Ten Peaks Coffee Company Inc.

Annual Information Form

March 11, 2011

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FORWARD LOOKING STATEMENTS

This Annual Information Form ("AIF") contains forward-looking statements, including statements regarding the future success of the Company's business and market opportunities. Forward-looking statements typically contain words such as "believes", "expects", "anticipates", "continue", "could", "indicates", "plans", "will", "intends", "may", "projects", "schedule", "would" or similar expressions suggesting future outcomes or events, although not all forward-looking statements contain these identifying words. Examples of such statements include, but are not limited to, statements concerning: (i) expectations regarding the Company's future success in various geographic markets; (ii) factors that are expected to impact the Company's performance; (iii) future financial results; (iv) future dividends; (v) the expected actions of the third parties described herein; (vi) the expected growth in the chemical free decaffeination market; (vii) factors affecting the specialty coffee market; (viii) the expected success in building demand for SWISS WATER® Process coffees; (ix) expected future investments in capital equipment; and (x) the business and financial outlook of the Company. In addition, this AIF contains financial outlook information that is intended to provide general guidance for readers based on management's current estimates, but which is based on numerous assumptions and may prove to be incorrect. Therefore, such financial outlook information should not be relied upon by readers. These statements are neither promises nor guarantees, but involve known and unknown risks and uncertainties that may cause actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these statements. These risks include, but are not limited to, risks related to processing volumes and sales growth, operating results, supply of coffee, general industry conditions, commodity price risks, technology, competition, foreign exchange rates, general economic conditions and those factors described herein under the heading 'Risk Factors'.

The forward-looking statements contained herein are also based on assumptions that management believes are current and reasonable, including but not limited to, assumptions regarding: (i) trends in certain market segments and the economic climate generally; (ii) the financial strength of SWDCC's customers; (iii) the value of the Canadian dollar versus the US dollar; and (iv) the expected expenses and capital requirements of the Company going forward. The Company cannot assure readers that actual results will be consistent with the statements contained in this AIF. The forward-looking statements contained herein are made as of the date of this AIF and are expressly qualified in their entirety by this cautionary statement. Except to the extent required by applicable securities law, the Company undertakes no obligation to publicly update or revise any such statements to reflect any change in its expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those described herein.

NAME AND ORGANIZATION

Ten Peaks Coffee Company Inc. ("Ten Peaks" or the "Company") is a company incorporated under the Canada Business Corporations Act. The Company resulted from a reorganization (the "Reorganization") effective January 1, 2011 pursuant to a plan of arrangement (the "Arrangement") involving, among others, Ten Peaks, Swiss Water Decaffeinated Coffee Income Fund ("the Fund") and Swiss Water Decaffeinated Coffee Company, Inc. ("SWDCC").

Pursuant to the Arrangement, all of the Fund's then outstanding units were exchanged, on a one-for-one basis, for common shares of Ten Peaks, an entity created by the Fund in order to transition from an income trust structure to a corporate structure by way of the Arrangement. As part of the Arrangement, the Fund was amalgamated into Ten Peaks and all of the Fund's assets and liabilities were assumed by Ten Peaks. Following the Arrangement, the common shares of the Company began trading on the Toronto Stock Exchange under the symbol TPK. The Company's principal office is located at 3131 Lake City Way, Burnaby, British Columbia, V5A 3A3.

The Reorganization is being accounted for on a continuity of interest basis and accordingly, the consolidated financial statements for periods prior to the effective date of the Reorganization reflect the financial position, results of operations and cash flows as if the Company had always carried on the business formerly carried on by the Fund. Information herein with respect to Ten Peaks includes information in respect of the Fund prior to completion of the Reorganization to the extent applicable unless the context otherwise requires. In addition, references to "common shares" and "shares" should be read as references to "units," respectively, for periods prior to January 1, 2011.

GENERAL DEVELOPMENT OF THE BUSINESS

Up until December 31, 2010, the Fund was an unincorporated, open-ended, limited purpose trust established under the laws of British Columbia by a Declaration of Trust. The Fund was established to acquire all of the interests in SWDCC, a chemical free, premium green coffee decaffeination business.

On January 1, 2011, in response to changes to the legislation governing the taxation of income trusts which made the income trust form of structure less advantageous, the Fund converted to a corporation. The change in structure was completed by way of the Arrangement, pursuant to which the Fund was wound up into Ten Peaks, and SWDCC, which continues to conduct the SWISS WATER® Process decaffeination business as before, became a wholly owned subsidiary of Ten Peaks. SWDCC has two subsidiaries, Swiss Water Decaffeinated Coffee Co. USA, Inc, a Washington corporation, and Swiss Water Process marketing Services Inc., a British Columbia company. These companies act as SWDCC's marketing and sales subsidiaries and do not have significant assets.

As part of the Arrangement, the Company adopted a new name in order to reflect management's intention to continue enhancing and growing SWDCC's existing business, while exploring related growth opportunities. An information circular describing the Arrangement, as well as the Canadian tax implications, is available on SEDAR at www.sedar.com.

SWDCC is the primary operating entity of the Company, and Ten Peaks' results of operations are dependent upon those of this subsidiary. SWDCC's business has not changed substantially over the past three fiscal years. SWDCC's only business segment remains the decaffeination of green coffee. As is described further below, SWDCC decaffeinates coffee owned by customers under toll arrangements (its "toll business"), and also buys its own premium quality Arabica coffee, which it decaffeinates and sells to the specialty coffee trade (its "non-toll business"). Over the last three years, the proportion of coffee sold under toll arrangements has declined as a percentage of total processing volumes. In 2010, coffee processed under toll arrangements accounted for 49% of total processing volumes, with decaffeination of non-toll coffees accounting for the balance.

NARRATIVE DESCRIPTION OF THE BUSINESS

Industry Overview

In the United States, which is a key geographic market for SWDCC, the long-term trends in coffee consumption have remained stable since 1980. Year to year variation occurs within a range. In 2010, 56% of respondents to a National Coffee Association survey drank coffee the day before the survey, down from 59% in 2009. According to the same survey, 8% of US coffee consumers consumed decaffeinated coffee the day before taking the survey, and 12% consumed decaffeinated coffee in the previous week.[1]

Specialty coffees are premium varieties of coffees, particularly Arabica. Specialty coffee beverages includes coffee brewed from high-quality coffee as well as specialty coffee drinks such as espressos, cappuccinos and lattes, which are available at roaster retailer outlets and, increasingly, in hotels, donut shops and restaurants. The United States is the world's largest market for specialty coffee. In 2010, 40% of all coffee consumed was specialty coffee, indicating that gourmet coffee is a mainstream segment of the coffee industry.[2]

Like many industries, the specialty coffee market was adversely affected by the global economic downturn that started in 2008. The recession tightened credit significantly, and put greater importance on reducing inventories in order to free up invested capital. While the recession impacted coffee companies, eighty-four percent of coffee consumers indicate that they have not changed their behaviour in response to the recession, supporting the resilience of the coffee market to economic downturns. For those that have modified their behaviour in response to the economy, the most frequent changes were buying coffee less frequently, buying less expensive types of drinks, and switching to coffee made at home in order to save money.[3]

In addition to general economic challenges, the coffee industry has been experiencing supply shortages throughout 2009 and 2010, particularly of premium quality coffees. The supply challenges have increased the cost of premium coffee to thirteen year highs, and further reduced inventories.

Although the recession and shortages of premium coffee have adversely impacted the specialty coffee market in the past two years, management believes that the long-term growth of the global specialty coffee market will continue to be driven by the following factors:

- the continued expansion of specialty coffee shops and cafes by both international chains, and small chain and regional independent coffee shops, carts and kiosks;

- the growing popularity of specialty coffee drinks such as mochas, iced mochas, iced lattes and various other blended coffee drinks being developed by specialty coffee

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[1] The National Coffee Association USA "National Coffee Drinking Trends Study", 2010

[2] The National Coffee Association USA "National Coffee Drinking Trends Study", 2010

[3] The National Coffee Association USA "National Coffee Drinking Trends Study", 2010

retailers. These drinks are drawing new coffee consumers, particularly younger entrants to the marketplace;

- the growing mainstream acceptance of the organic food trend and its application to coffee, as well as the growing importance of "Fairly Traded" and other environmentally and/or ethically produced coffees;

- the broader distribution into retail, grocery and mass merchant chains of premium specialty coffees, as well as the more mainstream distribution of 100% Arabica coffees by quick-serve restaurants; and

- the development of premium private label packaged and bulk whole bean and ground coffees in national and regional grocery chains.

The global decaffeinated coffee market has contracted somewhat in the past few years, but is still substantial. Emerging coffee markets such as Latin America, Brazil and Eastern Europe have seen decaffeinated coffee volumes grow, while more established markets such as the United States have seen a reduction in volumes. [4]

Management believes that the decline in decaffeinated coffee volumes is due in part to cost reduction measures within the coffee industry. Certain coffee chains have stopped brewing decaffeinated coffee in the afternoons (when coffee sales are lower) in order to reduce waste. This has reduced the amount of decaffeinated coffee they use in their business. Similarly, the growth in the use of single-serve brewing systems, which use less coffee during brewing, has lowered overall requirements for decaffeinated green coffee.

In spite of the decline in decaffeinated coffee volumes, market research commissioned by the Company indicates that premium quality decaffeinated coffee sales are growing in the United States (the largest decaffeinated coffee market in the world). Management believes that this mirrors the general growth in consumption of specialty or premium-quality coffees in the US, which now account for 40% of total coffee consumption.[5] Management believes that decaffeinated coffee consumers now recognize that they do not need to sacrifice great quality coffee to avoid caffeine. The growing consumption of specialty coffee products supports the Company's growth strategy.

In addition, management believes that the market for chemical free decaffeination will continue to grow in the coming years, driven by the continued trend towards health consciousness. Consumer awareness of health-related issues is increasing the appreciation for food safety, food provenance and healthier or "better for you" food options. Demand has grown for "light" and heart-healthy foods, vitamin supplements and functional foods. Demand is also growing for organically certified foods and fairly traded foods in addition to natural foods. Consumers are becoming increasingly aware of how foods are processed and are subject to a growing amount of literature that raises concerns about the use of preservatives, chemicals, hormones, antibiotics and genetically modified organisms. Notably, retail sales of organic food products,

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[4] Euromonitor International, 2011

[5] The National Coffee Association USA "National Coffee Drinking Trends Study", 2010

generally believed to be indicative of increased food safety awareness, grew by over 20% annually from 2005 to 2008, before growth rates fell with the onset of the recent recession. [6]

The most important target market for the specialty decaffeinated coffee industry is "exclusive drinkers" who, based on a study by SWDCC's management, consume 80% or more of their total coffee intake in decaffeinated form. Market research commissioned by SWDCC indicates that consumers often become exclusive drinkers due to health events such as menopause, or health conditions that prompt doctors to recommend reduced caffeine intake. The research also suggests that in general, exclusive drinkers tend to be more health aware than the typical coffee consumer.

Exclusive drinkers are concentrated in the 45+ age group, for whom health-related issues shape food and lifestyle choices. In the United States, the 45 to 64 age group is the fastest growing age group, with a projected increase of 8% between 2005 and 2010.[7] Management believes that an aging population that is a more health-aware will support growth in demand for chemical free decaffeinated coffee.

SWDCC can grow its share of the decaffeination market by increasing the proportion of decaffeinated coffee that is decaffeinated without chemicals. According to statistics prepared by management, approximately 65%-70% of worldwide decaffeination capacity uses chemical decaffeination methods, including methylene chloride processing and ethyl acetate processing. Direct chemical processing is the most prevalent method employed, whereby green coffee beans are soaked in these chemical solvents. Most jurisdictions regulate the amount of permissible residual traces of the chemical solvent in the decaffeinated green coffee bean. In Japan, both methylene chloride and ethyl acetate are prohibited for use in the decaffeination process. In Canada, roasters must specify on coffee packaging if methylene chloride is used in the decaffeination process.

By increasing consumer awareness about the choices available in decaffeination processes, management believes that it can build demand for its chemical free decaffeinated coffees over time.

General Overview of SWDCC's Business

SWDCC, headquartered in Burnaby, British Columbia, is one of the few chemical free coffee decaffeinators in the world. The SWISS WATER® Process uses water from British Columbia's coastal mountains and is certified organic by the Organic Crop Improvement Association in accordance with standards developed by the United States Department of Agriculture. The SWISS WATER® Process is the world's only branded decaffeination process and enjoys substantial recognition in the specialty coffee trade and with consumers.

SWISS WATER® Process decaffeinated green coffees are sold to many of North America's leading specialty roaster retailers, specialty coffee importers and commercial coffee roasters. SWDCC also sells coffees internationally through regional distributors. SWDCC's target market is the premium coffee segment.

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[6] Neilsenwire, April 2009

[7] United States Census Bureau

SWDCC’s operations are carried out in a leased facility located in Burnaby, British Columbia which comprises approximately 38,000 square feet of space and houses the SWISS WATER® Process facilities. SWDCC has 39 full-time employees and 5 part-time, all of whom are employed in Canada. In addition, SWDCC’s subsidiary, Swiss Water Decaffeinated Coffee USA, Inc., performs marketing and promotion services for SWDCC in the United States. This subsidiary has one employee based in Minneapolis, Minnesota.

Competitive Strengths

SWDCC’s competitive strengths include the following:

- *Consumer Branding as the Premium, Wholesome, 100% Chemical Free Method of Decaffeinating Green Coffee* - SWDCC has been successful in establishing its brand as a leading chemical free processor of green decaffeinated coffee. Consumers and participants in the coffee trade are increasingly aware of the value of the chemical free SWISS WATER® Process due to its quality and taste. Management believes that there is significant potential to continue to broaden consumer awareness of the benefits of the SWISS WATER® Process.

- *The Growing Specialty Coffee Market & Organic Coffee market* - The SWISS WATER® Process produces decaffeinated green coffee that is targeted at the specialty coffee market. The significant growth in specialty coffee and specialty organic coffee over the past 20 years has created a customer base for higher quality and differentiated products that can be priced at a premium.

- *Established Customer Base* - The SWISS WATER® Process has an established customer base that includes some of North America’s largest roasters, roaster-retailers and leading coffee brands.

- *Broad Distribution Channels* - Green coffee decaffeinated using the SWISS WATER® Process is sold through the coffee market’s key distribution channels: roaster retailers, commercial roasters and coffee importers. This ensures that SWDCC accesses all key segments of the specialty coffee trade and consumer coffee markets.

- *Management Expertise* - SWDCC is highly regarded in the coffee industry for its senior management team’s substantial experience, its close attention to consumer trends in the specialty coffee market and its in-depth knowledge of green and roasted coffee. In particular, SWDCC’s intense focus on premium product quality and commitment to science-driven insight is well recognized.

Business Strategy

SWDCC seeks to maintain and enhance profitability and cash from operations by continuing to pursue the following business strategies:

- *Create Consumer Demand by Developing Brand Awareness* - Strong brand awareness levels and consumer demand encourage retailers to carry decaffeinated coffee products bearing the SWISS WATER® Process brand name. SWDCC strategically invests in regionally targeted initiatives designed to enhance awareness of the SWISS WATER®

Process brand and its chemical free proposition, and to increase demand at the consumer level. These activities include cost effective, regionally targeted media; public relations; customer co-marketing events; social media; and website management.

- *Leverage Higher Margin Selling Proposition to Retailers* – As health-aware consumers are willing to pay a premium for healthy food options, coffee retailers can improve their margins - particularly on a by-cup or by-drink basis – simply by switching to chemical free SWISS WATER® Process coffees. This makes SWDCC's sales proposition very attractive and is a key leverage point in its business development program with major roaster retailers and premium street retail accounts. In addition to higher margins, these retailers are ideally positioned to benefit from the significant value-added elements of the SWISS WATER® Process brand. These include SWDCC's ongoing efforts to build brand awareness, consultative selling, extensive merchandising programs, and web-based merchandising material fulfillment and customer learning tools.

- *Continuously Improve the Production Process* – SWDCC is committed to continuous improvement throughout its production process, and to leading the coffee industry in the science of decaffeination. This allows SWDCC to further enhance its proprietary process and provide superior quality coffees to its customers. Through Six Sigma methodologies, statistical process controls and lean manufacturing initiatives, SWDCC has dramatically improved the reliability and consistency of its production process, improving production efficiencies, while reducing defects. In addition, these improvements have generated tangible improvements to the quality of its coffees. SWISS WATER® Process decaffeinated green coffees now more closely resemble regular green coffee, which makes it much easier to visually gauge during the roasting process. Additionally, improvements to SWDCC's proprietary carbon renewal process have resulted in notable improvements at the "cupping", or tasting, table. SWISS WATER® Process coffees have better body and flavour due to better retention of chlorogenic and amino acids (naturally occurring acids and antioxidants in green coffee which form a key part of a coffee's taste profile).

- *Offer Superior Quality, 100% Chemical Free Decaffeinated Coffees* – SWDCC supports its premium brand position by offering superior quality coffees. This starts with buying premium Arabica coffees, as the quality of the green coffee directly affects the quality of the finished product. SWDCC then ensures the quality and integrity of the original green coffee is maintained throughout its proprietary production process. SWDCC uses the HACCP (hazard analysis critical control points) system to manage its food safety and quality assurance programs. In addition, its proprietary carbon management technology captures caffeine while protecting the coffee's body and flavour characteristics. Finally, because SWDCC controls its carbon (rather than using a third party regeneration service), it can guarantee that the process is 100% chemical free and that the carbon never comes into contact with methylene chloride.

Customers and Markets

SWDCC's only business segment is the decaffeination of green coffee. Its largest geographical market is Canada, followed by the United States, and other international markets. During the year ended December 31, 2010, 50% of sales were to customers located in Canada, 40% were to the United States, and the remaining 10% were to other countries.

Toll Processing

In 2010, 49% of SWDCC's product volume was processed under toll arrangements whereby SWDCC charges a fee for the decaffeination of green coffee belonging to its customers (its "toll" business). SWDCC does not take title to the green coffee it decaffeinates under toll arrangements, and therefore the value of this coffee does not form part of SWDCC's inventory, revenue or cost of goods sold. Revenue from toll arrangements consists entirely of processing revenue.

Non Toll Processing

The remainder of SWDCC's volume is comprised of premium grade Arabica green coffee that are purchased by SWDCC from the specialty green coffee trade, decaffeinated, and then sold by SWDCC to its customers (its "non-toll" business). The value of the green coffee owned by SWDCC is included in inventory, and revenue from non-toll business includes both processing revenue and green coffee cost recovery revenue. The cost of green coffee sold under non-toll arrangements is included in SWDCC's costs of goods sold.

SWDCC enters into futures contract arrangements to minimize the impact of coffee price fluctuations. See "Narrative Description of the Business — Raw Materials".

Customer Categories

SWDCC has three broad customer groups: roaster retailers, commercial roasters and coffee importers.

Roaster retailers are vertically integrated sellers of coffee who operate their own coffee roasting facilities to supply roasted coffee to their own retail coffee shops and to other food and beverage distribution channels, such as grocery stores.

Commercial roasters, who do not operate their own retail coffee shops, operate coffee roasting facilities and supply roasted coffee to third party retail coffee shops, grocery stores, the hotel and restaurant trade, and through other food service distribution channels.

Coffee importers purchase green coffee and sell it to smaller roaster retailers and commercial roasters. The coffee importer segment is important, as it consolidates SWDCC's distribution channels and provides access to many smaller commercial roasters and roaster retailers.

SWDCC's largest toll customer is Kraft Canada ("Kraft"), which is a commercial roaster. SWDCC processes a significant amount of Kraft's decaffeinated green coffee requirements. Kraft sells SWISS WATER® Process decaffeinated coffee under The Nabob Coffee Company brand and through Kraft's premium food service business. SWDCC provides its services to Kraft under a contract which is renewed annually. Whenever a contract has expired and is under renegotiation, services continue to be supplied under the expired contract's terms and conditions. The current contract expires on December 31, 2011.

Marketing and Promotion

SWDCC differentiates itself from other decaffeinators by investing in research regarding the behavior of decaffeinated coffee consumers. This research enables SWDCC to create effective consumer advertising and promotion, and is the cornerstone of its focused marketing strategy and activities, and of the consultative services it provides to its customers.

SWDCC targets key regional markets based on the concentration of coffee roasters and the level of specialty coffee market development in the identified regions. SWDCC will continue to invest in the development of the SWISS WATER® Process brand through targeted regional media, print, public relations and co-marketing events with customers. These activities are intended to create demand for the product at the consumer level, which encourages retailers to carry SWISS WATER® Process decaffeinated coffee.

In-store communication is executed through an extensive consumer merchandising program. Retailers can use this program to establish the presence of SWISS WATER® Process decaffeinated coffees and to differentiate their outlets from those that do not offer SWISS WATER® Process coffees.

The SWISS WATER® Process

The SWISS WATER® Process uses a unique, proprietary, multi-stage process that maintains the flavour of green coffee beans. The process has been developed through years of refinement and capital investment, and requires substantial technological and operational expertise.

The SWISS WATER® Process starts with premium quality green coffee beans, which are soaked in water to saturate the water with soluble coffee solids including caffeine (this liquid is known as “green coffee extract” or “GCE”). This GCE is decaffeinated with activated carbon, which is specially formulated to absorb virtually nothing but caffeine. The decaffeinated GCE is then used to decaffeinate green coffee, as caffeine migrates naturally from the coffee beans into the GCE. Since the GCE is rich in soluble coffee solids such as amino and chlorogenic acids, only the caffeine migrates to the GCE. This process allows the caffeine to be removed with minimal disruption of flavour chemistry.

The SWISS WATER® Process is certified organic by the Organic Crop Improvement Association, and is certified Kosher. It is a chemical free method that uses only pure water, as opposed to chemical decaffeination methods that use methylene chloride or ethyl acetate.

Production

Processing Facility

SWDCC’s facilities occupy approximately 38,000 square feet and are comprised of the decaffeination processing plant, a shop/boiler room, an administrative area and an adjacent warehouse. SWDCC’s facilities are located near the Port of Vancouver and close to major rail and road transportation systems. The premises are leased and are used exclusively by SWDCC. The current lease expires in 2013. The lease provides that SWDCC has the option to renew the lease for two additional five-year terms at market rates. Beyond 2023, the landlord has to approve any subsequent renewal of the lease.

As SWDCC's original fully automated processing line reached capacity, a second SWISS WATER® Process production line was built within the existing premises. The new line was commissioned in March 2006, increasing capacity by approximately 65%.

The two decaffeination production lines allow SWDCC to align its capacity with changes in demand throughout the year. One line is operated when demand is lower, and both lines are operated when demand is higher, giving SWDCC better control over its variable costs. In addition, the two processing lines will allow SWDCC to meet the anticipated growth in demand for chemical free decaffeination services over the long term.

SWDCC's processing facilities operate 24 hours per day, seven days per week. SWDCC employs an in-house maintenance program to minimize non-scheduled interruptions for repairs.

Quality Assurance

A key objective of SWDCC is the continuous enhancement of the quality of its decaffeinated coffee as defined by taste and yield. SWDCC employs the HACCP (hazard analysis critical control points) system to manage its food safety and quality assurance programs. All green coffee delivered to SWDCC's processing facilities is weighed and inspected by an independent third party and is subject to rigorous internal quality control evaluations. Each lot of green coffee processed is continually monitored throughout the decaffeination process, and a certificate of analysis is prepared for each lot. A sample from each lot is also roasted, brewed and cupped to ensure quality. There have been no product recalls or material quality problems.

Storage and Distribution

SWDCC's facilities include a warehouse that houses green coffee bean inventory. After processing, decaffeinated green coffee is temporarily stored at the warehouse and then either sent directly by common carrier to customers or to third party coffee distribution centers in Richmond, British Columbia, San Francisco, and New York for customer pick-up.

Raw Materials

SWDCC's primary raw material is premium green coffee. Green coffee is sourced through coffee importers from coffee-producing countries in Central and South America, Africa and Asia. Prices are based on the New York 'C' coffee commodity price, ("NY'C'"), plus a quality differential. The NY'C' comprises futures prices that serve as a benchmark for the coffee industry, and that are negotiated between traders on the Coffee, Sugar and Cocoa Exchange in New York. Both the NY'C' price and quality differential fluctuate in response to fundamental commodity factors that affect supply and demand, such as weather, political policies, and labour contracts in major coffee-producing countries.

For non-toll processing, the cost of purchasing green coffee accounts for a significant portion of SWDCC's cost of sales. For non-toll processing, SWDCC has hedging strategies in place in order to minimize the impact of movements in coffee prices between the time the green coffee is purchased and the time the decaffeinated green coffee is sold to its customers (an average of four months.) To hedge the purchase of each lot of coffee, SWDCC sells a future contract. As coffee is sold to customers, SWDCC liquidates the hedge position. These transactions are effected through the Coffee, Sugar and Cocoa Exchange in New York.

Under toll processing arrangements, SWDCC is not exposed to commodity price fluctuations because SWDCC does not take title to the green coffee being processed. SWDCC maintains insurance coverage in respect of its customers' green coffee while the beans are in SWDCC's possession.

Environmental Matters

SWDCC operates under an air emissions permit and a waste water permit issued by Metro Vancouver. SWDCC believes that it is in substantial compliance with all applicable requirements of these permits.

Each month, SWDCC uses an outside third party lab to collect and analyze samples to track compliance with the waste water limits specified in its permit. Since 2000, SWDCC has been in compliance on all parameters, with the exception of three incidents, which were promptly investigated and addressed by SWDCC to the satisfaction of Metro Vancouver. It is SWDCC's practice to promptly respond to environmental issues and fully cooperate with Metro Vancouver. SWDCC has not incurred any penalties, fees or reprimands from environmental regulatory authorities.

Capital Expenditures

SWDCC estimates that approximately $300,000 in new capital is required to be spent annually in order to maintain the existing production lines. Of this total, it is estimated $150,000 will be spent on maintenance capital expenditures and the balance on new investments to enhance productivity and efficiency. Annual maintenance costs can fluctuate significantly from year to year as not all equipment repairs can be reasonably foreseen. As such, in any year actual results could differ materially from these estimates.

Employees and Labour Relations

SWDCC's employees consist of 20 full-time salaried personnel, including 4 sales personnel who have significant green and roasted coffee sales expertise and knowledge, and 19 full-time process operators, laboratory staff, maintenance technicians and shipping/receiving personnel. In addition, SWDCC's US subsidiary has one sales person who has extensive experience selling coffee into grocery and foodservice channels.

Investment in the continued improvement in knowledge regarding premium green and roasted coffee is an integral part of the growth of SWDCC. This expertise is well established and acknowledged as critical to the management of green coffee product quality.

SWDCC's salaried personnel have experience in the areas of premium brand marketing management, distribution channel development, green coffee purchasing and sales, quality control, accounting and finance. SWDCC encourages and provides financial support for continued professional development in each individual's area of expertise and development of knowledge of premium coffee products. Each employee is encouraged to participate in SWDCC's daily quality assurance cupping sessions. This focus on quality enables the continual enhancement of SWDCC's premium product positioning and consultative sales support for its customers.

Process operators, an integral part of SWDCC's successful operations, are highly skilled with an average length of service of 12 years.

A comprehensive health and safety program has allowed SWDCC to benefit from only two lost time accidents in the last seven years. The most recent collective bargaining agreement with the United Food and Commercial Workers Union, which represents SWDCC's non-salaried employees, expired at the end of August 2010. Collective bargaining is ongoing in order to finalize a new collective agreement. There have been no strikes or work stoppages, and labour relations are considered to be good.

Competition

Competitive decaffeination processing is segregated into two broad categories: chemical and chemical free. Management estimates that 65%-70% of worldwide decaffeination processing is chemical decaffeination. The balance is chemical free decaffeination. In the chemical free decaffeination market, the predominant process used is carbon dioxide. This process is primarily used in the high volume, mainstream, commercial coffee market as opposed to the specialty coffee market. The largest third party chemical decaffeinators are based in Germany and Mexico. They include Hamburg-based Coffein/Kaffe Verdelungs Werke, Mexico-based Cafiver S.A. de c.v. and Descamex. The largest third party chemical free decaffeinators are based in Germany and the United States. They include Hermsen GMBH, Kraft Foods International Germany and Maximus in Houston. Descamex also has a water based decaffeination plant in Mexico.

Intellectual Property

SWDCC has intellectual property consisting of registered and unregistered trademarks and trade names, and proprietary knowledge regarding the SWISS WATER® Process that has been developed through years of refinements to the operations of SWDCC's processing facilities. SWDCC's registered trademarks include the "SWISS WATER" name, the "SWISS WATER® Process" name and design and the "Swiss Water Decaffeinated" name and design, all of which are registered in Canada, Australia, the European Union and the United States, as well as the "SWISS WATER PROCESS DECAF DEFINED" design in Canada, New Zealand and Australia, and the "SWISS WATER PROCESS DECAF DEFINED 100% CHEMICAL FREE" name and design in the United States.

Risk Factors

Summarized below are the risks related to SWDCC's business, the coffee decaffeination industry in general, and to the Company's structure.

Risks Related to the Business and the Coffee Decaffeination Industry

<u>Customer Concentration</u>

In 2010, revenues from four major customers of \$14.8 million (2009 – \$7.3 million) represented 40% (2009 – 23%) of total revenues for the year. These customers represented 39% of total accounts receivable as at December 31, 2010 (December 31, 2009 – 37%).

Competition

SWDCC faces competition from chemical and other natural decaffeinators. A significant drop in pricing for any of these alternative decaffeination methods could affect demand for SWDCC's services. Competition could also arise from the development of alternative processing or agricultural technologies. Furthermore, certain of SWDCC's competitors have significantly greater financial resources than SWDCC.

Foreign Exchange Fluctuations

Coffee tends to be traded in US dollars, as buyers and sellers reference the NY'C' coffee price when entering into contracts. As a result, the majority of the Company's revenues are denominated in US dollars, while a significant portion of its expenses and cash outflows occur in Canadian dollars. Therefore, the Company's financial results are affected by any significant fluctuation in US-Canadian exchange rates. In accordance with its foreign exchange risk management policy, SWDCC uses financial instruments to manage its currency risk based on estimates of its net US dollar ("US$") cash flows up to 24 months in advance. SWDCC purchases forward contracts to sell US dollars at fixed future dates and exchange rates, which allow management to reliably predict how much Canadian currency the Company will receive for its US$ sales. In addition, SWDCC purchases forward contracts to buy US dollars for green coffee purchase commitments which will later be sold to certain Canadian customers in Canadian dollars.

With cash flows hedged in this manner, management can make informed decisions about capital and operating expenditures, and Directors can manage dividends to the Company's shareholders. However, as the Company does not use hedge accounting, its currency hedging practices can result in significant volatility in its reported net income. This is because US$ revenues are recognized at the exchange rates in effect at the time sales are made (rather than at the exchange rate implied by the derivative instrument). At the same time, Generally Accepted Accounting Principles require the Company to mark derivative instruments to market at each balance sheet date, with changes in the value of those instruments being recognized in income during the period. In an environment where the US$ has depreciated relative to the Canadian dollar, the Company's revenue would decrease, and the Company would concurrently recognize offsetting gains on its currency hedges.

All other factors being equal, the Company's profitability and cash from operations will be lower when the Canadian dollar appreciates relative to the US$. Although the profitability and cash flow impacts of such appreciation may be mitigated in the short term through its foreign currency risk management policy, a long-term appreciation of the Canadian dollar will decrease the Company's long-term profitability and cash generation.

Renewal of Kraft Services Agreement

SWDCC enters into an annual services agreement with Kraft for toll decaffeination. There is no guarantee that this agreements will be renewed, or if renewed, that the terms of the agreement will be substantially the same. In 2010, sales to Kraft represented approximately 10% of SWDCC's revenue. If the service agreement is not renewed, or are renewed on different terms, SWDCC's revenues and earnings may be adversely affected.

Coffee Prices and Availability

Green coffee bean prices are subject to substantial price fluctuations, generally caused by multiple factors, including weather, political and economic conditions in certain coffee-producing countries, and other supply-related matters. In addition, green coffee bean prices have been affected in the past, and may be affected in the future, by the actions of certain organizations and associations, such as the International Coffee Organization and the Association of Coffee Producing Countries, which have historically attempted to influence commodity prices of green coffee through agreements establishing export quotas or restricting coffee supplies worldwide.

When green coffee exports are constrained from one or more country due to poor crops or other factors, SWDCC may not be able to secure sufficient high-quality coffee in order to meet demand, resulting in lost sales. Moreover, SWDCC's toll customers may not receive coffee when they require it, resulting in lower toll volumes.

In 2010, the NY'C' coffee commodity price increased 70% to thirteen year highs. Following year end, the NY'C' continued to rise, trading at the highest levels seen since 1977. When coffee commodity prices increase dramatically, it affects the Company in a number of ways. First, with historically high coffee prices, customers tend to reduce their purchases and operate with reduced inventories. This may reduce the Company's processing volumes and/or sales.

Second, SWDCC sells coffee at current market prices. Thus, when coffee commodity prices rise, the Company's revenue will also rise even if its processing volumes do not grow. In turn, this increases the value of accounts receivable, which may increase the credit risk of the business.

Third, higher coffee prices drive up the cost of coffee inventories, which SWDCC regularly replaces in order to support its non-toll business. Inventory purchases are funded through the Company's operating line of credit, resulting in increased bank indebtedness when coffee prices rise. This increases the liquidity risk of the business.

Credit Risk

Credit risk is the risk that counterparties to certain trade and other amounts receivable will not be received by the Company when due. The Company is exposed to credit risk with respect to its accounts receivable and derivative financial instruments. SWDCC follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. In addition, SWDCC manages the credit risk related to its derivative financial instruments by entering into such contracts only with high credit quality institutions.

Liquidity Risk

Liquidity risk with respect to an asset is the risk that the asset cannot be sold due to a lack of buyers in the market. Liquidity risk with respect to a liability is the risk that a liability cannot be funded when it becomes due.

The primary asset that can be liquidated to fund future obligations is inventory. SWDCC holds the majority of its green coffee inventory in raw (unprocessed) form, which makes it easier to liquidate should the need arise. The shortage of high quality Arabica coffees in the market make it likely that SWDCC could sell its green inventories quickly at current market prices, which exceed the historical cost which is recorded on the Company's balance sheet.

The current liabilities consist primarily of accounts payable and bank indebtedness. SWDCC's accounts payable are primarily for green coffee purchases. SWDCC's banking facilities are all short term in nature, and are due upon demand. Nevertheless, management believes that so long as SWDCC complies with the terms of its banking agreement, it will not face a demand from its lender.

In addition, the Company has in place a planning and budgeting process to assist in determining the funds required to support its normal operating requirements on an ongoing basis and its future plans. The Company ensures that there are sufficient committed financing facilities to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its existing bank indebtedness.

Leverage and Restrictive Covenants

SWDCC has third party debt service obligations under its credit facilities. The degree to which SWDCC is leveraged could have important consequences to shareholders, including: (i) SWDCC's ability to obtain additional financing for working capital; (ii) a portion of SWDCC's cash flow from operations will be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for dividends by the Company; and (iii) SWDCC's borrowings are made at variable rates of interest, which exposes SWDCC to the risk of increased interest rates. SWDCC's ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness will depend on its future cash flow, which is subject to the operations of SWDCC's business, prevailing economic conditions, prevailing interest rate levels, financial, competitive, business and other risk factors, many of which are beyond its control. SWDCC's credit facility agreements contain restrictive covenants that limit the discretion of SWDCC's management with respect to certain business matters. These covenants will place restrictions on, among other things, the ability of SWDCC to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the credit facility agreements contain financial covenants that require SWDCC to meet certain financial ratios. A failure to comply with these obligations could result in an event of default which, if not cured or waived, could permit acceleration of repayment of the relevant indebtedness. If the indebtedness under the credit facilities were to be accelerated, there can be no assurance that SWDCC's assets would be sufficient to repay in full that indebtedness.

Labour Relations

SWDCC's plant employees are represented by the United Food and Commercial Workers Union. The most recent collective agreement expired at the end of August 2010. Collective bargaining is ongoing. Strikes or lockouts could restrict the ability of SWDCC to operate and service its customers.

Dependence on Key Personnel

The Company's success is substantially dependent on the continued services of senior management. The loss of the services of one or more members of the Company's senior management team could adversely affect the Company's financial results. In addition, the Company's overall financial performance depends on its ability to attract and retain skilled managers and employees and the ability of its personnel to manage SWDCC's operations effectively.

Environmental and Regulatory Risks

SWDCC is substantially in compliance with material government laws and regulations, including all provisions thereunder requiring certain permits to operate its business. However, there can be no assurance that such laws and regulations will not change. Minor exceedances in waste water generated by SWDCC's facilities over the limits prescribed in SWDCC's waste water discharge permit have been registered in the past. Although these exceedances were promptly addressed and corrected, there is no guarantee that exceedances will not occur in the future or penalties or other sanctions by regulatory authorities would not be imposed in respect of such exceedances. The facility in Burnaby was also previously utilized by a food processing enterprise and, prior to being operated by SWDCC, was operated by Kraft. There are no assurances that SWDCC will not be held responsible for any prior waste discharges and the effect on the environment thereof that occurred when such entities carried on operations in SWDCC's premises.

Intellectual Property Infringement

Among SWDCC's strategic advantages are brand equity and the proprietary SWISS WATER® Process. The process utilizes a number of trade secrets related to improvements to the process which have been made over time. Management has determined that it is preferable to protect these improvements through confidentiality agreements rather than through a patent process. An infringement on SWDCC's trademark, brand name or trade secrets could have an adverse effect on SWDCC's business or result in legal expenses.

Insurance

SWDCC's operations are subject to customary risks of loss or damage that exist in any manufacturing business. SWDCC maintains insurance policies with insurers in such amounts and with such coverage and deductibles as it believes is reasonable and prudent. However, there can be no assurance that such insurance will be adequate to protect SWDCC from all material expenses related to potential future claims for personal or property damage.

Product Liability

SWDCC is subject to potential product liabilities connected with its operations, including liability and expenses associated with product defects. There are no assurances that SWDCC will always be adequately insured against all such potential liabilities.

Organic Certification

Since 1992, SWDCC's processing facilities have met all requirements of the Organic Crop Improvement Association certification standards. However, there can be no assurances that such standards will not change and that SWDCC will continue to meet the requirements of such standards.

Risks Related to the Structure of the Company

Dependence on SWDCC

The Company is entirely dependent on the operations and assets of SWDCC. There can be no assurance regarding the amounts of income to be generated by SWDCC and therefore funds available to the Company. Accordingly, the Company's ability to make cash dividends is dependent upon SWDCC's ability to make payments under the NewSubCo Note and to declare dividends or other returns of capital in respect of the SWDCC Common Shares, which ability, in turn, is dependent upon the operations and assets of SWDCC. The actual amount paid or distributed to the Company, and issued as cash dividends by the Company to shareholders, will depend upon numerous factors including profitability, determination of taxable income and taxes payable by SWDCC, fluctuations in working capital, and the sustainability of margins and capital expenditures. The Company is of the view that all expenses to be claimed by the Company, SWDCC and any of their direct and indirect subsidiaries will be reasonable and deductible. However, taxation authorities may take the view that certain income of SWDCC's subsidiaries should be imputed to SWDCC, or that such transactions should be treated differently for tax purposes, any of which could materially adversely affect returns to shareholders.

Capital Investment

The timing and amount of capital expenditures by SWDCC will directly affect the amount of cash available to pay dividends to shareholders. Dividends may be reduced, or even eliminated, at times when significant capital or other expenditures are made.

Restrictions on Potential Growth

The payout by the Company of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of the Company and its cash flow.

Cash Dividends Are Not Guaranteed and Will Fluctuate with SWDCC's Performance

There are no assurances regarding the amounts of income to be generated by SWDCC and paid to the Company.

Investment Eligibility and Foreign Property

There can be no assurance that the Company's shares will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income trusts and registered education savings plans or that the shares will not be foreign property under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property.

DIRECTORS AND OFFICERS

The name, province or state and country of residence of each of the Directors and officers of the Company (along with their respective positions and offices held with the Company or the Fund, as applicable) and their respective principal occupation is shown in the table below. Note that the Directors were all previously Trustees of the Fund, and as such, the date shown under "Trustee & Director Since" refers to the date each Director first became a Trustee of the Fund.

Name	Resident Of	Offices Held	Trustee & Director Since	Principal Occupation Past 5 Years
David Rowntree	British Columbia, Canada	Chairman & Director	April 2002	Managing Director, Tricor Pacific Capital Inc.
Frank Dennis	British Columbia, Canada	President & CEO, Director	April 2002	President & CEO of SWDCC; President & CEO of Ten Peaks since January 2011
Diane Fulton	British Columbia, Canada	Director	November 2009	Vice President & Chief Investment Officer, Vancouver Foundation; previously Executive Director – Investments of the Faculty Pension Plan, University of British Columbia
Richard Mahler	British Columbia, Canada	Director	September 2003	Corporate Director
Alton McEwen	California, USA	Director	July 2004	Corporate Director
Roland W. Veit	New York, USA	Director	September 2007	Chairman & CEO, Paragon Coffee Trading Company
Sherry Tryssenaar	British Columbia, Canada	Chief Financial Officer, Secretary	N/A	CFO of SWDCC; CFO of Ten Peaks since January 2011; previously CFO of QuestAir Technologies Inc.

The terms of their respective offices expire at the annual meeting of the Company.

The biographies of each of the Directors and officers of the Company are as follows:

David J. Rowntree, Chairman

Mr. Rowntree is a founder and Managing Director of Tricor Pacific Capital, a private equity investment firm. Prior to founding Tricor, Mr. Rowntree spent over 16 years as a practicing lawyer both in public practice and as in-house counsel.

In addition to serving as Chairman of Ten Peaks, Mr. Rowntree is a board member of Beresford Box Company, Inc., CPI Card Group, Golden Boy Foods, and Keyes Packaging Group, Inc..

Mr. Rowntree obtained a Bachelor of Arts degree from the University of British Columbia and a Bachelor of Law degree from Osgoode Hall Law School in Toronto, Ontario.

Frank Dennis, President and CEO

Mr. Dennis leads Ten Peaks and SWDCC with over 15 years of experience in the coffee industry. His background is in packaged goods marketing with Braun Canada and Kraft Foods Canada. Mr. Dennis led the $300 million Kraft coffee portfolio in the late 1990s and was responsible for the sale of the Swiss Water Division to private equity interests in 2000. As President and CEO of SWDCC, he has led the growth of the business and the brand as well as the extended development of the chemical free decaffeination category. Mr. Dennis is highly involved in the specialty coffee industry and is also currently the President of “Grounds For Health” a charity dedicated to reducing cancer in women living in coffee-producing regions. Mr. Dennis earned a B.A. in Economics from the University of Western Ontario, and a M.B.A. from the University of Toronto.

