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**THE SECOND CUP LTD.
NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS
AND
MANAGEMENT INFORMATION
CIRCULAR**

**Meeting to be held at 2:00 p.m.
FRIDAY, MAY 13, 2011**

**at the offices of
Stikeman Elliott LLP
53rd Floor, 5300 Commerce Court West
199 Bay Street
Toronto, Ontario
M5L 1B9**

The Second Cup Ltd
6303 Airport Road
Mississauga, Ontario
L4V 1R8

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN to holders of **THE SECOND CUP LTD.** (the “**Corporation**”) shares (the “**Shareholders**”) that an annual meeting of Shareholders will be held at the offices of Stikeman Elliott LLP, 53rd Floor, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario on Friday, May 13, 2011 at 2:00 p.m. (Toronto time) for the following purposes:

1. to receive the audited financial statements of the Second Cup Income Fund for the year ended December 31, 2010;
2. to elect directors of the Corporation (the “**Directors**”);
3. to appoint auditors for the Corporation and to authorize the Directors of the Corporation to fix the remuneration of the auditors; and
4. to transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Accompanying this Notice of Meeting are: (i) the 2010 Annual Report; (ii) a management information circular of the Corporation; (iii) a voting instruction form or form of proxy to be used for voting at the meeting; and (iv) a reply card for use by Shareholders who wish to receive the annual and/or interim financial statements of the Corporation.

All Shareholders, other than CDS Clearing and Depository Services Inc. (“**CDS**”), must provide voting instructions in the manner described in the enclosed voting instruction form and in the accompanying management information circular. **Your shares will not be voted without your instructions.**

CDS, which through its nominee is the sole registered Shareholder of the Corporation, must deposit completed proxies with Computershare Trust Company of Canada, Attention: Proxy Department, 9th floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 before 5:00 p.m. (Toronto time) on May 11, 2011 or not later than 5:00 p.m. (Toronto time) on the second last business day prior to any adjournment or postponement of the meeting. However, all Shareholders other than CDS must communicate their voting instructions well in advance of this deadline in order to allow their instructions to be processed before the deadline.

The Directors of the Corporation have fixed April 13, 2011 as the record date for the meeting.

We urge you to read these materials carefully and cast your vote on these important matters.

DATED at Mississauga, Ontario this 8th day of April, 2011.

THE SECOND CUP LTD.

Michael Rosicki
Chair of the Board of Directors

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THE SECOND CUP LTD.

MANAGEMENT INFORMATION CIRCULAR

(Containing information as at April 8, 2011 unless otherwise noted)

INTERPRETATION

Effective January 1, 2011, Second Cup Income Fund (the “**Fund**”) was reorganized by way of a plan of arrangement (the “**Arrangement**”) involving the Fund, The Second Cup Ltd. (pre-arrangement) (“**Pre-Arrangement Second Cup**”) and 2241221 Ontario Inc. under Section 182 of the Ontario Business Corporations Act which resulted in the reorganization of the Fund’s income trust structure into a dividend paying corporation, The Second Cup Ltd. The Arrangement was approved by unitholders of the Fund at the annual and special meeting of the Fund held on June 2, 2010. Pursuant to the Arrangement, among other things, the Fund was dissolved and units of the Fund were exchanged for common shares of The Second Cup Ltd. (the “**Corporation**”) on the basis of one common share of the Corporation (the “**Shares**” and each a “**Share**”) for each Fund unit held (the “**Units**” and each a “**Unit**”).

In this Circular, for any period that ended prior to January 1, 2011, unless the context otherwise requires: (i) any reference to The Second Cup Ltd. or the Corporation will be deemed to be a reference to its predecessor, the Fund or Pre-Arrangement Second Cup; (ii) any reference to a Director when made in reference to a director of the Corporation will be deemed to be a reference to a Trustee of the Fund or a director of Pre-Arrangement Second Cup; and (iii) any reference to Shareholders will be deemed to be a reference to unitholders of the Fund.

THE MEETING

This Management Information Circular (this “**Circular**”) is being sent to you as a holder of Shares of the Corporation in connection with the annual meeting of shareholders of the Corporation (“**Shareholders**”) to be held on May 13, 2011 (the “**Meeting**”).

Date, Time and Place of the Meeting

The Meeting is to be held at the offices of Stikeman Elliott LLP, 53rd Floor, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario, at 2:00 p.m. (Toronto time) on May 13, 2011.

Record Date and Quorum

The directors of the Corporation (“**Directors**”) have fixed April 13, 2011 as the record date (the “**Record Date**”) for the Meeting. A quorum for the Meeting consists of two or more individuals present in person either holding personally or representing by proxy not less in aggregate than 10% of the votes attached to all outstanding Shares.

Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by management of the Corporation, for use at the Meeting and at any adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting. The Corporation may pay investment dealers or other service providers for their reasonable expenses for sending this Circular and other Meeting materials to Shareholders and obtaining voting instructions and/or proxies. It is expected that the solicitation of proxies for the Meeting will be primarily by mail, but proxies may also be solicited by telephone or personally by regular employees of the Corporation at nominal cost. The cost of solicitation will be borne by the Corporation.

Appointment and Revocation of Proxies

An instrument appointing a proxy must be in writing and either substantially in a form approved by the Directors acting reasonably or as may be satisfactory to the chair of the Meeting. Forms of proxy must be executed on behalf of the registered Shareholder by a person duly authorized in writing. The individuals named in the enclosed form of proxy are officers of the Corporation. **A registered Shareholder may appoint some other person, who need not be a Shareholder, to represent him or her at the Meeting.** In order to do so, the registered Shareholder must insert such other person's name in the blank space provided in the form of proxy and strike out the names of the nominees referred to, or complete another proper form of proxy and, in either case, deposit the completed proxy at the office of the transfer agent indicated on the enclosed envelope not later than 5:00 p.m. (Toronto time) on the second last business day (which excludes Saturdays, Sundays and statutory holidays in Toronto) before the date of the Meeting (or any adjournment or postponement thereof).

A proxy given pursuant to this solicitation may be revoked by instrument in writing, including another proxy bearing a later date, executed by the registered Shareholder or by its attorney authorized in writing, and by depositing such instrument at the office of the transfer agent indicated on the enclosed envelope not later than 5:00 p.m. (Toronto time) on the second last business day (which excludes Saturdays, Sundays and statutory holidays in Toronto) before the date of the Meeting (or any adjournment or postponement thereof), or in any other manner permitted by law. However, the revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

Voting of Proxies

Shares represented by a properly executed proxy will be voted or withheld from voting on any ballot that may be conducted at the Meeting or at any adjournment or postponement of the Meeting in accordance with the instructions of the registered Shareholder indicated on the proxy, and if the registered Shareholder specifies a choice with respect to a matter to be acted on, those Shares will be voted accordingly. In the absence of instructions, those Shares will be voted "FOR" each of the matters referred to in the form of proxy. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, or other matters which may properly come before the Meeting. At the time of the printing of this Circular, the Directors know of no such amendments, variations or other matters to come before the Meeting. Should such matters arise, the persons named in the enclosed form of proxy will vote in accordance with their judgment on such matters or business.

VOTING OF SHARES — INFORMATION FOR BENEFICIAL SHAREHOLDERS

Shareholders who are not registered Shareholders (referred to in this Circular as "**Beneficial Shareholders**") should note that only proxies deposited by registered Shareholders on the Record Date (being those whose names appear on the records of the Corporation as the registered holders of Shares on April 13, 2011) can be recognized and acted upon at the Meeting. Currently, all issued and outstanding Shares are held in "book-entry only" form under a system administered by CDS Clearing and Depository Services Inc. ("**CDS**"), and all Shares are currently registered under the name of CDS & Co., as nominee of CDS. Accordingly, all Shareholders other than CDS must provide voting instructions in the manner described in the voting instruction form provided by their Intermediary (as defined below) and in this Circular. Beneficial Shareholders cannot vote at the Meeting by completing and depositing a form of proxy as a registered Shareholder.

Typically, Beneficial Shareholders will receive a voting instruction form or other similar document with this Circular from their broker or other intermediary holding Shares on their behalf ("**Intermediary**"). This form allows you to provide voting instructions with respect to your Shares. The voting instruction form is similar to the form of proxy provided to a registered Shareholder. However, its purpose is limited to instructing a registered Shareholder (in this case, CDS) how to vote on your behalf. Intermediaries will typically make arrangements that will allow you to provide voting instructions by completing and returning a voting instruction form by mail or facsimile, calling a toll-free telephone number (1-800-474-7493) or by using the internet at www.proxyvotecanada.com. You should carefully follow the directions provided to you in order to ensure that your Shares are voted at the Meeting. **Your Shares will not be voted without your instructions.**

Please note that Beneficial Shareholders seeking to attend the Meeting will not be recognized at the Meeting for the purpose of voting Shares unless the Beneficial Shareholder provides instructions to appoint himself or herself as a proxyholder. In order to do this, the individual should follow the instructions on the voting instruction form regarding the manner in which voting instructions are to be provided and, in doing so, specify that individual's own name as the person to be appointed as proxyholder for the purposes of voting his or her Shares. For instance, if "David Jones" is a Beneficial Shareholder and he wishes to be appointed as a proxyholder, in the voting instruction form he receives with this Circular, he should insert the name "David Jones" in the space provided and follow the other procedures specified on the form for appointing a proxyholder other than one of the individuals specified on the form.

All Beneficial Shareholders should communicate their voting instructions in accordance with directions received from the Intermediary holding Shares on their behalf well in advance of the deadline for the receipt of proxies of 5:00 p.m. (Toronto time) on Wednesday, May 11, 2011 in order to allow their instructions to be processed before the deadline.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As at the date hereof, the Corporation has 9,903,045 Shares issued and outstanding, each of which entitles the holder to one vote per Share. Each holder of Shares of record at the close of business on the Record Date will be entitled to one vote for each Share held on all matters proposed to come before the Meeting.

As at the date hereof, to the knowledge of the Directors, Mr. Paul D. Phelan is the only person who beneficially owns, directly or indirectly, or controls or directs voting securities of the Corporation carrying 10% or more of the voting rights attached to any class of voting securities of the Corporation. Based on information publicly filed with applicable securities regulatory authorities, as of the date hereof, Mr. Phelan owns or exercises control over 2,732,000 Shares, representing approximately 27% of the issued and outstanding Shares.

ANNUAL MEETING BUSINESS

Financial Statements

The audited consolidated financial statements of the Fund, predecessor to the Corporation, for the year ended December 31, 2010 are included in the 2010 annual report of the Corporation, which has been mailed to Shareholders together with this Circular and will be available on SEDAR at www.sedar.com.

Election of Directors

The Corporation must have a minimum of three Directors and a maximum of ten Directors. Until changed by the Shareholders, or by the Directors if authorized by the Shareholders, the number of Directors is five. At the Meeting, Shareholders will be asked to elect as Directors the five individuals named below (the "Nominees"). Four of the Nominees are current Directors. Edward T. McDermott, a current Director, has decided to not seek re-election as a Director. In the absence of instructions to the contrary, the enclosed form of proxy will be voted in favour of the election of the Nominees. Each Director will hold office until the close of the next annual meeting of the Shareholders or until such Director resigns, is removed, or ceases to be qualified to act as a Director.

The following table provides the names of the Nominees, the municipality in which he or she is ordinarily resident, all offices of the Corporation now held by him or her, his or her principal occupation, the period of time for which he or she has been a Director of the Corporation and the number of Shares beneficially owned by him or her, directly or indirectly, or which he or she controls or directs, as at the date hereof. Each Nominee has established his or her eligibility and willingness to serve as a Director.

Unless otherwise instructed, the persons named on the enclosed form of proxy intend to vote for the Nominees. If, prior to the Meeting, any of the listed Nominees should become unavailable to serve as a Director, the persons designated in the form of proxy will have the right to use their discretion in voting for a properly qualified substitute.

| <u>Name, Position being nominated for and Municipality of Residence</u> | <u>Present Office</u> | <u>Principal Occupation</u> | <u>Shares Beneficially Owned, Controlled or Directed⁽¹⁾</u> |
|--|---------------------------------|---|--|
| JAMES S. ANAS Director, Burlington, Ontario, Canada Non-Independent ⁽²⁾ | Director since June 8, 2009 | Chairman of The Second Cup Coffee Company Inc. since March 31, 2009 following his tenure as Executive Vice Chairman from 2008 and President and Chief Executive Officer from 2001 to 2007. President, Chief Executive Officer and Director of Jumbo Entertainment Inc. from 1994 to 2001. Chairman of Pre-Arrangement Second Cup from April 1, 2009 to June 27, 2009. Director, Guardian Capital Group Inc. from 2005 to present. | 0 |
| BRYNA GOLDBERG Director, Toronto, Ontario, Canada Independent | Director since June 8, 2009 | Retired business executive; Executive Vice President, Legal Affairs, General Counsel and Secretary of Shoppers Drug Mart Inc. from 2001 to 2007; Senior Vice President, Legal Affairs, General Counsel and Secretary of Shoppers Drug Mart Inc. from 1997 to 2001. | 2,500 |
| RAYMOND GUYATT Director, Westmount, Québec, Canada Independent | Director since December 1, 2004 | Retired businessman; Executive Vice President and Chief Financial Officer of Imasco Limited from 1987 to 2000. | 12,000 |
| MICHAEL ROSICKI Chair of the Board of Directors, Oakville, Ontario, Canada Independent | Director since December 1, 2004 | President, Wexford Group Inc.; Chairman and Chief Executive Officer of Parmalat North America from 1999 to 2004. | 31,000 |
| PETER B. SAUNDERS Director, New York, New York, USA Independent | - | Non-Executive Chairman, The Body Shop International PLC 2008 to 2009 and Chief Executive Officer of The Body Shop International PLC from 2002 to 2008. Director of Canadian Tire Corporation Limited, Director and Chairman of Jack Wills Limited, and Director of Godiva Chocolatier Inc. | 0 |

Notes:

- (1) Information furnished by the Nominees
- (2) Mr. Anas is not considered independent as a result of former positions he has held with predecessors of the Corporation.

Attendance Record of Directors

The following table shows the attendance of each of the Nominees (if applicable) at meetings of the board of Directors of the Corporation (including its predecessor) and committee meetings held during the 2010 fiscal year.

Summary of Attendance of Directors

| <u>Director</u> | <u>Director Meetings Attended</u> | <u>Committee Meetings Attended</u> | <u>Special Meetings Attended</u> |
|-----------------|---------------------------------------|--|--------------------------------------|
| James S. Anas | 14/14 | 2/2 | 8/8 |
| Bryna Goldberg | 12/14 | 7/7 | - |
| Raymond Guyatt | 14/14 | 7/7 | 8/8 |
| Michael Rosicki | 14/14 | 5/5 | - |

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote in favour of a resolution appointing PricewaterhouseCoopers LLP, Chartered Accountants, as auditors for the Corporation for the ensuing year and authorizing the Directors to fix the remuneration of the auditors unless the Shareholder who has given the proxy has directed that the Shares represented thereby be withheld from voting in respect of the appointment of auditors.

PricewaterhouseCoopers LLP has acted as the Corporation's (or its predecessor's) auditors since the establishment of the Corporation on October 22, 2004.

COMPENSATION OF DIRECTORS

The board of Directors of the Corporation (the "Board of Directors") is comprised of the former trustees of the Fund, which individuals also served as the board of directors of Pre-Arrangement Second Cup.

Each of the Directors received compensation of \$24,000 in their capacity as trustees of the Fund during 2010 and each received compensation of a further \$24,000 for acting as a director of Pre-Arrangement Second Cup during the same period. Each such individual also received \$1,000 for attending each special meeting of the board of trustees of the Fund in person and for attending each special meeting of the Pre-Arrangement Second Cup directors in person and \$500 to attend special meetings of the board of trustees of the Fund by teleconference and special meetings of the Pre-Arrangement Second Cup directors by teleconference. No remuneration was received by any person for his or her role in acting as an officer of either the Fund or Pre-Arrangement Second Cup (although such persons may have been paid a salary in respect of their employment with Pre-Arrangement Second Cup). Pre-Arrangement Second Cup directors and trustees of the Fund were reimbursed for their out-of-pocket expenses for attending meetings of the Pre-Arrangement Second Cup directors, board of trustees of the Fund and meetings of the committees thereof. The chair of the audit committee of the board of trustees of the Fund received additional compensation of \$5,000 per year. The chair of the governance committee of the board of trustees of the Fund received additional compensation of \$4,000 per year. The chair of the board of trustees of the Fund and chair of the Pre-Arrangement Second Cup directors received additional compensation of \$25,000 per year, which was increased to \$35,000 per year in August 2010. During the fiscal year ended December 31, 2010, the aggregate amount paid to the board of trustees of the Fund and Pre-Arrangement Second Cup directors as compensation for acting in such capacities was \$293,000.

Director Compensation Table

The following indicates compensation paid to the Directors.

| Name | Fees earned (\$) | Share-based awards (\$) | Option based awards (\$) | Non-equity incentive plan compensation (\$) | Pension value (\$) | All other compensation (\$) | Total (\$) |
|--|------------------|-------------------------|--------------------------|---|--------------------|-----------------------------|------------|
| James S. Anas, Trustee of the Fund and Pre-Arrangement Second Cup Director | 60,000 | - | - | - | - | - | 60,000 |
| Edward T. McDermott, Trustee of the Fund and Pre-Arrangement Second Cup Director | 48,000 | - | - | - | - | - | 48,000 |
| Bryna Goldberg, Trustee of the Fund and Pre-Arrangement Second Cup Director | 52,000 | - | - | - | - | - | 52,000 |
| Raymond Guyatt, Trustee of the Fund and Pre-Arrangement Second Cup Director | 57,500 | - | - | - | - | - | 57,500 |
| Michael Rosicki, Trustee of the Fund and Pre-Arrangement Second Cup Director | 78,000 | - | - | - | - | - | 78,000 |

Summary of Board Compensation, Effective January 1, 2011

The annual compensation for each Director of the Corporation is \$50,000, plus \$1,000 for attending each special meeting of the Board of Directors in person and \$500 to attend special meetings of the Board of Directors by teleconference. No remuneration is received by any person for his or her role in acting as an officer of the Corporation. Each Director is reimbursed for their out-of-pocket expenses for attending meetings of the Board of Directors and meetings of the committees thereof. The chair of the Audit Committee of the Corporation receives additional compensation of \$10,000 per year. The chair of the Governance / Human Resources / Compensation Committee of the Corporation (“**Governance Committee**” and/or “**Compensation Committee**”, as applicable) receives additional compensation of \$5,000 per year. Michael Rosicki, as chair of the Board of Directors receives additional compensation of \$50,000 per year. Payment of compensation (and any expense reimbursement) shall be made out of the assets of the Corporation.

EXECUTIVE AND OTHER COMPENSATION

The Compensation Committee has the responsibility of, among other things, reviewing and making recommendations to the Directors concerning the compensation of the Chief Executive Officer of the Corporation (“**Chief Executive Officer**” and/or “**CEO**”), Chief Financial Officer of the Corporation (“**Chief Financial Officer**” and/or “**CFO**”) and the Corporation’s three most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation exceeds \$150,000 (collectively the “**Named Executive Officers**” or “**NEOs**”). The Compensation Committee for fiscal year 2010 consisted of Bryna Goldberg (chair), Michael Rosicki and Edward McDermott. All members of the Compensation Committee are considered “independent” in accordance with the definition set out in National Instrument 58-101 – Disclosure of Corporate Governance Practices (“**NI 58-101**”).

For the year ended December 31, 2010, the NEOs are Stacey Mowbray (CEO), Robert Masson (CFO), Steven Tsambalieros, Kimberly Clark and Ian Baskerville.

Compensation Discussion and Analysis

The Compensation Committee's executive compensation policy is guided by the following principles:

- to attract, motivate and retain executives with the necessary experience, education and skill sets to achieve the Corporation's goals;
- to align the interests of the executives with the interests of the Shareholders; and
- to provide incentives to meet and exceed performance based goals.

The key components of NEO compensation for the 2010 fiscal year consisted of base salary, short term incentive plan / annual bonus, and long term incentive plan. Other elements of NEO compensation include perquisites and a voluntary group registered retirement savings program.

Base Salary

Base salaries for NEOs are determined based on a comparison of competitive positions, taking into account, where possible, the industry, location and size (revenue and number of employees) of comparable companies and by evaluating the responsibilities of each executive's position; including their respective knowledge and experience with an overarching goal of maintaining internal equity within a competitive marketplace. Base salaries represent a fixed component of NEO compensation and vary by job responsibility. The base salary component of NEO compensation is designed to provide NEOs with a stable, predictable and competitive component of compensation, which facilitates the retention of key employees. NEO salaries are reviewed on an annual basis by the Compensation Committee and are revised and/or approved for the forthcoming year. The Compensation Committee consults with the Chief Executive Officer regarding the salaries of the other NEOs. The Compensation Committee then considers such matters and recommends to the Board of Directors a level of salary appropriate to each NEO.

Short Term Incentive Plan/Annual Bonus

In order to link executive compensation with the Corporation's goals, the NEOs participate in a short term incentive plan ("STIP") under which cash awards are made, based primarily on certain corporate performance targets for the current fiscal year. Under the STIP, the NEOs are eligible for a cash award upon the achievement of certain specific minimum financial metrics, which include the attainment of the Corporation's budget and fiscal objectives, including certain EDITDA and same café sales targets. STIP awards are targeted at a maximum of 75% of base salary for the Chief Executive Officer and Chief Operating Officer and a maximum of 30% of base salary for the other NEOs. STIP bonuses were awarded to the NEOs for the 2010 fiscal year.

Long Term Incentive Plan

The Corporation established a long term incentive plan ("LTIP") in order to allow certain NEOs to participate in the growth and development of the Corporation by providing such NEOs with the opportunity to acquire an increased economic interest in the Corporation. The LTIP aligns the interest of NEOs with the economic interests of the Shareholders, as NEOs will be rewarded on the basis of the Share trading price performance and dividends paid by the Corporation. The LTIP is administered by the Compensation Committee. Under the terms of the LTIP, notional shares ("**Notional Shares**") may be granted to officers and employees of the Corporation and such Notional Shares granted vest as to one third on each of the first, second and third occurrence of December 15th following the date of the grant of such Notional Shares (the "**Vesting Period**") and shall expire on the December 31st of the third calendar year following the date of grant. On vesting, the holder of vested Notional Shares shall receive in respect of each Notional Share an amount of cash equal to the weighted average trading price of the Shares on the TSX for the twenty trading days immediately prior to the applicable settlement date.

In addition, during the Vesting Period, on the date that the Corporation pays dividends, each holder of Notional Shares shall be credited with an additional number of notional shares ("**Bonus Notional Shares**") equal to the number of Notional Shares held by a participant in relation to a particular grant, multiplied by the cash dividend

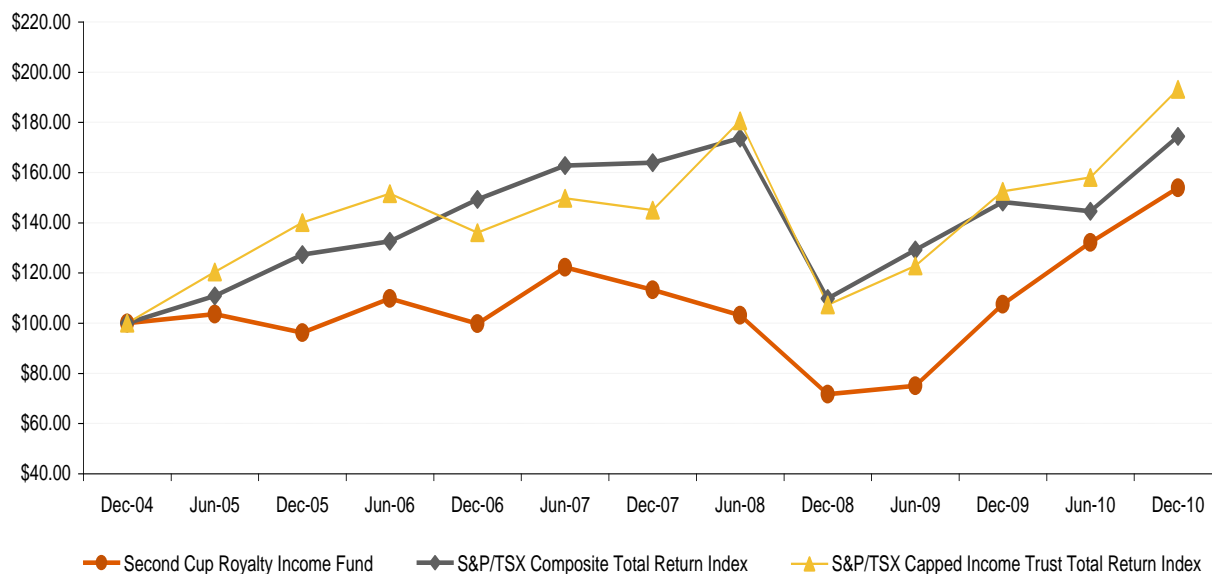
per Share, divided by the weighted average trading price of the Shares on the TSX for the twenty trading days immediately prior to the particular dividend date. The Bonus Notional Shares, in respect of a particular grant of Notional Shares, shall vest in the same proportion as the Notional Shares of that grant. Upon vesting the Bonus Notional Shares will be paid out in cash in the same manner as the Notional Shares. Upon receipt of the cash payment for the Notional Shares (or Bonus Notional Shares), such shares will be cancelled and have no further value. In fiscal 2010, no Notional Shares were granted to NEOs.

Perquisites and Other Personal Benefits

To enable the Corporation to attract and retain superior executives, the Corporation also provides NEOs with perquisites and other personal benefits that the Corporation believes are reasonable, competitive in the market and consistent with its overall compensation program. The NEOs are generally provided a car allowance, parking, health care and life insurance. The Compensation Committee periodically reviews the levels of perquisites and other personal benefits provided to NEOs. For the 2010 fiscal year, the costs of perquisites and other personal benefits described above for NEOs do not meet the reporting threshold established by Canadian Securities Regulations and accordingly have not been included in the “All Other Compensation” column in the Summary Compensation Table.

Performance Graph

The following graph compares the total cumulative Shareholder return for \$100 invested in Shares (assuming reinvestment of dividends) with the cumulative total return of each of the S&P/TSX Income Trust Index and the S&P/TSX Composite Index for the period from inception to December 31, 2010.



As evidenced by the performance graph, a Shareholder’s total return since inception has generally paralleled the total return of the S&P/TSX Income Trust Index during the same period. The interests of the NEOs are aligned to those of the Shareholders through the Corporation’s LTIP and the granting of Notional Shares which are linked to the value of the Corporation’s Shares. This portion of at risk compensation for each of these individuals will increase/decrease in conjunction with the market movements of the Corporation’s Shares.

When the Compensation Committee and the Board of Directors determines overall compensation, it considers a number of factors and performance elements. Although Shareholder return is one performance measure that is reviewed, it is not the only consideration. Other than in 2008, during which the Share price was affected by the turbulence in the global financial markets (similar to many other publicly traded companies) compensation levels for the NEOs over the period covered by the performance chart are generally consistent with the Corporation’s financial performance over this period.

NEO Summary Compensation Table

The following table provides a summary of compensation including base salary, short term incentive plan, long term incentive plan and amounts otherwise earned by the NEOs during the period from January 1, 2010 to December 31, 2010. Certain aspects of this compensation are dealt with in further detail in the following tables below.

| Name and principal position | Year | Salary ⁽¹⁾ | Share-based awards | Option-based awards | Non-equity Incentive plan compensation | | Pension value | All other compensation | Total compensation ⁽⁴⁾ |
|---|------|-----------------------|--------------------------|---------------------|--|---------------------------|---------------|------------------------|-----------------------------------|
| | | | | | Annual incentive plans ⁽³⁾ | Long term incentive plans | | | |
| Stacey Mowbray President and Chief Executive Officer | 2010 | \$414,928 | - | - | \$165,971 | - | - | - | \$580,899 |
| | 2009 | \$199,540 | \$157,447 ⁽²⁾ | - | - | - | - | - | \$356,987 |
| Robert Masson ⁽⁵⁾ Chief Financial Officer | 2010 | \$166,768 | - | - | \$40,024 | - | - | - | \$206,792 |
| | 2009 | \$70,493 | - | - | - | - | - | - | \$70,493 |
| Steven Tsambalieros Chief Operating Officer | 2010 | \$357,000 | - | - | \$142,800 | - | - | - | \$499,800 |
| | 2009 | \$174,593 | \$104,965 ⁽²⁾ | - | - | - | - | - | \$279,558 |
| Kimberly Clark ⁽⁶⁾ Vice President Marketing | 2010 | \$185,428 | - | - | \$44,503 | - | - | - | \$229,931 |
| | 2009 | \$45,750 | - | - | - | - | - | - | \$45,750 |
| Ian Baskerville Vice President Legal Affairs | 2010 | \$168,786 | - | - | \$40,509 | - | - | - | \$209,295 |
| | 2009 | \$78,415 | - | - | - | - | - | - | \$78,415 |

Notes:

- (1) The amounts reported as Salary for fiscal year 2009 reflect the salary received by each NEO for the period from June 27, 2009 to December 31, 2009, during which period they were NEOs, with the exception of Kimberly Clark whose employment commenced on September 28, 2009. During the 2009 fiscal year, the annualized salary received by each NEO was: Stacey Mowbray \$405,846, Robert Masson \$143,384, Steven Tsambalieros \$355,115, Ian Baskerville \$159,487 and Kimberly Clark \$183,000.
- (2) The share-based awards represent Notional Share awards granted under the Fund's LTIP in 2009; the Notional Shares were valued at \$6.04 per Notional Share, being the weighted average price of the Shares for the 20 trading days prior to the date of grant.
- (3) The STIP/Annual incentive plan was paid on March 24, 2011.
- (4) Total Compensation for fiscal year 2009 included the salary received by each NEO for the period from June 27, 2009 to December 31, 2009, with the exception of Kimberly Clark whose employment commenced on September 28, 2009.
- (5) Robert Masson joined the Corporation on February 4, 2009.
- (6) Kimberly Clark joined the Corporation on September 28, 2009.

