

Ten Peaks Coffee Company Inc.



Annual Information Form

March 12, 2014

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FORWARD LOOKING STATEMENTS

This Annual Information Form ("AIF") contains forward-looking statements, including statements regarding the future success of Ten Peaks' 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 Ten Peaks' future success in various geographic markets; (ii) factors that are expected to impact Ten Peaks' 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 Ten Peaks. 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 customers; (iii) the value of the Canadian dollar versus the US dollar; and (iv) the expected expenses and capital requirements of Ten Peaks going forward. Ten Peaks 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, Ten Peaks 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. Ten Peaks 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. Ten Peaks' principal office is located at 3131 Lake City Way, Burnaby, British Columbia, V5A 3A3.

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" 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 (i.e. Ten Peaks) in order to reflect management's intention to continue enhancing and growing SWDCC's existing business, while exploring related growth opportunities.

SWDCC is the primary operating entity of Ten Peaks, 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 decaffeinate coffee owned by customers under toll arrangements (its "toll" business), and also buys its own premium quality Arabica coffee, which it decaffeinate and sells to the specialty coffee trade (its "non-toll" or "regular" business). Over the last three years, the proportion of coffee sold under toll arrangements has declined as a percentage of total processing volumes. SWDCC has worked with its customers to replace toll orders with regular orders, in order to improve the supply of coffee for decaffeination and to provide vendor managed inventory services to customers. In 2013, coffee processed under toll arrangements accounted for 19% of total processing volumes (down from 22% in 2012), with decaffeination of non-toll coffees accounting for the balance.

In November 2011, Ten Peaks incorporated a new subsidiary known as Seaforth Supply Chain Solutions Inc. ("Seaforth"). Seaforth was created initially to meet the green coffee handling and

storage requirements of its sister company, SWDCC. Historically, SWDCC had used the services of a third party green coffee warehouse located in the Metro Vancouver area for its green coffee handling and storage needs. After a detailed analysis, Ten Peaks determined that it could provide the same service to SWDCC at a reduced cost. Accordingly, Seaforth was created in late 2011 and began operations in February 2012 when it entered into a lease for a 29,000 square foot warehouse facility located in Coquitlam, BC. In 2013, Seaforth's primary competitor in the greater Vancouver area exited the industry. As a result, demand for Seaforth's services grew considerably. In order to serve the expanded customer base, Seaforth leased an additional 48,000 warehouse facility in Burnaby, BC, and more than doubled its staff. Seaforth's largest customer remains SWDCC, although it also provides green coffee handling and storage services to coffee importers and other coffee companies who receive or hold green coffee in the Metro Vancouver area.

As at the date of this report, Seaforth's operations were not material to Ten Peaks' overall performance or operations. As such, the following section, "Narrative Description of the Business", focuses on SWDCC's business.

NARRATIVE DESCRIPTION OF THE BUSINESS

General Overview of SWDCC's Business

SWDCC, headquartered in Burnaby, British Columbia, operates a 100% chemical free water decaffeination plant. The SWISS WATER® Process uses water from British Columbia's coastal mountains and is certified organic by the Organic Crop Improvement Association. The SWISS WATER® Process is also the world's only consumer 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.

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 41 full-time employees and three part-time employees, all of whom are employed in Canada. In addition, SWDCC's subsidiary, Swiss Water Decaffeinated Coffee Co. USA, Inc., has one full time employee based in the United States.

Industry Overview

Decaffeinated coffees are considered a sub-set of the larger coffee market. They can also be considered a subset of "better for you" food and beverages, as consumers of decaffeinated coffee often elect to drink reduced caffeine beverages for health reasons.

The United States is the largest coffee consuming market in the world and a key geographic market for SWDCC. In 2013, 63% of respondents to a National Coffee Association survey drank coffee the day before the survey. According to the same survey, 9% of US coffee consumers

consumed decaffeinated coffee the day before taking the survey, and 13% consumed decaffeinated coffee in the previous week.¹

Specialty coffees are premium varieties of coffees, particularly Arabica. Specialty coffee beverages include coffee brewed from high-quality coffee as well as specialty coffee drinks such as espressos, cappuccinos and lattes. In 2013, 43% of all coffee consumed in the US was considered gourmet, making premium coffee a mainstream segment of the coffee industry.²

In the US, demand for specialty-grade coffees is growing. In 2012, sales of premium and super-premium coffees (regular and decaffeinated) in US grocery stores grew 10% by dollar value, while the mainstream and value categories declined by 2%.³ As a provider of exceptional quality decaffeinated coffees, management expects SWDCC to benefit from the growth in consumer demand for superior-grade coffees.

At the same time, however, the market for decaffeinated coffees in the US has been shrinking. Over the past four years, the volume (measured in lbs) of decaffeinated coffee sold in US grocery stores has dropped 16%.⁴ Management believes that this is due to a number of factors, including:

- the growth in popularity of other caffeine-free beverages such as herbal teas and juices;
- the market perception that caffeine is ‘good’ for you, as evidenced by the popularity of caffeine-rich energy drinks; and,
- changing demographics, as younger consumers drink less decaffeinated coffee than those over the age of 60.⁵

The decline in decaffeinated coffee sales in the US is expected to create challenging market conditions for SWDCC. Nevertheless, SWDCC’s total volumes have grown 24% over the past four years, while its US volumes have grown 49% over the same time, demonstrating that it is gaining market share from its competitors. Management believes that this reflects SWDCC’s competitive advantages as well as its business strategy. These are discussed in more detail below.

The market for decaffeinated coffees can be further divided into those decaffeinated with and without the use of chemical solvents. According to statistics prepared by management, approximately 75%-80% 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

¹ The National Coffee Association USA “National Coffee Drinking Trends Study”, 2013.

² The National Coffee Association USA “National Coffee Drinking Trends Study”, 2013

³ IRI Data Coffee Category, Total US F/D/Mx, Calendar Year 2012 ending Dec 30, 2012

⁴ IRI Data Coffee Category, Total US F/D/Mx, Calendar Year 2010 ending Jan 2, 2011, Calendar Year 2011 ending Jan 1, 2012, Calendar Year 2012 ending Dec 30, 2012, Calendar Year 2013 ending Dec 29, 2013

⁵ The National Coffee Association USA “National Coffee Drinking Trends Study”, 2013

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.

SWDCC decaffeinate coffees without the use of chemicals. Management believes that the SWISS WATER® Process is the world's only 100% chemical free water process for coffee decaffeination. Management anticipates 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. 18% of respondents to the National Coffee Drinking Trends study in 2013 indicated that they most recently purchased organic coffee. More significantly, of respondents who were aware of the 'organic' certification, 55% indicated that organic coffees are better for you, 43% indicated that organic coffees are better for the environment and 35% believe that organic coffees are better quality.⁶

Competitive Strengths

SWDCC's competitive strengths include the following:

- *100% Chemical Free Method of Decaffeinating Green Coffee* – SWDCC's decaffeination plant is 100% chemical free. The vast majority of competitive decaffeination processes use chemicals such as methylene chloride and ethyl acetate to remove and produce caffeine as a byproduct of the process.
- *Consumer Branding* - 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.

⁶ The National Coffee Association USA "National Coffee Drinking Trends Study", 2013

- *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:

- *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 all aspects of caffeine removal, it can guarantee that the process is 100% chemical free. Its carbon and green coffee extract never come into contact with methylene chloride. Management believes that this is an important and relevant competitive distinction that underlies SWDCC's chemical free positioning.
- *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 its production process, thereby improving production efficiencies while reducing defects. In addition, these improvements have generated tangible improvements in 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 roast level and stage 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).
- *Create Consumer Demand by Developing Brand Awareness* - Strong brand awareness levels, premium quality 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.

Customers and Markets

SWDCC’s only business segment is the decaffeination of green coffee. Its largest geographic market is Canada, followed by the United States, and other international markets. During the year ended December 31, 2013, 55% of sales were to customers located in Canada, 38% were to the United States, and the remaining 7% were to other countries.

Toll Processing

In 2013, 19% 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 decaffeinate under toll arrangements, and therefore the value of this coffee does not form part of SWDCC’s inventory, revenue or cost of sales. 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 coffees that are purchased by SWDCC from the specialty green coffee trade, decaffeinated, and then sold by SWDCC to its customers (its “non-toll” or “regular” business). The value of the green coffee owned by SWDCC is included in inventory, and revenue from regular 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 cost of sales.

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.

Marketing and Promotion

SWDCC differentiates itself from other decaffeinator 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". Next, the GCE is decaffeinated with activated carbon, which is specially formulated to adsorb virtually nothing but caffeine. Green coffee beans are then soaked in the decaffeinated GCE. Over time, this effectively decaffeinate the 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 and carbon, 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 a 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. In 2013, SWDCC renewed the lease for a further 5-year term to 2018. The lease agreement provides that SWDCC has the option to renew the lease for one additional 5-year term 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.

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 coffees. 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 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

Prior to decaffeination, green coffees are held in Seaforth's warehouses in Metro Vancouver. Coffee is transported locally by Seaforth to and from SWDCC's production facility. After decaffeination is completed, the finished goods are either sent directly by common carrier to SWDCC's customers, or transferred to Seaforth's facility which acts as SWDCC's local distribution center. Finished goods are regularly transported by common carrier from Seaforth's warehouse to third party coffee distribution centers in San Leandro, CA and Jersey City, NJ, 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 IntercontinentalExchange 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 regular orders, the cost of green coffee accounts for a significant portion of SWDCC's cost of sales. Accordingly, 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 IntercontinentalExchange 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 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 quality, productivity and efficiency. Annual maintenance costs can fluctuate significantly from year to year as not all equipment repairs can be reasonably foreseen. In addition, capital expenditures for equipment not directly tied to the production plant are made as required. For instance, in 2012 and 2013 the Company acquired capital equipment to support Seaforth's warehousing business.

Employees and Labour Relations

SWDCC's employees consist of 41 full-time personnel, including seven sales and customer service personnel who have significant green and roasted coffee sales expertise and knowledge, and 20 full-time process operators, laboratory staff, maintenance technicians and shipping/receiving personnel.

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, logistics, operations management, 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 15 years.

The United Food and Commercial Workers Union represents SWDCC's non-salaried employees. The current collective agreement expires in August 2014. 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 75%-80% 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 decaffeimators 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 decaffeimators use carbon dioxide and are based in Germany and the United States. They include Hermesen GMBH, Kraft Foods International Germany and Maximus in Houston.

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. The Swiss Water Process word-mark is also registered in Japan. SWDCC routinely updates its filings as changes are made to its design marks in order to maintain its intellectual property rights.

Risk Factors

Summarized below are the risks related to SWDCC’s business, the coffee decaffeination industry in general, and to Ten Peaks’ structure.

Risks Related to the Business and the Coffee Decaffeination Industry

Customer Concentration

In 2013, revenues from three major customers of \$22.5 million (2012: \$27.1 million) represented 42% (2012: 45%) of Ten Peaks’ total revenues for the year. These customers represented 21% of total accounts receivable as at December 31, 2013 (December 31, 2012: 14%).

Competition

SWDCC faces competition from chemical and other natural decaffeimators. 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 is 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, Ten Peaks’ 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 SWDCC 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 Ten Peaks’ 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, International Financial Reporting Standards require Ten Peaks 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, Ten Peaks' revenue would decrease, and the Company would concurrently recognize offsetting gains on its currency hedges.

All other factors being equal, Ten Peaks' 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 Ten Peaks' long-term profitability and cash generation.

Coffee Prices and Availability

Green coffee bean prices are subject to substantial price fluctuations, generally caused by multiple factors, including weather, pests that affect coffee plants, political and economic conditions in certain coffee-producing countries, and other supply-related matters. In addition, green coffee 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 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.

Volatility in the coffee commodity price affects SWDCC in a number of ways. When coffee prices rise rapidly, customers tend to reduce their purchases and inventory levels. In addition, sustained increases in coffee commodity prices are passed onto consumers in the form of higher retail prices, which reduces consumer demand. Both factors tend to reduce SWDCC's processing volumes and/or sales. Conversely, when the coffee commodity price declines, customers replenish their inventories and reduce retail prices, stimulating demand.

In addition, SWDCC sells coffee at current market prices. Thus, when coffee commodity prices rise (fall), Ten Peaks' revenue will also rise (fall) even if its processing volumes do not grow. In turn, this increases (decreases) the value of accounts receivable, which may increase (decrease) the credit risk of the business.

Finally, 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 SWDCC's operating line of credit, resulting in increased bank indebtedness when coffee prices rise. This increases the liquidity risk of the business.

Leased Facility

SWDCC leases the building that houses its decaffeination production lines. The current lease was extended for five years, such that it will expire in 2018. The lease agreement grants SWDCC one additional option to extend the lease for another 5-year term. SWDCC intends to exercise that

option, and thus plans to remain in its current facility until at least 2023. The lease agreement provides an additional 5-year option to renew the lease beyond 2023, but such renewal requires the landlord's consent. There can be no assurance that the landlord will approve any extension to the lease beyond 2023.

If the lease is not renewed, SWDCC will have to relocate the production lines at considerable capital cost. The ultimate cost to relocate the decaffeination business will depend on a number of factors including without limitation: the location of the new production facility; whether the Company purchases the land and/or building that will house the new production facility or whether it leases the land and building; the capacity of the new plant; the degree to which components of the existing production lines can be relocated to the new facility with nominal disruption to the business; construction and engineering costs in the jurisdiction where the new facility will be located; and the current market price for steel, which is expected to be a primary driver of the overall construction costs. These costs cannot be reasonably estimated at this time, but they are expected to be material. Ten Peaks expects that these costs will be funded from one or more of the following: the proceeds of the issuance of additional equity; debt financing; and internally generated funds. It is not possible to determine at present the sources of or timing to obtain such funds. See “- Capital Investment” and “- Restrictions on Potential Growth” below.

Credit Risk

Credit risk is the risk that counterparties to certain trade and other amounts receivable will not be received when due. Ten Peaks 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 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, Ten Peaks 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. Ten Peaks 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 may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for dividends paid by Ten Peaks; 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. This 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 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 lead to 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 that indebtedness in full.

Labour Relations

SWDCC's plant employees are represented by the United Food and Commercial Workers Union. The current collective agreement expires at the end of August 2014. Strikes or lockouts could restrict the ability of SWDCC to operate and service its customers.

Dependence on Key Personnel

Ten Peaks' success is substantially dependent on the continued services of senior management. The loss of the services of one or more members of Ten Peaks' senior management team could adversely affect its financial results. In addition, Ten Peaks' 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

SWDCC's processing facilities are certified organic under the Canadian Organic Regime (COR) by the Organic Crop Improvement Association Canada, with equivalence to the National Organic Program (NOP) and the European Union (EU) program. This certification and equivalences allow SWDCC to maintain the organic certification of organic green coffees processed at its facilities. 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

Ten Peaks is dependent on the operations and assets of SWDCC. There can be no assurance regarding the amounts of income generated by SWDCC and therefore funds available to Ten Peaks. Accordingly, Ten Peaks' ability to pay cash dividends is dependent upon SWDCC's ability to make payments to Ten Peaks. This ability, in turn, is dependent upon the operations and assets of SWDCC. The actual amount paid or distributed to Ten Peaks, and issued as cash dividends to shareholders by Ten Peaks, 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. Management is of the view that all

expenses to be claimed by Ten Peaks, SWDCC and any of their direct and indirect subsidiaries will be reasonable and deductible. However, taxation authorities may take the view that certain expenses should be treated differently for tax purposes, or that income should be imputed to different corporate entities within the group, either of which could materially adversely affect returns to shareholders.

Capital Investment

The timing and amount of capital expenditures 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. As noted above under “- Leased Facility” Ten Peaks may in the future seek to utilize internally generated funds to finance capital costs associated with a new production facility, which may affect the amount of cash available to pay dividends to shareholders.

Restrictions on Potential Growth

The payout by Ten Peaks of a substantial portion of its operating cash flow in the form of dividends limits the ability to invest in additional capital and operating expenditures. As noted above under “- Leased Facility” and “- Capital Investment”, Ten Peaks may in the future seek to utilize internally generated funds to finance capital costs associated with a new production facility. Lack of such funds could limit the future growth of Ten Peaks and its cash flow.

Investment Eligibility and Foreign Property

There can be no assurance that Ten Peaks’ 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 Ten Peaks (along with their respective positions and offices held with Ten Peaks 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 “Director Since” refers to the date each Director first became a Trustee of the Fund.

Name	Resident Of	Offices Held	Director Since	Principal Occupation Past 5 Years
David Rowntree	British Columbia, Canada	Chairman & Director	April 2002	Managing Director, Highland West Capital; previously 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
Richard Mahler	British Columbia, Canada	Director	September 2003	Corporate Director
Alton McEwen	Washington, USA	Director	July 2004	President & CEO, Distant Lands Coffee Company; 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	N/A	CFO of SWDCC; CFO of Ten Peaks since January 2011

The terms of their respective offices expire at Ten Peaks' annual meeting.

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

David J. Rowntree, Chairman

Mr. Rowntree is the founder and Managing Director of Highland West Capital Ltd., a Vancouver based merchant bank. Prior to founding Highland West, Mr. Rowntree co-founded and co-managed for 18 years Tricor Pacific Capital, a private equity investment firm. Mr. Rowntree is legally trained and 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 Chair of the Board of the VGH + UBC Hospital Foundation and a board member of CPI Card Group, a Tricor portfolio company. 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 20 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 an advisor to the investment committees of Insurance Corporation of British Columbia and Pacific Blue Cross and is a member of the investment committees of the Public Guardian and Trustee of British Columbia, the Vancouver Opera Foundation and the Real Estate Foundation. 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 to 2003. He is Chair of the Board of the British Columbia Investment Management Corporation which manages \$100 billion of pension assets for over 500,000 public service workers in the province. Mr. Mahler is past Chair of Partnerships BC and the VGH/UBC Hospital Foundation and was Vice Chair of the Vancouver Board of Trade. He was awarded the Queen's Golden Jubilee Medal for Distinguished Service in 2002. He holds a BSc from the University of Waterloo and a MBA from McMaster University.

Alton McEwen

Mr. McEwen is an experienced business executive with an excellent reputation in the worldwide specialty coffee industry. In July 2011, Mr. McEwen was appointed President and CEO of Distant Lands Coffee Company, having served on the company’s board of directors since 2006. Distant Lands is a premium, vertically integrated coffee farming, importing and roasting operation based in the state of Washington. Previously, Mr. McEwen was CEO of The Second Cup Ltd., Canada’s leading specialty coffee retailer, from 2000 until his retirement in 2004. 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. Ms. Tryssenaar is Chair of YWCA Metro Vancouver, and a director of Unit Electrical Engineering, a privately held corporation. In May 2011, Ms. Tryssenaar was recognized as BC's "CFO of the Year" in the Small Public Company category.

The Directors of Ten Peaks 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 Ten Peaks beneficially owned, directly and indirectly, or over which control and direction is exercised, by all of the Directors and officers of Ten Peaks is 181,115 shares (being 2.7% of the issued and outstanding shares).

None of the Directors or officers of Ten Peaks 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, or after such individual ceased to act in such capacity, was the subject of an event that resulted in a cease trade order or an order that denied the benefit of the relevant issuer access to any exemption under securities legislation.

Mr. Mahler was a director of Sterling Shoes, Inc., a public issuer when it sought creditor protection under the Companies' Creditor Arrangement Act (Canada) in 2011.

None of the Directors or officers of Ten Peaks 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

Ten Peaks' Audit Committee charter is attached as an Appendix hereto.

Composition of the Audit Committee

Ten Peaks' 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 has served as 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 has 18 years' experience in private equity, and thus brings considerable experience reviewing financial performance of similar sized companies. In addition, Mr. Rowntree 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 25 years' experience in investment banking and investment fund management. Ms. Fulton was formerly a member of the audit committees of the Insurance Corporation of British Columbia and 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 Ten Peaks 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 Ten Peaks 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 Ten Peaks' financial statements; and

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

Reliance on Certain Exemptions

During the financial year ended December 31, 2013, Ten Peaks 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 Ten Peaks rely on section 3.8 of MI 52-110.

Audit Committee Oversight

During the financial year ended December 31, 2013, there was no recommendation of the Audit Committee to nominate or compensate the external auditor of Ten Peaks that was not adopted by the Directors.

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 Ten Peaks' external auditor. These procedures involve pre-approval of any such services by the Audit Committee chair if the amount falls below a particular dollar amount, and provided that the terms of such engagement are subsequently reviewed by the Audit Committee. For all other non-audit services to be provided by Ten Peaks' external auditor, the Audit Committee must approve the engagement prior to commencing any work in respect of such services.

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 Ten Peaks' external auditor: 2013: \$184,200; 2012: \$144,300. A portion of the amount billed in 2013 related to audit work for 2012.

Audit Related Fees

There were no audit-related fees billed by Ten Peaks' external auditor in 2012 or 2013.

Tax Related Fees

The following are the aggregate fees billed in each of the last two fiscal years for professional services rendered by Ten Peaks' external auditor for tax compliance, tax advice, and tax planning: 2013: \$0; 2012: \$8,100. In 2013, the Company moved all of its tax compliance and tax advisory services to another accounting firm.

All Other Fees

There were no other fees paid to Ten Peaks' external auditor in 2012 or 2013.

DIVIDENDS

In the past three fiscal years, dividends declared per share were as follows:

	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Dividends declared per share	\$0.250	\$0.250	\$0.250

Ten Peaks' dividend policy is subject to the discretion of the board of Directors, who review the level of dividends periodically on the basis of a number of factors including Ten Peaks' 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, Ten Peaks' 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.

Ten Peaks' ability to make cash dividends is dependent upon the operations and assets of SWDCC.

CAPITAL STRUCTURE

The authorized capital of Ten Peaks 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, Ten Peaks had 6,675,254 Common Shares issued and outstanding.

Common Shares

Holders of Common Shares are entitled to one vote per share at meetings of Ten Peaks' 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

Ten Peaks' common shares are listed for trading on the Toronto Stock Exchange under the symbol "TPK". The following table sets out the opening, high, low and closing trading price, and number of shares traded, during each month in 2013:

Date	Open	High	Low	Close	Volume
January	2.79	2.89	2.67	2.84	61,970
February	2.81	2.86	2.68	2.75	82,417
March	2.80	2.89	2.73	2.86	68,406
April	2.84	2.91	2.81	2.87	88,632
May	2.82	2.96	2.70	2.82	442,483
June	2.77	2.95	2.52	2.67	113,827
July	2.69	2.95	2.62	2.80	106,177
August	2.75	2.85	2.75	2.77	28,484
September	2.83	2.90	2.75	2.75	54,004
October	2.76	2.98	2.75	2.95	77,844
November	2.95	3.45	2.92	3.45	132,321
December	3.30	3.50	3.16	3.36	72,491

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The auditors of Ten Peaks are Deloitte LLP, Vancouver.

Transfer Agent and Registrar

Ten Peaks' 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 Ten Peaks 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 LLP are Ten Peaks' auditors. To management's knowledge, neither Deloitte LLP nor its partners hold any registered or beneficial interest, directly or indirectly, in any securities or other property of Ten Peaks.

ADDITIONAL INFORMATION

Additional financial information is provided in Ten Peaks' comparative financial statements and Management's Discussion and Analysis for its most recently completed fiscal year ended December 31, 2013, 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 practices 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.