Diane Fulton

Ms. Fulton is Vice-President and Chief Investment Officer of the Vancouver Foundation. Previously, she was Executive Director of Investments for the University of British Columbia’s Faculty Pension Plan. In addition, she spent 11 years at Scotia McLeod Inc., most recently as Director and Vice President of Corporate Finance. Ms. Fulton is a member of the board of directors of Pacific Northern Gas Ltd., and is an advisor to the investment committees of Insurance Corporation of British Columbia and Pacific Blue Cross. She holds an honours B.Sc. from the University of Toronto and an M.B.A. from York University. In 2008, she completed the Directors Education Program offered by the Institute of Corporate Directors and earned the ICD.D designation.

Richard T. Mahler

Mr. Mahler was Executive Vice President and CFO of Finning International Inc., the world's largest Caterpillar dealer, from 1990 until his retirement in 2003. In addition to serving on Ten Peaks board of Directors, Mr. Mahler is a director and past chair of Partnerships BC, chair of Sterling Shoes Inc., director and incoming chair of British Columbia Investment Management Corporation, and past chair of the VGH/UBC Hospital Foundation. He holds an M.B.A. from McMaster University, and a B.Sc. in Mathematics and Computing Science from the University of Waterloo.

Alton McEwen

Mr. McEwen is an experienced business executive with an excellent reputation in the worldwide specialty coffee industry. He was CEO of The Second Cup Ltd., Canada's leading specialty coffee retailer, from 2000 until his retirement in 2004, previously serving on the company's board and overseeing its U.S. operations. In addition, he brings strong packaged goods and food service expertise gained through prior senior management positions with mmmuffins Ltd., Rowntree Canada, Laura Secord, and Catelli Ltd. Mr. McEwen is a graduate of McGill University.

Roland W. Veit

A native of Switzerland, Mr. Veit is the principal owner and Chairman of Paragon Coffee Trading Company Ltd. (Paragon), a large US green coffee trading house. He has been involved in the coffee business since 1972, when he started his career at Nestle's world headquarters in Switzerland. In 1978, Mr. Veit left Nestle to work as a coffee trader in Johannesburg and New York, before co-founding Paragon in 1986. He served as a board member of the Green Coffee Association of New York (GCA) from 1998 until 2007, including two terms as Chairman. Mr. Veit serves as a quality and technical arbitrator for the GCA, and the Specialty Coffee Association of America (SCAA). Previously, he was the Chairman of the SCAA's International Relations Committee.

Sherry Tryssenaar, CMA, Chief Financial Officer

As Chief Financial Officer of Ten Peaks and SWDCC, Ms. Tryssenaar is responsible for the corporate finance, external financial reporting, compliance and risk management, and investor relations functions of the companies. Ms. Tryssenaar is an experienced financial executive and a Certified Management Accountant. She earned a Bachelor of Business Administration (first class honours) from Simon Fraser University, and an MSc (Econ) from the London School of Economics, which she attended as a Commonwealth Scholar.

In addition to her operational and finance experience, Ms. Tryssenaar has served on the boards of directors of public and private companies, as well as not-for-profit organizations. Currently, she serves on the board of directors of YWCA Vancouver as a member of the Finance, Audit and Investment Committee.

The Directors of the Company have established an Audit Committee, which is comprised of Messrs. Mahler and Rowntree and Ms. Fulton, and a Compensation and Corporate Governance Committee, which is comprised of Messrs. Rowntree, Veit and McEwen.

The number and percentage of securities of each class of voting security of the Company beneficially owned, directly and indirectly, or over which control and direction is exercised, by all of the Directors and officers of the Company is 146,615 Units (being 2.2% of the issued and outstanding Units).

None of the Directors or officers of the Company is at the date hereof or has been within the past 10 years a director or chief executive or financial officer of any issuer that, while such individual was acting in such capacity, was the subject of or was the subject of an event that resulted, after such individual ceased to act in such capacity, a cease trade order or an order that denied the benefit of the relevant issuer access to any exemption under securities legislation.

None of the Directors or officers of the Company is at the date hereof, or has been within the past 10 years a director or executive officer of any issuer that, while such individual was acting in such capacity or within a year of such individual ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the Directors or officers of the Company is at the date hereof, or has within the past 10 years, been bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold any of his or her assets.

AUDIT COMMITTEE

Audit Committee Charter

The Company's Audit Committee charter is attached as an Appendix hereto.

Composition of the Audit Committee

The Company's Audit Committee is comprised of three Directors, Messrs. Mahler and Rowntree and Ms. Fulton. Each member of the Audit Committee is "independent" and "financially literate" for the purposes of Multilateral Instrument 52-110 of the Canadian Securities Administrators ("MI 52-110").

Education and Experience of the Members of the Audit Committee

The following is a summary of the relevant education and experience of each of the members of the Audit Committee:

Mr. Mahler is a director of several companies. He was formerly Executive Vice President and Chief Financial Officer of Finning International Inc., the world's largest distributor of Caterpillar equipment with sales in 2003 of over $3.5 billion (TSX symbol: FFT). He holds a Master of Business Administration degree (Finance) and a Bachelor of Science degree (math and computer science).

Mr. Rowntree is a Managing Director and founder of Tricor Pacific Capital Inc., a private equity investment firm, and has served as a director of numerous public and private companies. Mr. Rowntree holds a Bachelor of Arts degree and a Bachelor of Law degree.

Ms. Fulton is Vice-President and Chief Investment Officer of the Vancouver Foundation and is responsible for the investment of its substantial endowment fund. She has over 20 years experience in investment banking and investment fund management. Ms. Fulton is a member of the board of directors and a member of the audit committee of Pacific Northern Gas Ltd. Ms. Fulton has completed the Directors' Education Program at the Institute of Corporate Directors and earned the ICD.D designation. She holds an honours B.Sc. degree (mathematics) and an M.B.A.

The Directors of the Company believe that the education and experience of each of the members of the Audit Committee provide such members with:

- an understanding of the accounting principles used by the Company to prepare its financial statements,

- the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves,

- experience in analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, and

- an understanding of internal controls and procedures for financial reporting.

Reliance on Certain Exemptions

During the financial year ended December 31, 2010, the Company did not rely on the exemptions set out in sections 2.4, 3.2, 3.4, 3.5, Part 8, subsection 3.3(2) or section 3.6 of MI 52-110, nor did the Company rely on section 3.8 of MI 52-110.

Audit Committee Oversight

During the financial year ended December 31, 2010, there was no recommendation of the Audit Committee to nominate or compensate the external auditor of the Company that was not adopted by the Trustees of the Fund or the Directors of SWDCC.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services to be provided by the Company's external auditor. These procedures involve pre-approval of any such services by the Audit Committee chair.

External Audit Service Fees

Audit Fees

The following are the aggregate fees billed in each of the last two fiscal years for audit services by the Company's external auditor: 2010: $124,400; 2009:$169,500. Fees were lower in 2010 due to a change in the timing of receipt of invoices in respect of audit services.

Audit Related Fees

There were no audit-related fees billed by the Company's external auditor in the last two fiscal years. However, in the fourth quarter of 2010, the Company engaged its external auditor to review certain matters related to International Financial Reporting Standards ("IFRS"). This work is considered 'audit-related' as it will facilitate the 2011 audit under IFRS. Invoices for this work were not received by the Company in 2010.

Tax Related Fees

The following are the aggregate fees billed in each of the last two fiscal years for professional services rendered by the Company's external auditor for tax compliance, tax advice, and tax planning: 2010: $8,000; 2009: $9,000.

All Other Fees

In 2010, the Company's external auditors were engaged to perform certain work related to the Arrangement. Specifically, the external auditors conducted an audit of Ten Peaks as at September 30, 2010 for the purpose of including such audited financial statements in, and reviewed other financial disclosures contained in, the information circular describing the Arrangement. The fees for such services were $22,400 (2009: nil).

DISTRIBUTIONS AND DIVIDENDS

Prior to December 31, 2010, the Fund paid monthly distributions to unitholders of the Fund in accordance with the distribution policy contained in the Declaration of Trust, and as summarized below.

Prior to the Arrangement, the Fund derived interest income as the sole holder of the Series A and Series B subordinated notes issued to SWDCC with a maturity date of July 24, 2032 (the "Notes"). The Series A Notes totaled $45 million and the Series B Notes totaled $15.7 million. Interest was calculated and paid monthly on the last business day of each month.

The Fund's income was limited to:

(a) interest received on the Notes; and

(b) dividends (if any) received on the common shares of SWDCC.

The Fund's Trustees reviewed and approved the level of distributions payable to unitholders on a regular basis. Distributions were paid monthly, based on the Fund's expected interest and dividend income less expenses and cash used to redeem Units for the year (if any). As necessary, the Trustees adjusted the distributions payable to an amount that reflects updated assumptions and/or information regarding the Fund's expected cash flows. In June 2009, the Trustees reduced the monthly distributions to $0.03 per Unit, from $0.075 per Unit.