The following table provides information with respect to share-based awards, outstanding at the end of the Corporation's most recently completed fiscal year ended December 31, 2010.

| Name | Option-based Awards | | | | Share-based Awards | |
|---|---|-----------------------|------------------------|---|--|--|
| | Number of securities underlying unexercised options | Option exercise price | Option expiration date | Value of unexercised in-the-money options | Number of shares or units of shares that have not vested | Market or payout value of share-based awards that have not vested ⁽³⁾ |
| Stacey Mowbray President and Chief Executive Officer | - | - | - | - | 16,556 ⁽¹⁾ | \$131,786 |
| Robert Masson Chief Financial Officer | - | - | - | - | - | - |
| Steven Tsambaleros Chief Operating Officer | - | - | - | - | 11,037 ⁽²⁾ | \$87,934 |
| Kimberly Clark Vice President Marketing | - | - | - | - | - | - |
| Ian Baskerville Vice President Legal Affairs | - | - | - | - | - | - |

Notes:

- (1) The share-based awards reported for Ms Mowbray represent the remaining 16,556 unvested Notional Shares (out of a total of 24,834 Notional Shares) awarded to her under the Corporation's LTIP in December 2009. One third of the total initial grant vests on each of the first, second and third December 15th following the date of grant based on continued employment and are forfeited on a pro-rata basis if her employment ceases prior to that time.
- (2) The share-based awards reported for Mr. Tsambaleros represent the remaining 11,037 unvested Notional Shares (out of a total of 16,556 Notional Shares) awarded to him under the Corporation's LTIP in December 2009. One third of the total initial grant vests on each of the first, second and third December 15th following the date of grant based on continued employment. The unvested Notional Shares granted under the Corporation's LTIP on December 2009 reported here were forfeited as a result of Mr. Tsambaleros' employment with the Corporation ceasing in January 2011.
- (3) The pay-out value of the award is based on the market value per Share of \$7.96 as of December 31, 2010, and does not include the value of any dividends paid / dividends payable during the three (3) year vesting period or any increase in market value at the time the award is earned.

The following table provides certain information with respect to share-based awards earned as at the end of the Corporation's most recently completed fiscal year ended December 31, 2010.

| Name | Option-based awards – Value vested during the year | Share-based awards – Value vested during the year | Non-equity incentive plan compensation – Value earned during the year |
|---|--|---|---|
| Stacey Mowbray President and Chief Executive Officer | - | \$236,150 ⁽¹⁾ | - |
| Robert Masson Chief Financial Officer | - | - | - |
| Steven Tsambalieros Chief Operating Officer | - | \$42,276 ⁽²⁾ | - |
| Kimberly Clark Vice President Marketing | - | - | - |
| Ian Baskerville Vice President Legal Affairs | - | - | - |

Notes:

- (1) This amount represents i) the vesting of 23,810 Notional Shares previously granted to Ms. Mowbray at the time of her employment in February 2008 under the terms of her employment agreement, of which 11,905 Notional Shares vested on February 25, 2010 and were valued at \$6.85 per Notional Share, being the value of the Shares on the date of vesting and 11,905 vested on December 15, 2010 and were valued at \$7.66 per Notional Share, being the value of the Shares on the date of vesting; and ii) 8,278 Notional Shares granted to Ms. Mowbray under the Corporation's LTIP in December 2009, which vested on December 15, 2010 and were valued at \$7.66 per Notional Share, being the price of the Shares on the vesting date.
- (2) This amount represents the vesting of 5,519 Notional Shares granted to Mr. Tsambalieros under the Corporation's LTIP in December 2009, which vested on December 15, 2010 and were valued at \$7.66 per Notional Share, being the price of the Shares on the vesting date.

Severance and Other Termination Benefits

Each of Stacey Mowbray, Rita Toporowski and Kimberly Clark has entered into an employment agreement with the Corporation which governs certain terms relating to their employment. Each of these agreements remains in effect until termination by either party pursuant to its terms. Each of Ms. Mowbray's, Ms. Toporowski's and Ms. Clark's employment agreement provides that upon termination of her employment with the Corporation, without cause, each will be entitled to a severance payment on the date of termination, equal to 18, 12 and 6 months base salary, respectively. Ms. Clark's employment agreement also provides that upon termination, without cause, she will be entitled to 50% of her STIP/Annual bonus. Mr. Tsambalieros ceased to be an employee of the Company in January 2011. Pursuant to the terms of Mr. Tsambalieros' employment agreement, the Corporation made a lump sum payment to Mr. Tsambalieros in the amount \$557,360.

INDEBTEDNESS OF DIRECTORS

No Director, Nominee, officer of the Corporation and none of their associates is currently or was at any time during the fiscal year ended December 31, 2010, indebted to the Corporation and no indebtedness of such persons has been the subject of a guarantee, support agreement, letter of credit or other similar agreement provided by the Corporation.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

None of the Directors, senior officers of the Corporation or Nominees, since the commencement of the Corporation's last financial year and no associate or affiliate of any of the foregoing persons has any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of Directors.

CORPORATE GOVERNANCE

The Corporation is committed to maintaining high standards of governance. The Corporation has continued to refine its governance practices in light of Canadian regulatory initiatives, particularly NI 58-101, National Policy 58-201, *Corporate Governance Guidelines* ("NP 58-201") and National Instrument 52-110, *Audit Committees* ("NI 52-110"). The Corporation's current governance practices are disclosed below in accordance with NI 58-101. The information required by Form 52-110F1 of NI 52-110 is contained in the Corporation's 2011 Annual Information Form under the heading "Audit Committee" and in Appendix A of the Corporation's 2011 Annual Information Form.

Board of Directors

The Board of Directors is elected by the Shareholders and is responsible for the overall stewardship of the affairs of the Corporation. The Board of Directors discharges its responsibilities directly and through its committees, currently consisting of the Corporation's Audit Committee and Governance Committee. The Board of Directors has adopted a mandate that sets out the role of the Directors. The text of this mandate is set out in Appendix A to this Circular. The Directors may, in respect of the assets of the Corporation, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner of those assets. The role of the Directors includes, among other things:

- reviewing and approving the strategic plans of the Corporation;
- maintaining records and providing reports to Shareholders as required;
- supervising the activities of the Corporation, including the investments of the Corporation; and
- declaring and effecting payments of distributions from the Corporation to Shareholders.

The Directors will also supervise the application of the Corporation's written disclosure and insider trading policies. These policies, among other things:

- articulate the legal obligations of the Corporation, Directors, officers and employees with respect to confidential information;
- identify spokespersons of the Corporation who are authorized to communicate with third parties such as analysts, the media and investors;
- provide guidelines on the disclosure of forward looking information;
- require advance review of any disclosure of financial information with a view to ensuring that selective disclosure of material information does not occur; and
- establish "black-out" periods prior to and following the disclosure of quarterly and annual financial results during which the Corporation, Directors, officers and certain other persons may not purchase or sell Shares in the market.

A majority of the Directors must be independent within the meaning of NI 52-110. The Board of Directors is currently comprised of five Directors (four of whom have been nominated for election at the Meeting). The Board of Directors has determined that a majority of the Nominees are independent within the meaning of NI 52-110 and NI 58-101. Each member of the Corporation's Audit Committee will be an independent Director.

As part of its mandate, the Governance Committee will review on an annual basis the contributions of the Directors and consider whether the current composition of the Board of Directors promotes effectiveness and efficiency in its decision-making. As discussed below, the Governance Committee will assess the contribution and the performance of the Directors, both individually and collectively, and the standing committees of the Board of Directors.

Currently, there are no members of management on the Board of Directors.

Where warranted, Directors have the ability to engage outside professional advisors at the Corporation's expense to assist in the fulfillment of their duties. The chair of the Board of Directors (the "**Chair**") is responsible for authorizing all requests for professional advisors by individual Directors, the Board of Directors or any committee of the Board of Directors.

Position Descriptions

The Board of Directors has adopted a formal position description for both the Chair and the CEO. Both are designed to assist the Chair and CEO in delineating their respective roles and responsibilities.

The CEO's position description identifies the CEO's responsibilities, which include: leading the day-to-day operations of the Corporation in accordance with the strategic plan; developing a long-term strategy for the Corporation that enhances Shareholder value; developing an annual operating plan and financial budget to achieve the Corporation's long-term strategy; developing or supervising effective disclosure and internal controls; and developing a positive and ethical work environment for the Corporation that attracts, retains and motivates high-value employees.

The Chair's position description identifies the Chair's responsibilities, which include: oversight of the Board of Directors in its discharge of its duties in the Board of Director's mandate; overseeing the distribution of information to the Board of Directors and presiding over board meetings; establishing procedures to govern the effective and efficient conduct of the Board of Director's work; acting as a liaison between the Board of Directors and management of the Corporation, where necessary; and representing the Corporation to Shareholders of the Corporation and other external groups.

The Directors have not developed written position descriptions for the chair of each committee. The Board of Directors of the Corporation believe that the charters of the Audit Committee and Governance Committee adequately delineate the roles of the chairs of such committees.

Orientation and Continuing Education

The Governance Committee oversees any orientation programs to familiarize new Directors with the affairs and operations of the Corporation, including: the Corporation's structure; financial, accounting and risk issues; compliance programs and policies; management of the Corporation; and the external auditors. The Directors of the Corporation have access to members of management of the Corporation and are provided with materials describing the Corporation's operations, strategic plans and financial results.

The Governance Committee also oversees continuing educational opportunities for all Directors, as necessary, so that as individuals the Directors' knowledge and understanding of the activities of the Corporation remains current.

Ethical Business Conduct

As part of the Corporation's commitment to effective corporate governance, all Directors and officers of the Corporation must act in accordance with the Corporation's Code of Conduct (the "**Code**"). The Code has been adopted by the Board of Directors and requires every Director, officer, and employee, as the case may be, to observe high standards of business and personal ethics as they carry out their duties and responsibilities. The Code is a guide that is intended to sensitize these individuals to significant legal and ethical issues that frequently arise and to the mechanisms available to report illegal or unethical conduct. The Code addresses ethical conduct, conflicts of interest and compliance with the law. The Code is administered by management although the Board of Directors has the

ultimate responsibility for monitoring compliance with the Code, including granting any departures or waivers from the Code. A copy of the Code may be obtained on request from the administrative office of the Corporation at 6303 Airport Rd., 2nd Floor, Mississauga, Ontario, L4V 1R8.

Nomination of Directors

The Governance Committee of the Corporation is responsible for proposing new Director nominees and making recommendations to the Board of Directors. Directors are also encouraged to identify potential candidates and the Chair shall be consulted and have input into the process.

As part of its mandate, the Governance Committee determines the criteria, objectives and procedures for selecting members of the Board of Directors. In this process, the committee considers factors such as independence, integrity, skills, expertise and breadth of experience. The committee also periodically reviews the competencies, skills and personal qualities of each existing Director, and the contributions made by each individual Director to the effective operation of the Board of Directors. The committee may also make recommendations for changes to the composition of the Board of Directors.

Compensation of Directors

The Governance Committee is responsible for reviewing Director compensation and ensuring that such compensation is competitive and aligns Directors' interests with those of Shareholders. The committee shall recommend the terms upon which Directors shall be compensated with a view to ensuring that the compensation accurately reflects the responsibilities they are assuming.

Assessments

The Governance Committee will coordinate an annual evaluation of the Board of Directors and all board committees to determine whether they are functioning effectively and meeting their respective objectives and goals. The committee reports to the Chair of the Board of Directors on the evaluation of the performance of the Board of Directors, and each committee. The objective of the assessments is to ensure the continued effectiveness of the Board of Directors and its committees in the execution of their responsibilities and to contribute to a process of continuing improvement. The committee may conduct surveys of Directors with respect to their views on the effectiveness of Board of Directors, the Chair of the Board of Directors, each committee and its chair, and the contribution of individual Directors. The committee further monitors the relationship between management and the Board of Directors and reviews the Corporation's governance structures to ensure that the various boards are able to function independently of management of the Corporation.

Audit Committee

The Audit Committee is currently comprised of three Directors, all of whom are independent, as required by NI 52-110. The members of the committee are appointed by the Board of Directors from among its members annually, and as necessary to fill vacancies, and the Board of Directors generally appoints the chair of the Audit Committee.

All members of the Audit Committee are financially literate. An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

The committee is mandated to assist the Board of Directors in fulfilling applicable reporting issuer obligations respecting audit committees and its oversight responsibilities with respect to financial reporting. The committee assists the Board of Directors in overseeing, among other matters, the work of the Corporation's external auditors, the integrity of the Corporation's financial statements and financial reporting process, the qualifications and independence of the external auditors and the work of the Corporation's financial management and external auditors in these areas. The committee also provides an open avenue of communication between the external auditors, the Board of Directors, and management of the Corporation. The committee reviews and recommends to the Board of Directors for approval, the Corporation's annual and interim consolidated financial statements and related management's discussion and analysis and selected disclosure documents, including the Corporation's

annual information form and any other financial statements required by regulatory authorities, before they are released to the public or filed with the appropriate regulators.

The Audit Committee is responsible for assessing and monitoring the integrity of the Corporation's financial reporting, accounting systems and internal controls and management information systems. The Audit Committee will also meet periodically with management of the Corporation to review the Corporation's major financial risk exposures and the policy steps management has taken to monitor and control such exposures.

Additional information relating to the Audit Committee and a copy of the Audit Committee's charter is set out in the latest annual information form of the Corporation.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditor of the Corporation is PricewaterhouseCoopers LLP, Chartered Accountants.

The transfer agent and registrar for the Shares is Computershare Investor Services Inc, 100 University Avenue, Toronto, Ontario.

INTEREST OF EXPERTS

The Corporation's annual consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants, Toronto, Ontario. Such firm is independent in accordance with the firm's rules of professional conduct in Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is included in its 2010 annual information form, its audited consolidated financial statements for the year ended December 31, 2010 and the related management's discussion and analysis. Copies of these documents may be obtained from the SEDAR website at www.sedar.com, or upon request from the CFO of the Corporation: 6303 Airport Road, Mississauga, Ontario, L4V 1R8 (telephone 905-362-1818 or e-mail rmasson@secondcup.com). Financial information is provided in the Corporation's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2010.

OTHER BUSINESS

Management is not aware of any amendments or variations to matters identified in the notice of the Meeting or of any other matters that are to be presented for action at the Meeting, other than those described in the notice.

APPROVAL OF CIRCULAR

The contents and sending of this Circular have been approved by the Directors of the Corporation.

DATED at Mississauga, Ontario, this 8th day of April 2011.

BY ORDER OF THE DIRECTORS

Michael Rosicki
Chair of the Board of Directors

APPENDIX A

**THE SECOND CUP LTD.
CHARTER FOR THE BOARD OF DIRECTORS**

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THE SECOND CUP LTD.

CHARTER FOR THE BOARD OF DIRECTORS

INTRODUCTION

Terminology:

“**Board of Directors**” means the board of directors of the Corporation.

“**By-Laws of the Corporation**” means the by-laws governing the Corporation, as amended from time to time

“**Corporation**” means The Second Cup Ltd.

The Board of Directors is elected by the shareholders of the Corporation and is responsible for the overall stewardship of the affairs of the Corporation. The Board of Directors shall be subject to the fiduciary standard and standard of care set out in the By-Laws of the Corporation. The Board of Directors is responsible for establishing and maintaining a culture of integrity in the conduct of the Corporation’s affairs.

DUTIES OF DIRECTORS

1. The Board of Directors discharges its responsibilities both directly and through its committees, currently consisting of the Audit Committee and the Governance / Human Resources / Compensation Committee “Governance Committee”. The Board of Directors may appoint other committees as permitted by the By-Laws of the Corporation, including ad hoc committees to address certain issues of a more short-term nature.

Oversight of the Corporation

1. The Board of Directors is responsible for reviewing and approving the strategic plans of the Corporation.
2. The Board of Directors is responsible for maintaining records and providing reports to shareholders of the Corporation as required.
3. The Board of Directors is responsible for supervising the activities of the Corporation, including the investments of the Corporation.
4. The Board of Directors is responsible for declaring and effecting payments of dividends from the Corporation to shareholders of the Corporation.
5. The Board of Directors may delegate to committees matters it is responsible for, but the Board of Directors retains its oversight function and ultimate responsibility for all delegated responsibilities.

Monitoring of Financial Performance and Other Financial Reporting Matters

1. The Board of Directors will receive all financial statements, material change reports and such other additional information regarding the financial position or business of the Corporation necessary to comply with any continuous disclosure obligations applicable to the Corporation.

2. The Board of Directors is responsible for overseeing the Corporation's compliance with its undertakings to applicable securities regulatory authorities regarding financial statements and other information regarding its financial position or business, and regarding insider reporting and trading.
3. The Board of Directors shall be responsible for approving the unaudited quarterly and audited annual financial statements of the Corporation and the notes thereto and auditors' reports thereon, as applicable, and the Management's Discussion and Analysis accompanying such financial statements, as well as annual reports, management information circulars, annual information forms and other securities law filings of the Corporation.
4. The Board of Directors is responsible for reviewing and approving material transactions involving the Corporation and those matters which the Board of Directors is required to approve under the applicable law including the payment of dividends, the purchase and issuance of shares, acquisitions and dispositions of material assets by the Corporation and material expenditures by the Corporation.

Policies and Procedures

1. The Board of Directors is responsible for:
 - (a) maintaining records on the Corporation's affairs and investments;
 - (b) approving and monitoring compliance with all significant policies and procedures by which the Corporation is bound;
 - (c) approving policies and procedures designed to ensure that the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards; and
 - (d) enforcing obligations of the directors respecting confidential treatment of the Corporation's proprietary information and Board deliberations.
2. The Board of Directors is responsible for approving a Corporate Disclosure Policy respecting communications to the public, an Insider Trading Policy respecting insider trading and reporting matters, and a Code of Business Conduct and Ethics respecting ethical business practices.

Communications and Reporting

1. The Board of Directors is responsible for:
 - (a) overseeing the Corporation's continuous disclosure obligations;
 - (b) overseeing the accurate reporting of the financial performance of the Corporation to shareholders, other security holders and regulators on a timely and regular basis;
 - (c) overseeing that financial results of the Corporation are reported fairly and in accordance with generally accepted accounting standards and related legal disclosure requirements;
 - (d) taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Corporation;
 - (e) reporting annually to shareholders on its stewardship for the preceding year;
 - (f) overseeing the provision to shareholders of all such information as is required by applicable law and regulatory requirements, prior to each meeting of shareholders;
 - (g) overseeing the investor relations and communications strategy of the Corporation; and
 - (h) overseeing the Corporation's ability to accommodate feedback from shareholders.

