FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

The Second Cup Ltd. (the "**Corporation**")
6303 Airport Road
Mississauga, Ontario
L4V 1R8

Item 2 Date of Material Change

December 20, 2013

Item 3 News Release

The Corporation issued a news release disclosing the material change on December 20, 2013 and concurrently filed such news release on SEDAR with the securities regulatory authorities in each of the provinces and territories of Canada. A copy of such news release is attached hereto as Appendix "A".

Item 4 Summary of Material Change

Please see the news release attached hereto as Appendix "A".

Item 5 Full Description of Material Change

Please see the news release attached hereto as Appendix "A".

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

None.

Item 8 Executive Officer

The following senior officer of the Corporation is knowledgeable about the material change:

Stacey Mowbray
President and Chief Executive Officer
6303 Airport Road
Mississauga, Ontario
L4V 1R8
Tel: (905) 362-1818

Item 9 Date of Report

December 20, 2013

Appendix “A”

PRESS RELEASE

FOR IMMEDIATE RELEASE

THE SECOND CUP LTD. ANNOUNCES CHANGES TO BOARD OF DIRECTORS

MISSISSAUGA, Ontario, December 20, 2013 – The Second Cup Ltd. ("Second Cup" or the "Company") (TSX: SCU) and Paul D. Phelan, 1792368 Ontario Ltd. ("1792368") and 453294 Ontario Inc. ("453294") (collectively, the "Phelan Parties") today announced the reconstitution of the Board of Directors of the Company. The reconstituted Board is comprised of the following five individuals: Michael Bregman, Stephen Kelley, Alton McEwen, Rael Merson and Alan Simpson. Mr. Bregman has also been appointed Chairman of the Board of Directors of the Company. The Board reconstitution is designed to place the Company in the best position to create long-term value for all its shareholders.

Michael Bregman, Chairman of the Board of Directors, stated, "I am excited about the opportunity to serve Second Cup again in the role of Chairman. Second Cup has a proud history on which to build an even brighter future. Our shareholders will benefit as owners of Second Cup cafés achieve higher levels of success through delivery of superior standards of quality, service and ambience. We have assembled an outstanding group of directors, each of whom will bring positive attributes to help steward the Company's direction. I am especially pleased that my long time colleague Alton McEwen will join the Board. Alton provided invaluable leadership at Second Cup during its greatest years, and he possesses immense coffee knowledge."

The Phelan Parties, Second Cup's largest shareholders, collectively own and exercise control and direction over a total of 3,270,200 common shares of Second Cup, of which 1,193,800 common shares are owned by 453294 and 2,076,400 common shares are owned by 1792368. Together, this represents approximately 33% of the issued and outstanding common shares of Second Cup. 1792368 and 453294 are companies that are controlled by Mr. Phelan.

In connection with the reconstitution of the Board of Directors of the Company, the Phelan Parties entered into an agreement with Tailwind Capital Inc. ("Tailwind") and Michael Bregman pursuant to which, among other things and subject to certain conditions, 1792368 and 453294 agreed to sell to Tailwind, or an investment fund managed by Tailwind, 500,000 common shares of Second Cup, representing approximately 5% of the outstanding common shares of Second Cup, for $4.00 per common share for an aggregate purchase price of $2,000,000. In connection with the proposed sale to Tailwind, 1792368 and/or 453294 intend to rely on the prospectus exemption set out in section 2.10 of National Instrument 45-106 by virtue of satisfying the criteria set forth therein. Tailwind is a corporation controlled by Mr. Bregman and its address is 901 – 30 St. Clair Avenue West, Toronto, Ontario, M4V 3A1.

The Phelan Parties may from time to time, acquire additional securities of Second Cup, dispose of some or all of the existing or additional securities or may continue to hold their current positions. The Common Shares to be acquired by Tailwind are being acquired for investment purposes. Depending on market and other conditions, Tailwind may, from time to time, increase or decrease its ownership, control or direction over common shares or other securities of Second Cup.

The issuance of this news release is not an admission that any person or entity named herein is a joint actor with any other person or entity so named.

For further information relating to the Phelan Parties or for a copy of the report filed under Part 3 of National Instrument 62-103 and Section 102.1 of the *Securities Act* (Ontario), please contact:

Stephen S. Kelley,
Assistant Secretary
1792368 Ontario Ltd. and 453294 Ontario Inc.
Telephone: 416-966-3485
12 Lawton Blvd.
Toronto, Ontario, M4V 1Z4

About Second Cup®

Founded in 1975, Second Cup® is Canada's largest specialty coffee franchisor operating more than 350 cafés across the country. All 4,000 Second Cup® associates are trained coffee experts who handcraft over 1,000,000 coffee and tea beverages every week, and are committed to ensuring "there's a little love in every cup.™" For more information, please visit www.secondcup.com or find us on Facebook and Twitter.

For further information, please contact Stephen S. Kelley at 416-966-3485.

FORWARD-LOOKING STATEMENTS

Certain statements in this news release may constitute forward-looking statements. Forward-looking statements include words such as "may", "will", "should", "expect", "anticipate", "believe", "plan", "intend" and other similar words. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this release. These forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not those results will be achieved. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause Second Cup's actual results, performance or achievements, or those of Second Cup cafés, or industry results to be materially different from any future results, performance or achievements expressed or implied by those forward-looking statements.

APPENDIX – DIRECTOR BIOGRAPHIES

Michael Bregman – Mr. Bregman is the Principal and Chief Executive Officer of Tailwind Capital Inc., a Toronto-based investment management firm. Mr. Bregman is an experienced entrepreneur and was formerly the Chairman and Chief Executive Officer of Second Cup. After purchasing the company for $12 million in 1988, Mr. Bregman took Second Cup public in 1993, ultimately returning $175 million to shareholders, culminating in the sale of the company to Cara Operations Ltd. in 2002. He currently serves on the board of directors of Clairvest Group Inc., Ideaca Ltd. and MapleMusic and previously served on the board of directors of a number of other companies, including General Donlee Canada Inc., Vincor International Inc. and Humpty Dumpty Snack Foods Inc. Mr. Bregman earned an MBA from the Harvard Business School after receiving his undergraduate degree from the Wharton School of Business at the University of Pennsylvania.

Stephen Kelley – Mr. Kelley has served as the Chief Executive Officer of Stocom Research Trading & Investments Ltd., an investment firm, since 2004. Prior to that, Mr. Kelley was a financial analyst with Stocom from 1999 to 2004. He was first appointed to the board of directors of Second Cup in October 2012 and is also currently a director of Wind Athletes Canada. Mr. Kelley holds an Honours Bachelor of Science, Applied Mathematics degree from the University of Western Ontario.

Alton McEwen – Mr. McEwen has been the Chief Executive Officer of Distant Lands Coffee since July 2011. Distant Lands Coffee is a leading vertically integrated coffee company, which is involved in farming, milling, and roasting coffee for leading food service and grocery retail companies in the US and Internationally. Mr. McEwen has worked in the food and beverage business throughout his career and actively in the coffee business as President and Chief Executive Officer of Second Cup from 1988 to 1996 and from 2000 to 2004, and served as President of a number of Second Cups' US acquisitions from 1997 to 1999. He has served on the Strategic Planning Committee of the Specialty Coffee Association and on the Board of the Canadian Coffee Association. He has been on the Board of Swiss Water Decaffeinated Coffee since 2005 and Distant Lands since 2006. From 1987 to 1993 he was President of mmmuffins and Michel's Baguette bakery cafés, a chain of 250 bakery stores in Canada and the US. From 1983 to 1987, Mr. McEwen was President of Rowntree MacIntosh Canada, an industry leading confectionary company, and Laura Secord Candy stores. Mr. McEwen is a graduate of McGill University.

Rael Merson – Mr. Merson is the President of Mixed Use Capital, a real estate development company that is developing commercial real estate in California. Mr. Merson retired as President of Rogers Broadcasting Limited in 2008 after spending over 21 years building that company into one of Canada's leading broadcasters. He is most closely associated with the various acquisitions that were made to build Rogers Broadcasting, including The Shopping Channel, City TV, Sportsnet, OMNI TV and various radio stations.

Alan Simpson – Mr. Simpson graduated from the Wharton School of Economics and Finance (Summa Cum Laude) in 1983. That year, he joined Town Shoes when the company had a total of only 9 stores located in Ontario. In 1990, Mr. Simpson became Chief Operating Officer of Town Shoes and in 1992 started The Shoe Company. From 2000 until 2013, he served as Chief Executive Officer of both Town Shoes and The Shoe Company. During that time, Town Shoes and The Shoe Company expanded to approximately 200 stores across Canada, including through acquisitions of Sterling Shoes and The Shoe Warehouse. In 2012, Town Shoes and The Shoe Company were acquired by Callisto Capital and Alberta Investment Management Corp.