

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS OF
TIM HORTONS INC.**

Adopted February 2006
(Most Recently Revised: November 2008)

This Charter identifies the purpose, composition, authority, meeting requirements, responsibilities, and annual evaluation procedures of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Tim Hortons Inc., a Delaware corporation (the “Company”), pursuant to the Board’s Principles of Governance, its Governance Guidelines (“Governance Guidelines”) and other applicable requirements.

I. PURPOSE

The Committee shall (a) provide assistance to the Board in fulfilling its oversight responsibility relating to (i) the integrity of the Company’s financial statements and financial reporting process, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the qualifications and independence of the Company’s independent public accountants, (iv) the Company’s system of internal controls and the performance of the Company’s internal audit function and independent public accountants, and (v) the Company’s code of ethical conduct as articulated in its *Standards of Business Practices* and the *Director’s Code of Conduct*; (b) establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; (c) prepare the report required by the United States Securities and Exchange Commission (the “SEC”) for inclusion in the Company’s annual proxy statement; (d) retain and terminate the Company’s independent public accountants; (e) approve audit and non-audit services to be performed by the independent public accountants; and (f) perform such other functions as the Board may from time to time assign to the Committee. In performing its duties, the Committee shall seek to maintain an effective working relationship with the Board, the independent public accountants, the internal auditors and management of the Company.

II. COMPOSITION

The Board shall appoint the Committee, which shall be comprised of not less than three directors. The membership of the Committee shall comply with the independence requirements of the SEC, the Canadian securities regulatory authorities, the New York Stock Exchange and the Toronto Stock Exchange (collectively, the “Regulators”), and as determined by the Board in its business judgment. Each member of the Committee shall be financially literate, as such qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable period after his or her appointment to the Committee. At least one member of the Committee shall have accounting or related financial management expertise and must otherwise meet the qualifications of an “audit committee financial expert,” as such term is defined in the rules and regulations of the SEC. Further, a Director who is appointed to the Committee who has not previously served as a member of an audit committee of a publicly-

traded company or who has not otherwise had equivalent audit committee experience (*e.g.*, such equivalent experience would include presenting at and/or regularly attending public company audit committee meetings in the capacity of CEO, CFO, General Counsel, or equivalent), shall within a reasonable period of time following his or her appointment, attend an education session relevant to audit committee members from a reputable provider of board of directors education. No person may be made a member of the Committee if his or her service on the Committee would violate any restriction on service imposed by any rule or regulation of the Regulators. One of the members shall be appointed chair of the Committee by the Board. The Board shall affirmatively determine that the Committee (and any individual member, if applicable) satisfies such requirements whenever any director is appointed to or resigns or is removed from the Committee.

Except for Board and Committee fees, a member of the Committee shall not be permitted to accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any other fees prohibited by the rules of the SEC or any other Regulator. In addition, no member of the Committee may be an “affiliate” (as such term is defined in rules and regulations of the SEC) of the Company or any of its subsidiaries. Members of the Committee may receive their Board and Committee fees in cash, Company stock, options, restricted stock units, deferred stock units, or other in-kind consideration as determined by the Board, in addition to all other benefits that other directors of the Company receive. No director may serve on the Committee if such director simultaneously serves on the audit committee of more than three public companies (including the Company), unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee and such determination is properly disclosed in the Company’s proxy statement.

Each member of the Committee shall serve at the discretion of the Board and until his or her successor is appointed. A Committee member (including the chair) may be removed at any time, with or without cause, by the Board. A Committee member may resign at any time by giving written notice to the Board. A Committee member may resign from the Committee without resigning from the Board, but a Committee member shall tender his or her resignation from the Committee upon ceasing to be a member of the Board or ceasing to be “independent” as noted above.

The Committee shall have authority to delegate responsibilities listed herein to subcommittees of the Committee if the Committee determines such delegation would be in the best interests of the Company.

III. AUTHORITY

The Committee is authorized by, and responsible to, the Board to investigate any activity of the Company which it deems relevant to the fulfillment of its responsibilities. This authority shall include full access to all books, records and employees of the Company and the right to initiate special or additional audits or investigations as it deems necessary. The Committee shall have the authority and sufficient funding to retain special legal, accounting or other consultants (without seeking Board approval) to advise the Committee as the Committee may deem appropriate in its discretion. The Committee shall have sole authority to select, evaluate,

compensate, oversee the work of, and discharge any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (including resolution of disagreements between management and the auditor regarding financial reporting). The independent auditor will report directly to the Committee. The Committee shall have sole authority to negotiate and approve all audit engagement fees and the terms of the engagement and the Committee must pre-approve any audit or non-audit service provided to the Company by the independent auditor in accordance with the Audit Committee's Pre-Approval Policy. The Committee shall be provided with adequate resources, as determined by the Committee, to discharge its responsibilities, including the payment of compensation to any advisors retained by the Committee as well as ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. The Committee may ask members of management, employees, outside counsel, the independent public accountants or others whose advice and counsel are relevant to the issues then being considered by the Committee, to attend any meetings and to provide such pertinent information as the Committee may request. All executives and employees are directed to cooperate as requested by the Committee.

The Committee may adopt rules of governance, not inconsistent with this Charter, to assist the Committee in the discharge of its responsibilities.

IV. MEETINGS

The Committee shall meet as necessary, but at least four times each year, to enable it to fulfill its responsibilities. The Committee shall meet at the call of the Chairman of the Board, the Chief Executive Officer, the President or by any two committee members, preferably in conjunction with regular Director meetings. The Committee may meet by telephone conference call or by any other means permitted by law or the Company's By-Laws. A majority of the members of the Committee shall constitute a quorum. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. Without a meeting, the Committee may act by unanimous written consent of all members. The Committee shall determine its own rules and procedures and shall have a secretary. The secretary need not be a member of the Committee and shall attend Committee meetings and prepare minutes. The Committee shall keep written minutes of its meetings, which shall be recorded or filed with the books and records of the Company. Any member of the Board shall be provided with copies of such Committee minutes if requested.

The chair of the Committee shall be responsible for leadership of the Committee, including preparing the agenda, presiding over Committee meetings, making Committee assignments and reporting the Committee's actions to the Board from time to time (but at least quarterly) as requested by the Board or as otherwise deemed appropriate by the Committee.

The Committee shall meet periodically with management, the internal auditors and the independent public accountants of the Company in separate executive sessions to discuss any matters that the Committee or any of these groups believe should be discussed privately. The Committee may also meet periodically with the General Counsel in separate executive session to discuss any matters that the Committee or the General Counsel believe should be discussed

privately. In addition, the Committee should meet with the independent public accountants and management quarterly to review the Company's financial statements prior to their public release consistent with the provisions set forth below in Section V. The Committee may also meet from time to time with the Company's investment bankers, investor relations professionals and financial analysts who follow the Company.

V. RESPONSIBILITIES

The Committee members, as directors and as articulated in the Governance Guidelines, will exercise their business judgment in a manner they reasonably believe to be in the best interests of the Company and its shareholders. Committee members are entitled to rely on the honesty and integrity of the Company's executives and its outside advisors and auditors to the fullest extent permitted by law. In carrying out its oversight responsibilities, the Committee's policies and procedures should remain flexible to enable the Committee to react to changes in circumstances and conditions so as to ensure the Company remains in compliance with applicable legal and regulatory requirements.

- A. In addition to such other duties as the Board may from time to time assign, the Committee shall have the following responsibilities:
1. The Committee shall annually approve, and will disclose to the Board and to the shareholders, the independent public accountants to be engaged for the examination of the consolidated financial statements of the Company and its subsidiaries for the next fiscal year. On an annual basis, the Committee shall evaluate the independent public accountants' qualifications, performance and independence. To assist in this undertaking, the Committee shall require the independent public accountants to submit a report (which report shall be reviewed by the Committee) describing (a) the independent public accountants' internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the accounting firm or by any inquiry or investigations by governmental or professional authorities (within the preceding five years) respecting one or more independent audits carried out by the independent public accountants, and any steps taken to resolve any such issues and (c) all relationships the independent public accountants have with the Company and relevant third parties to determine the independent public accountants' independence. In making its determination, the Committee shall consider not only auditing and other traditional accounting functions performed by the independent public accountants, but also consulting, legal, information technology services and other professional services rendered by the independent public accountants and their affiliates. The Committee shall also consider whether the provision of any of these non-audit services is compatible with the independence standards under the guidelines of the SEC and of the Independence Standards Board. The Committee shall present its conclusions with respect to the independent public accountants to the Board.
 2. The Committee shall review the independent public accountants' proposed audit scope and approach, the fees therefor, and discuss the results of the audit for each

fiscal year with the independent public accountants and appropriate management representatives. The Committee shall establish and maintain guidelines for the retention of the independent auditors for any non-audit service and the fee for such service and shall determine procedures for the approval of the audit and non-audit services in advance. The Committee shall, in accordance with such procedures, approve in advance any audit or non-audit service provided to the Company by the independent auditors, all as required by applicable law or listing standards. The Committee has adopted and may amend, from time to time, its pre-approval policy with respect to the pre-approval of audit and non-audit services to be performed by the independent public accountants.

3. The Committee shall review and discuss with management and the independent public accountants (i) the Company's consolidated annual audited financial statements and quarterly financial statements (including disclosures under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations"), and management's certifications with respect thereto, (ii) any financial information of the Company, including financial statements, contained or incorporated by reference in any prospectus, proxy circular or statement, offering memoranda or government or regulatory filing of the Company, and (iii) any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion or review rendered by the independent public accountants of the Company, in each case considering, as appropriate, whether the information contained in these documents is consistent with the information contained in the financial statements and whether the independent public accountants and legal counsel are satisfied with the disclosure and content of such documents. These discussions shall include consideration of the quality of the Company's accounting principles as applied in its financial reporting, including review of audit adjustments (whether or not recorded) and any such other inquiries as may be appropriate. Based on the review, the Committee shall make its recommendation to the Board as to the inclusion of the Company's audited consolidated financial statements in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K) and review and consider with the outside auditors the matters required to be discussed by generally accepted auditing standards. The Committee shall prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.
4. The Committee shall discuss with management policies with respect to risk assessment and risk management. Although it is management's duty to assess and manage the Company's exposure to risk, the Committee should discuss guidelines and policies to govern the process by which risk assessment and management is handled and review the steps management has taken to monitor and control the Company's risk exposure.
5. The Committee shall have oversight responsibility for the Company's internal audit functions, including having appropriate input in hiring (and terminating) the head of internal audit, evaluating performance, and approving the internal audit plans and budget for the internal audit group.

6. The Committee shall discuss with management and the internal auditors the quality and adequacy of the Company's system of internal control over financial reporting and its disclosure controls and procedures, and the Committee shall oversee management's remediation of any significant deficiencies or material weaknesses identified in the Company's internal control over financial reporting. The Committee shall discuss with the independent public accountants any significant matters regarding internal controls over financial reporting that have come to their attention during the conduct of their audit.
7. The Committee shall review any request by the Company management for a second opinion on a significant accounting issue, any changes in accounting or financial reporting practices and any other significant unusual events which impact the financial statements of the Company.
8. The Committee shall review on an annual basis the experience and qualifications of the senior members of the audit engagement team and discuss the knowledge and experience of the independent public accountants and the senior members of the audit engagement team with respect to the Company's industry. The Committee shall ensure the regular rotation of the lead audit partner and audit review partner as required by law and consider whether there should be a periodic rotation of the Company's independent public accountants. In addition, the Committee shall establish and periodically review hiring policies for employees or former employees of the independent public accountants.
9. The Committee shall review with the independent public accountants any problems or difficulties the auditor may have encountered and any "management" or "internal control" letter provided by the independent public accountants and the Company's response to that letter. Such review should include:
 - i. any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information and any significant disagreements with management;
 - ii. any accounting adjustments that were proposed by the independent public accountants that were not agreed to by the Company;
 - iii. communications between the independent public accountants and its national office regarding any significant issues or matters that otherwise are required to be disclosed to the Committee on which it was consulted by the audit team and matters of audit quality and consistency;
 - iv. any changes required in the planned scope of the internal audit; and
 - v. the responsibilities, budget and staffing of the Company's internal audit function.
10. The Committee shall communicate with the independent public accountants regarding (a) alternative treatments of financial information within the parameters of U.S. generally accepted accounting principles, (b) critical accounting policies and practices

to be used in preparing the audit report and (c) such other matters as the Regulators may direct by rule or regulation.

11. The Committee shall periodically discuss with the chief executive officer and chief financial officer (a) significant deficiencies in the design or operation of the internal controls that could adversely affect the Company's ability to record, process, summarize and report financial data and (b) any fraud that involves management or other employees who have a significant role in the Company's internal controls. In addition, the Committee shall undertake to inquire of the independent public accountants whether any officer or director of the Company, or any person acting under their direction, has sought to fraudulently influence, coerce, manipulate or mislead the independent public accountants for purposes of rendering the Company's financial statements materially misleading.
12. The Committee shall review and discuss with management earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee need not discuss in advance each earnings release but should generally discuss the types of information to be disclosed and the type of presentation to be made in any earnings release or guidance (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information). In addition, the Committee shall review the significant items contained in the regular internal reports to management prepared by the internal auditors and management's response thereto.
13. The Committee shall review with management and the independent public accountants the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements. The Committee shall also consider the independent public accountants' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting and consider alternative accounting principles and estimates.
14. The Committee shall periodically review with management, including the General Counsel, and the independent auditors any correspondence with, or other action by, regulators or governmental agencies, and any employee complaints in published reports, that raise concerns regarding the Company's financial statements, accounting or auditing matters or compliance with the Standards of Business Practices. The Committee shall also meet periodically, and may request to meet separately, with the General Counsel and other appropriate legal staff of the Company and, if appropriate, the Company's outside counsel, to review material legal affairs and litigation involving the Company.
15. The Committee shall annually review with management and the independent public accountants major issues regarding the Company's auditing and accounting principles and practices, including any significant changes in the Company's selection or application of such principles, and its presentation of financial statements, including the adequacy of internal controls and special audit steps adopted in light of material internal control deficiencies. In addition, the Committee shall review all analyses

- prepared by management and/or the independent public accountants of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any analysis of the effect of alternative generally accepted accounting principle methods on the Company's financial statements. The Committee shall also review all recommendations of management, the internal auditors and the independent public accountants regarding internal controls.
16. The Committee shall establish procedures for the receipt, retention and treatment of complaints and concerns regarding accounting, internal controls or auditing matters from employees and others and the confidential, anonymous submission from employees regarding questionable accounting or auditing matters.
 17. The Committee shall establish procedures for the receipt, retention and treatment of complaints (and any waivers required) regarding a breach of the Standards of Business Practices by the CEO and other executive officers. The Committee will also oversee any required disclosure of waivers under the Standards of Business Practices.
 18. The Committee shall annually review and report to the Board on the adequacy of the *Standards of Business Practices* and the Company's Compliance Program as well as the *Director's Code of Conduct*.
 19. The Committee shall periodically review and, where appropriate, approve (or recommend to the Board for approval, as applicable) related party transactions proposed to be entered into by the Company.
 20. The Committee shall review management's annual assessment of the effectiveness of the Company's internal control over financial reporting and the independent public accountant's attestation report regarding the Company's internal control over financial reporting.
 21. The Committee shall review with the internal auditors, the Vice President of Financial Reporting and other appropriate management the effectiveness of controls relating to officer expenses and perquisites.
 22. The Committee shall receive reports from the Company's disclosure committee, or its representatives, regarding matters considered by the Committee, including the adequacy of the Company's disclosure controls and procedures.
- B. To the extent the Board determines to seek shareholder ratification of the Committee's selection of the Company's independent public accountants, the Committee will consider such ratification or failure to ratify as a factor in discharging its mandated duty in connection with selection and engagement of the Company's independent public accountants.
- C. The independent public accountants shall be ultimately accountable to the Committee. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty

of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent public accountants.

VI. ANNUAL EVALUATION

The Committee shall annually assess its performance to confirm that it is meeting its responsibilities under this Charter. In this review, the Committee shall consider, among other things, (a) the appropriateness of the scope and content of this Charter, (b) the appropriateness of matters presented for information and approval, (c) the sufficiency of time for consideration of agenda items, (d) the frequency and length of meetings and (e) the quality of written materials and presentations. The Committee may recommend to the Board such changes to this Charter as the Committee deems appropriate.

VII. MISCELLANEOUS

Nothing contained in this Charter is intended to expand applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities. This Charter is intended to be consistent with and supplemented by the Board's Principles of Governance and Governance Guidelines. This Charter is, and any amendments thereto will be, displayed on the Company's website and a printed copy will be made available to any shareholder of the Company who requests such.