At a Special Meeting of unitholders on July 23, 2009, the unitholders agreed to a revision of the interest rate payable on both the Series A and Series B Notes, to a rate per annum determined by the Trustees from time to time as evidenced by an instrument in writing provided to SWDCC and the Note Trustee.

The amendment permitted the Trustees to consider, among other things, the business environment, cycle and outlook of SWDCC and its cash flow generation to service the Notes and, if warranted and commercially necessary, to adjust the rate of interest thereon. In so doing, the amendment allowed SWDCC to meet its interest obligation on the Notes under prevailing business conditions.

Following the amendment, Trustees lowered the interest rate on the Notes to 3.5%, from the previous rate of 9.5%. This lower rate was more consistent with the cash being generated by SWDCC, and with the distributions being paid by the fund.

In the past three fiscal years, distributions to unitholders were as follows:

	Year ended December 31, 2010	**Year ended December 31, 2009**	**Year ended December 31, 2008**
Distributions paid per Unit	$0.360	$0.630	$0.900

As the initial step of the Arrangement, SWDCC incorporated a subsidiary ("NewSubCo") for the purpose of eliminating the Notes in a tax efficient manner. The Fund then transferred the Notes to NewSubCo in consideration for a non-interest bearing promissory note in a principal amount equal to the then fair market value of the Notes (the "NewSubCo Note"). NewSubCo was then wound up into SWDCC pursuant to the Tax Act. SWDCC will file an election to deem the Notes settled at their cost amount to NewSubCo, and NewSubCo will then be dissolved. The effect of this restructuring is that the Notes were exchanged for the NewSubCo Note, which is outstanding from SWDCC in favour of Ten Peaks following completion of the Arrangement, which included the winding up of the Fund into Ten Peaks.

It is expected that SWDCC will pay down the NewSubCo Note over the next several years using cash from operations. The capital returned pursuant to the NewSubco Note will be used to fund both the operations of Ten Peaks, as well as the expected quarterly dividend to shareholders.

As part of the transition from an income trust to a public corporation, Ten Peaks announced that it intended to pay a quarterly dividend for 2011 in the amount of $0.0625 ($0.25 per annum) per Ten Peaks share. The first quarterly dividend of $0.0625 per share was declared by the board of Directors on March 8, 2011, to shareholders of record on March 31, 2011. The Company's dividend policy is subject to the discretion of the board of Directors, who will review the level of dividends periodically on the basis of a number of factors including the Company's financial performance, future prospects and capital requirements of the business. The amounts and time of any future dividends may vary depending on, among other things, the Company's earnings, financing requirements, the satisfaction of solvency tests imposed by the *Canada Business Corporations Act* ("CBCA") for the declaration of dividends and other relevant factors.

The Company's ability to make cash dividends is dependent upon the ability of SWDCC to make principal payments under the NewSubCo Notes and to declare dividends in respect of the common shares of SWDCC, which ability, in turn, is dependent upon the operations and assets of SWDCC.

CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of Common Shares. The following is a summary of the rights, privileges, restrictions and conditions attaching to the shares of Ten Peaks. As of the date hereof, the Company had 6,675,200 Common Shares issued and outstanding.

Common Shares

Holders of Common Shares are entitled to one vote per share at meetings of the Company's shareholders, to receive dividends if, as and when declared by the board of Directors and to receive pro rata the remaining property and assets of Ten Peaks upon its dissolution or winding-up, subject to the rights of shares having priority over the Common Shares. Holders of Common Shares may make use of the various shareholder remedies available pursuant to the CBCA.

MARKET FOR SECURITIES

The Company's common shares are listed for trading on the Toronto Stock Exchange under the symbol "TPK". For the year ended December 31, 2010, the Fund's Units were traded on the Toronto Stock Exchange under the symbol "SWS.UN". The following table sets out the opening, high, low and closing trading price, and number of Units traded, during each month in 2010:

Date	Open	High	Low	Close	Volume
January	3.58	3.90	3.53	3.80	111,015
February	3.85	3.90	3.56	3.79	64,994
March	3.80	4.00	3.76	3.98	57,136
April	3.95	4.02	3.79	3.95	119,214
May	3.95	4.40	3.95	4.00	205,703
June	4.18	4.20	3.77	3.80	79,670
July	4.04	4.14	3.59	4.00	80,782
August	4.01	4.15	3.90	3.95	101,780
September	3.91	4.00	3.65	3.90	110,106
October	3.83	3.96	3.64	3.82	125,051
November	3.80	4.05	3.70	3.77	75,074
December	3.85	3.85	3.58	3.69	90,040

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The auditors of the Company and the Fund are Deloitte & Touche LLP, Vancouver.

Transfer Agent and Registrar

The Company's transfer agent and registrar is Computershare Trust Company of Canada at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

MATERIAL CONTRACTS

The only contract entered into by the Company that materially affects it, that can reasonably be regarded as material to a proposed investor in the Ten Peaks Common Shares, other than contracts entered into in the ordinary course of business, is the Arrangement Agreement. A copy of the Arrangement Agreement is attached as Appendix "C" to the Information Circular dated October 25, 2010 which is available at www.sedar.com.

INTERESTS OF EXPERTS

Deloitte & Touche, LLP are the Company's auditors. To the knowledge of the Company, neither Deloitte & Touche, LLP nor its partners hold any registered or beneficial interest, directly or indirectly, in any securities or other property of the Company.

ADDITIONAL INFORMATION

Additional financial information is provided in the Company's comparative financial statements and management's discussion and analysis for its most recently completed fiscal year ended December 31, 2010, which are available at www.sedar.com.

APPENDIX

TEN PEAKS COFFEE COMPANY INC.

AUDIT COMMITTEE TERMS OF REFERENCE

Establishment of the Committee

There shall be a Committee of the Board of Directors (the "Board") of Ten Peaks Coffee Company Inc. (the "Company") to be known as the Audit Committee ("Committee") whose membership, authority and responsibilities shall be as set out in these terms of reference.

The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities, primarily through overseeing management's conduct of the Company's accounting and financial reporting process and systems of internal accounting and financial controls; selecting, retaining and monitoring the independence and performance of the Company's external auditors, including overseeing the audit and interim review of the Company's financial statements and approving any non-audit services performed by the auditors; and providing an avenue of communication among the external auditors, management and the Board.

Membership

(a) The Committee shall consist of at least three members of the Board all of whom shall be independent as determined in accordance with applicable securities laws, rules, regulations and guidelines ("Securities Laws"). In particular, each member of the Committee must be independent of management and free from any interest, business or other relationship which could, or could reasonably be perceived to, materially interfere with the member's ability to act in the best interests of the Company.

(b) All Committee members shall be financially literate. For this purpose, financial literacy shall mean the ability of a member to read and understand a set of financial statements that present a breadth and level 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 Company's financial statements. At least one member should have accounting or related financial expertise and should be able to analyze and interpret a full set of financial statements, including notes, in accordance with International Financial Reporting Standards.

(c) Members will be appointed by the Board and shall serve until the earlier to occur of the date on which he or she shall be replaced by the Board, resigns from the Committee, or ceases to be a Director.

(d) The Board shall appoint one of the Directors elected to the Committee as the Chair of the Committee. In the absence of the Chair of the Committee at any meeting, the members shall elect a Chair from those in attendance to act as Chair of the meeting.

(e) The secretary of the Committee will be the Chief Financial Officer, or such other person as is selected by the Committee.

Procedural Matters

(a) The Committee shall meet as frequently as required, but no fewer than four times annually and at least quarterly. A majority of the members of the Committee present in person or by telephone or by such other telecommunications device that permits all persons participating in the meeting to speak to each other shall constitute a quorum and the act of a majority of the members at a meeting where a quorum is present shall be the act of the Committee. The Committee may meet in person, by telephone or by such other telecommunications device that permits all persons participating in the meeting to speak to each other and may also act by unanimous written consent of its members. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

(b) The Chief Financial Officer shall, in consultation with the Chair of the Committee, develop the agenda for meetings of the Committee. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent possible, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

(c) The Committee shall, through its Chair, report regularly to the Board following the meetings of the Committee, addressing such matters as the quality of the Company's financial statements, the Company's compliance with legal or regulatory requirements in relation to those matters within the Committee's purview, the performance and independence of the external auditors, the performance of any internal audit function and other matters related to the Committee's functions and responsibilities.

(d) Notice of a meeting of the Committee may be given orally or by letter, electronic mail, facsimile transmission or telephone not less than 24 hours before the time fixed for the meeting; provided, however, that a member may in any manner waive a notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

(e) The Committee may invite such other persons (e.g. the CEO, CFO) to its meetings, as it deems necessary. All other Directors that are not members of the Committee may attend Committee meetings but may not vote.

(f) The external auditors shall be invited to make presentations to the Audit Committee as appropriate.

(g) The Committee at any time may, and at each regularly scheduled meeting shall, meet without management present and shall meet with the external auditors at each meeting at which the external auditors are in attendance.

(h) The Chair, any two members of the Committee, the external auditors, the Chief Executive Officer and the Chief Financial Officer may call a special meeting of the Committee at any time.

General Responsibilities

(a) The Committee's principal responsibility is one of oversight. The Company's management is responsible for preparing the Company's financial statements and other disclosure documentation required by applicable Securities Laws, and the Company's external auditors are responsible for auditing and/or reviewing those financial statements. In carrying out these oversight responsibilities, the Committee is not required to provide any expert or special assurance as to the Company's financial statements or any professional certification as to the external auditors' work.

(b) Nothing in these terms of reference is intended or may be construed to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. Although the designation of a Committee member as being financially literate or having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose any duties, obligations or liability greater than the duties, obligations and liability imposed on such person as a member of the Committee and the Board in the absence of such designation.

(c) While the Committee has the responsibilities set forth in this charter, it is not the duty of the Committee to prepare financial statements, plan or conduct audits, manage the Company's exposure to risk, certify or guarantee the internal or external audit of the Company or to determine that the financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards and applicable rules and regulations. These are the responsibilities of management and the external auditors, as applicable. The Committee, its Chair and Committee members are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities and processes of the Company, and are specifically not accountable or responsible for the day to day operation or performance of such activities.

Specific Responsibilities

The specific responsibilities of the Committee are:

(a) Internal Control

(i) Evaluating whether management is setting the appropriate "control culture" by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities.

(ii) Reviewing annually the adequacy and quality of the Company's financial and accounting staffing, the need for and scope of internal audit reviews, and the plan, budget and the designations of responsibilities for any internal audit.

(iii) Reviewing annually with the external auditors, any significant matters regarding the Company's internal controls and procedures over financial reporting that have come to their attention during the conduct of their annual audit, and review whether internal control recommendations made by the auditors have been implemented by management.

(iv) Reviewing major risk exposures (whether financial, operating or otherwise) and the guidelines and policies that management has put in place to govern the process of monitoring, controlling and reporting such exposures.

(v) Establishing procedures for the receipt, retention and treatment of any complaints received by the Company regarding internal controls or auditing matters, including procedures to enable confidential, anonymous submissions to be made by employees of the Company and its subsidiaries concerning questionable auditing or accounting matters; reviewing any issues or complaints raised pursuant to such procedures and annually reviewing the Company's Whistleblower Policy.

(vi) Reviewing and approving any related party transactions outside of the ordinary course of business, or any material amendment thereto prior to the transaction being entered into.

(b) Financial Reporting

General

(i) Gaining an understanding of the current areas of financial risk and how management is managing these areas of risk effectively.

(ii) Considering with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.

(iii) Reviewing significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.

(iv) Reviewing all critical accounting policies and practises used by the Company, including all alternative treatments of financial information under International Financial Reporting Standards that have been discussed with the external auditors.

(v) Reviewing any legal matters that could significantly impact the financial statements.

(vi) Overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of any disagreements between management and the external auditor regarding financial reporting.

(vii) Reviewing the quarterly CEO and CFO certifications and any sub-certifications from senior management in respect of disclosure controls and procedures and internal controls over financial reporting.

(viii) Reviewing the internal control report prepared by management, including management's assessment of the effectiveness of the Company's internal controls over financial reporting and disclosure controls and procedures and any related report by the independent auditors.

(ix) Receiving the certification from the Chief Financial Officer on compliance with statutory liabilities.

(x) Reviewing with management and the external auditors the effect of off-balance sheet transactions and structures on the financial statements.

Annual Financial Statements

(i) Reviewing and recommending to the Board for approval the annual financial statements and Management's Discussion and Analysis and determining whether they are accurate, complete and consistent with the information known to Committee members; assessing whether the financial statements reflect appropriate accounting principles.

(ii) Focusing on judgmental areas, for example those involving valuation of assets and liabilities; warranty, product or environmental liability; litigation reserves; and other commitments and contingencies; assessing whether such judgments and estimates are reasonable.

(iii) Meeting with management and the external auditors to review the financial statements and the results of the audit.

(iv) Reviewing the other sections of the annual report before its release and considering whether the information is accurate, complete and consistent with members' knowledge about the Company and its operations.

(v) Reviewing the post-audit or management letter from the external auditors and management's response and follow-up in respect of any identified issues.

Annual Information Form, Earnings Releases, Interim Financial Statements, Analysts' Briefings and Other Public Disclosures

(i) Remaining briefed on how management develops the annual information form, earnings releases, interim financial information, MD&A statements, analysts' briefings and other public disclosures and the extent to which the external auditors review such information.

(ii) Assessing the fairness, accuracy and completeness of the interim statements and MD&A disclosures, and obtaining explanations from management and internal and external auditors on whether:

- Actual financial results for the interim period varied significantly from budgeted or projected results;
- Changes in financial ratios and relationships in the interim financial statements are consistent with changes in the Company's operations and financing practices;
- International Financial Reporting Standards have been consistently applied;

- There are any actual or proposed changes in accounting or financial reporting practices;
- There are any significant or unusual events or transactions;
- The Company's financial and operating controls are functioning effectively;
- The preliminary announcements and interim financial statements contain adequate and appropriate disclosures; and
- There are any breaches of debt covenants.

(iii) Reviewing, discussing with management and the external auditors the Company's annual information form, financial statements, MD&A, annual and interim earnings news releases, prospectuses and financial information in other public reports and public filings before the Company publicly discloses them.

(iv) Being satisfied that adequate procedures are in place for review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than those referred to above immediately above and periodically assessing the adequacy of such procedures.

(c) External Audit

(i) Reviewing the external auditors' proposed audit scope, staffing and approach and ensure no unjustified restrictions or limitations have been placed on the scope.

(ii) Approve the fees for the audit and interim reviews to be performed by the external auditors.

(iii) Reviewing the qualifications and performance of the external auditors and reviewing the external auditors' report on its internal quality control procedures.

(iv) Considering the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the Company and ensuring the rotation of the lead audit partner and the audit partner with responsibility for reviewing the audit in accordance with Securities Laws.

(v) Making recommendations to the Board regarding the reappointment of the external auditors.

(vi) Reviewing and approving the employment of any former partner or employee of the external auditor or a former external auditor.

(vii) Ensuring that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.

(viii) Ensuring that management responds to recommendations by the external auditors.

(ix) Pre-approve the retention of the independent auditor for any non-audit service and the fee for such service. The Committee may satisfy the pre-approval requirement if:

- the aggregate amount of all the non-audit services that were not pre-approved constitutes no more than five per cent of the total amount of revenues paid by the Company to its independent auditors during the fiscal year in which the services are provided;
- the services were not recognized by the Company at the time of the engagement to be non-audit services; and
- the services are promptly brought to the attention of the Committee and are approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.

The Committee may delegate to one or more independent members the authority to pre-approve non-audit services provided that the pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the full Committee at its first scheduled meeting following such pre-approval.

(d) Compliance With Laws And Regulations

(i) Reviewing the effectiveness of the system for monitoring compliance with laws and regulations (including insider reporting) and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.

(ii) Obtaining regular updates from management and the Company's legal counsel regarding compliance matters.

(iii) Being satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.

(iv) Reviewing the findings of any examinations by regulatory agencies.

(e) Compliance With The Company's Code Of Business Ethics

(i) Ensuring that the Company's Code of Business Ethics is in writing and that arrangements are made for all employees to be aware of its contents.

(ii) Evaluating whether management is setting the appropriate "tone at the top" by communicating the importance of the Code of Business Ethics and the guidelines for acceptable behavior.

(iii) Reviewing the process for monitoring compliance with the Company's Code of Business Ethics.

(iv) Obtaining regular updates from management regarding compliance and reviewing any issues of non-compliance.

(f) Reporting Responsibilities

(i) Regularly updating the Board about Committee activities and making appropriate recommendations.

(ii) Ensuring the Board is aware of matters that may significantly impact the financial condition or affairs of the business.

(iii) Reviewing and updating these terms of reference and receiving any approved changes from the Board.

(iv) Evaluating the Committee's own performance on a regular basis.

Authority

The Board grants authority to the Audit Committee, within the scope of its responsibilities, to:

(a) Study or investigate any matter of interest or concern that the Committee considers appropriate or necessary;

(b) Seek any information it requires from any employee (and all employees are directed to co-operate with any request made by the Audit Committee) or external parties and review all books and records of the Company.

(c) Obtain outside legal or other professional advice as deemed necessary and to set and authorize the compensation to be paid to such advisors at the Company's expense.

(d) Ensure the attendance of officers of the Company at meetings as appropriate.

(e) Communicate directly with the external auditors or any internal auditors.

(f) Delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate.