreement;

"**Subscription Right**" has the meaning set out in Section 2.1;

"**Trustees**" means the persons appointed and acting as trustees of the Fund pursuant to the Declaration of Trust;

"**Unit**" means a unit of the Fund, each such unit representing an equal undivided beneficial interest in any of the Fund's distributions and in any distributions by the Fund in the event of the Fund's termination; and

"**Unitholder**" means a holder from time to time of Units.

1.2 Certain Rules of Interpretation

In this Agreement:

(a) **Governing Law** – This Agreement is a contract made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario.

(b) **Including** – In this Agreement (i) the words "including" and "includes" mean "including (or includes) without limitation", unless the context otherwise expressly provides, such as the phrase "including only" and (ii) the phrase "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of".

(c) **No Strict Construction** – The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

(d) **Number and Gender** – Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

(e) **Severability** — If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other Parties or circumstances.

(f) **Time** - Time is of the essence in the performance of the Parties' respective obligations.

(g) **Time Periods** - Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

1.3 References to Acts Performed by the Fund

For greater certainty, where any reference is made in this Agreement to an act to be or not to be performed by the Fund, such reference shall be construed and applied for all purposes as if it referred to an act to be or not to be performed by the Trustees on behalf of the Fund.

1.4 References to Acts Performed by the Partnership

For greater certainty, where any reference is made in this Agreement to an act to be or not to be performed by the Partnership, such reference shall be construed and applied for all purposes as if it referred to an act to be or not to be performed by Second Cup GP Trust, the general partner on behalf of the Partnership.

1.5 Liability of Trustees and Unitholders

The Parties acknowledge that the Trustees are entering into this Agreement solely in their capacity as Trustees on behalf of the Fund and the obligations of the Fund hereunder shall not be personally binding upon the Trustees, or any of the Unitholders or any annuitant under a plan of which a Unitholder is a trustee or carrier (an "**annuitant**") and that any recourse against the Fund, the Trustees, or any Unitholder or annuitant in any manner in respect of any indebtedness, obligation or liability of the Fund arising hereunder or arising in connection herewith or from the matters to which this Agreement relates, if any, including claims based on negligence or otherwise tortious behaviour, shall be limited to, and satisfied only out of, the Trust Assets as defined in the Declaration of Trust.

ARTICLE 2
GRANT OF SUBSCRITION RIGHT AND MATTERS RELATING TO ISSUANCE OF UNITS

2.1 Grant of Right to the Partnership and Second Cup to Subscribe for Units

The Fund hereby grants to the Partnership and Second Cup the right (the "**Subscription Right**"), exercisable by the Partnership at any time in connection with the payment of a Determined Amount on the terms and conditions of the Licence and Royalty Agreement, to subscribe for Units from the Fund in order to satisfy the payment of such Determined Amount. The parties to this Agreement acknowledge that the distribution of the Subscription Right has been qualified by the prospectus of the Fund dated November 23, 2004.

2.2 Reservation of Units by the Fund

The Fund hereby represents, warrants and covenants in favour of the Partnership and Second Cup that the Fund shall, at all times during which this Agreement is in effect, keep available, free from pre-emptive and other rights, such number of Units as may be required to be issued pursuant to the exercise by the Partnership of the Subscription Right from time-to-time.

2.3 Exercise of Subscription Right by the Partnership

In order to exercise the Subscription Right, the Partnership shall provide sufficient advance notice (an "**Exercise Notice**") to the Fund (which need not be in writing) of the exercise of the Subscription Right. Each Exercise Notice shall include the amount of Units to be issued by the Fund as contemplated by the Licence and Royalty Agreement, the date of issuance of such Units and the name of the person who will be the beneficial owner of such Units. The number of Units to be issued by the Fund in respect of a Forecast Determined Amount and its corresponding Settlement Amount shall be based on the Current Market Price of the Units as at the Adjustment Date on which the Forecast Determined Amount is to be paid or was paid, as the case may be.

2.4 Covenants of the Fund

(a) Following the receipt of an Exercise Notice, the Fund shall issue and deliver or cause to be issued and delivered such number of Units as is specified in the Exercise Notice, such Units to be issued to the party and on the date specified in the Exercise Notice.

(b) The Fund shall take all such actions and do all such things as are reasonably necessary or desirable to enable, permit and/or cause the Partnership to pay the Fund or to cause Second Cup to pay the Fund in connection with the issuance of Units pursuant to exercise of the Subscription Right.

2.5 Payment to the Fund and Subscriptions for LP Units

(a) Upon the issuance by the Fund of Units in connection with the exercise of the Subscription Right, the Partnership shall pay the Fund an amount per Unit equal to the Current Market Price of the Units as at the relevant Adjustment Date on which the Forecast Determined Amount is to be paid or was paid, as the case may be (the "**Subscription Amount**").

(b) Upon receipt of the Subscription Amount, the Fund shall apply the Subscription Amount to subscribe for, and the Partnership shall issue to the Fund, LP Units with an aggregate fair market value equal to the Subscription Amount, with the fair market value and relative amount of LP Units being determined by the general partner of the Partnership.

(c) The Partnership hereby represents, warrants and covenants in favour of the Fund that any LP Units issuable under this Agreement will be duly authorized and validly issued as fully paid and non-assessable units.

ARTICLE 3
AMENDMENTS

3.1 Amendments, Modifications

This Agreement may not be amended or modified except by an agreement in writing executed by the Parties hereto.

ARTICLE 4
GENERAL

4.1 Termination

This Agreement will automatically terminate on the termination of the Licence and Royalty Agreement.

4.2 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement (in this Section referred to as a "**Notice**") shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile or e-mail:

(a) in the case of a Notice to Second Cup Royalty Income Fund at:

6303 Airport Road
Mississauga, Ontario
L4V 1R8

Attention: President
Fax: (905) 405-6917

(b) in the case of a Notice to the Partnership at:

6303 Airport Road
Mississauga, Ontario
L4V 1R8

Attention: General Partner
Fax: (905) 405-6917

(c) in the case of a Notice to Second Cup at:

6303 Airport Road
Mississauga, Ontario
L4V 1R8

Attention: President
Fax: (905) 405-6917

Any Notice delivered or transmitted to a Party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next Business Day.

Any Party may, from time to time, change its address by giving Notice to the other Parties in accordance with the provisions of this Section.

4.3 Assignment

No Party may assign this Agreement or any rights or obligations under this Agreement without the prior written consent of the other Parties (such consent not to be unreasonably withheld), except in the case of an assignment to a bona fide lender as collateral security or upon realization thereunder.

4.4 Enurement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns.

4.5 Amendment

No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any Party, shall be binding unless executed in writing by the Party to be bound thereby.

4.6 Further Assurances

The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions.

4.7 Third Party Beneficiaries

The Parties intend that this Agreement shall not benefit or create any right or cause of action in, or on behalf of, any Person, other than the Parties to this Agreement and no Person, other than the Parties to this Agreement, shall be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum.

4.8 Counterparts

This Agreement may be executed by the Parties in counterparts and may be executed and delivered by facsimile and all such counterparts and facsimiles shall together constitute one and the same agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS OF WHICH the Parties have executed this Agreement.

SECOND CUP ROYALTY INCOME FUND, by its Administrator, SECOND CUP GP INC.

By: ______________________________
Authorized Signing Officer

SECOND CUP TRADE-MARKS LIMITED PARTNERSHIP, by its general partner SECOND CUP GP TRUST, by its trustee, SECOND CUP GP INC.

By: ______________________________
Authorized Signing Officer

THE SECOND CUP LTD.

By: ______________________________
Name:
Title: