Consolidated Coffee, Inc.

Consolidated Financial Statements
March 31, 2010 and 2009

Consolidated Coffee, Inc.
Index
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PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To the Board of Directors and Stockholders of
Consolidated Coffee, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Consolidated Coffee, Inc. and its subsidiary at March 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

May 26, 2010

Consolidated Coffee, Inc.
Consolidated Balance Sheets
March 31, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 9,722,410	$ 7,698,346
Short-term investments	-	1,373,235
Accounts receivable, net	9,450,732	13,023,906
Related party receivable	68,940	216,523
Inventories, net	13,420,457	9,480,965
Income taxes receivable	217,028	-
Prepaid expenses and other current assets	1,455,473	2,148,254
Deferred income tax assets	4,561,908	3,038,118
Total current assets	38,896,948	36,979,347
Long-term investments	-	942,556
Property, plant and equipment, net	14,138,327	15,646,173
Intangible assets, net	99,966,667	104,066,667
Goodwill	114,699,853	114,699,853
Deferred financing costs, net	1,188,388	1,809,059
Other assets	727,000	184,524
Total assets	$ 269,617,183	$ 274,328,179
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 9,677,201	$ 7,127,176
Accrued trade promotions	5,930,327	6,475,504
Accrued marketing	2,648,621	2,011,222
Accrued salaries, wages and benefits	12,440,508	3,976,858
Income taxes payable	771,055	1,334,854
Current portion of long-term debt	-	910,000
Related party payables	310,799	227,907
Other accruals and liabilities	6,867,516	6,534,655
Total current liabilities	38,646,027	28,598,176
Long-term debt, net of current portion	141,324,413	155,619,379
Deferred income tax liabilities	33,494,784	27,456,689
Other liabilities	994,686	6,709,312
Total liabilities	214,459,910	218,383,556
Commitments and contingencies (Notes 6 and 9)		
Stockholders' equity		
Common stock, par value $.01; 1,000 shares authorized, 599 issued and outstanding	6	6
Additional paid-in capital	59,899,994	59,899,994
Accumulated deficit	(2,256,454)	(1,590,158)
Accumulated other comprehensive loss	(2,486,273)	(2,365,219)
Total stockholders' equity	55,157,273	55,944,623
Total liabilities and stockholders' equity	$ 269,617,183	$ 274,328,179

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Coffee, Inc.
Consolidated Statements of Income and Comprehensive Income
Years Ended March 31, 2010 and 2009

	2010	2009
Sales, net	$ 163,807,620	$ 140,451,975
Cost of goods sold	96,933,255	84,666,437
Depreciation and amortization expense	3,101,763	2,918,105
Gross profit	63,772,602	52,867,433
Selling and marketing expenses	14,699,699	15,379,975
General and administrative expenses	17,538,222	14,889,851
Management charges from parent	2,344,874	-
Service fees from affiliates	(8,013,877)	-
Income from operations	37,203,684	22,597,607
Interest expense, net	10,911,848	12,253,799
Other (income) expense	(50,717)	922,585
Income before provision for income taxes	26,342,553	9,421,223
Provision for income taxes	11,508,849	3,608,683
Net income	14,833,704	5,812,540
Other comprehensive income (loss)		
Unrealized gains on interest rate swap contracts, net of tax	94,663	753,250
Unrealized gains (losses) on coffee future contracts, net of tax and net of reclassification adjustment to net income	(215,717)	505,297
Comprehensive income	$ 14,712,650	$ 7,071,087

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Coffee, Inc.
Statements of Changes in Stockholders' Equity
Years Ended March 31, 2010 and 2009

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at March 31, 2008	599	$ 6	$ 59,899,994	$ (1,402,698)	$ (3,623,766)	$ 54,873,536
Net income				5,812,540		5,812,540
Dividends paid				(6,000,000)		(6,000,000)
Unrealized gain on interest rate swaps, net of tax					753,250	753,250
Unrealized gain on coffee futures, net of tax and net of reclassification adjustment to net income					505,297	505,297
Balance at March 31, 2009	599	6	59,899,994	(1,590,158)	(2,365,219)	55,944,623
Net income				14,833,704		14,833,704
Dividends paid				(15,500,000)		(15,500,000)
Unrealized gain on interest rate swaps, net of tax					94,663	94,663
Unrealized loss on coffee futures, net of tax and net of reclassification adjustment to net income					(215,717)	(215,717)
Balance at March 31, 2010	599	$ 6	$ 59,899,994	$ (2,256,454)	$ (2,486,273)	$ 55,157,273

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Coffee, Inc.
Consolidated Statements of Cash Flows
Years Ended March 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Net income	$ 14,833,704	$ 5,812,540
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	7,201,763	7,018,105
Deferred income taxes	4,731,822	281,453
Provision for (recovery of) bad debt	74,172	(2,743)
Paid-in-kind interest	692,957	903,472
Amortization of deferred financing costs	448,598	414,566
Write-off of deferred financing costs	172,074	-
Loss on sale of investments	337,183	522,500
Unrealized (gains) losses on investments	(462,268)	168,582
Loss on disposal of fixed assets	72,722	233,334
Changes in operating assets and liabilities		
Accounts receivable	3,499,002	(4,978,061)
Inventories	(3,939,492)	(1,091,460)
Prepaid expenses and other current assets	507,979	(259,778)
Income taxes receivable/payable	(780,827)	2,117,541
Other assets	(542,476)	(57,024)
Accounts payable	2,550,024	696,299
Accrued trade promotions	(545,177)	328,809
Accrued marketing	637,400	779,206
Accrued salaries, wages and benefits	2,278,099	(88,594)
Other	880,491	2,840,580
Net cash provided by operating activities	32,647,750	15,639,327
Cash flows from investing activities		
Proceeds from liquidation of investments	2,440,876	6,521,760
Purchases of property and equipment	(1,666,639)	(2,567,072)
Net cash provided by investing activities	774,237	3,954,688
Cash flows from financing activities		
Dividends paid	(15,500,000)	(6,000,000)
Proceeds from draw down on revolver	2,000,000	-
Repayment of long-term debt	(17,897,923)	(10,546,333)
Debt issuance costs	-	(516,376)
Net cash used in financing activities	(31,397,923)	(17,062,709)
Net increase in cash	2,024,064	2,531,306
Cash		
Beginning of year	7,698,346	5,167,040
End of year	$ 9,722,410	$ 7,698,346
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Income taxes	$ 7,340,226	$ 1,962,760
Interest	9,643,102	10,561,615

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of Business and Basis of Presentation

Organization of the Company

Consolidated Coffee, Inc. (“CCI”) was formed on July 10, 2006 pursuant to the laws of Delaware. CCI is owned 50% by Tata Coffee Limited ("Tata Coffee"), 33% by Tata Tea Ltd. ("Tata Tea"), publicly traded Indian companies, and 17% by Tata Tea (GB) Capital Limited.

Principals of Consolidation

The consolidated financial statements include the accounts of CCI and its wholly owned subsidiary Eight O'Clock Coffee, Inc. (hereinafter individually and collectively referred to as the “Company”). All intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations

The Company is engaged in the business of manufacturing, distributing and selling coffee products to the supermarket, club, military, convenience, mass and food service channels. The Company purchases coffee beans then roasts, packages and distributes the roasted coffee to customers primarily within the United States.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Summary of Significant Accounting Policies

Revenue Recognition

Sales are recognized when risk of loss and title have transferred to the customer, which is typically upon receipt of the product by the customer. The Company estimates and records provisions for returns and other allowances in the period the sale is recorded, based upon its past experience.

Inventories

Inventories are stated at the lower of cost, as determined by using the first-in, first-out method, or market.

Investments

During fiscal 2010 the liquidation of the money market funds invested in the Columbia Strategic Cash Fund (the “Fund”) was completed. In December 2007, the Fund was closed due to liquidation of over half the Fund by one investor, leaving the Company in a position whereby it was unable to liquidate its funds on demand. At the time the Fund was closed in December 2007, the net asset value of the Fund was no longer fixed at $1.00 per unit and, thereafter, varied based on the fair value of the underlying investments. The Company recorded its investment in the Fund at fair value.

Property Plant and Equipment, Net

Property plant and equipment are recorded at cost. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed utilizing the straight-line method over the shorter of the remaining lease term or estimated useful life. The cost and accumulated depreciation and amortization applicable to assets retired or otherwise disposed of are removed from the asset accounts and any gain or loss is included in the consolidated statement of income and comprehensive income. Repairs and maintenance costs are expensed as incurred.

The construction costs of new or refurbished equipment are capitalized and included in construction in progress until completed.

Deferred Financing Costs
The costs incurred for obtaining financing are deferred and amortized using the effective interest method over the life of the related financing agreements and charged to interest expense. Deferred financing costs at March 31, 2010 and 2009 were approximately $2,630,000 and $2,800,000, respectively, and accumulated amortization was approximately $1,440,000 and $990,000, respectively. Amortization of deferred financing costs for the years ended March 31, 2010 and 2009 amounted to approximately $621,000 and $415,000, respectively. Included in 2010 was approximately $172,000 of expense due to voluntary prepayments of loans.

Sales Incentives and Trade Promotional Allowances
The Company records the costs of certain promotional items, such as slotting fees and trade promotion expenses, as a reduction of sales.

Shipping and Handling Costs
Shipping and handling costs are included in cost of goods sold.

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements. The more significant estimates include valuation of goodwill and intangible assets, fair value of financial instruments, useful lives of long-lived assets, sales returns, allowances and trade promotions. Actual results could differ from those estimates.

Impairment of Long-Lived Assets
The Company reviews long-lived assets, including finite lived intangible assets, for impairment whenever events or circumstances change such that there is an indication that the carrying amounts may not be recoverable. If the estimated cash flows from the use of an asset and its eventual disposition are below its carrying value, then the asset is deemed to be impaired and written down to its estimated fair value.

Goodwill and Intangible Assets
Goodwill represents the excess of the purchase price over the fair market value of net assets of the acquired business at the date of acquisition. The Company tests for impairment annually using a two-step process. The first step identifies potential impairment by comparing the fair value of the Company's reporting unit to its carrying value. If the fair value is less than the carrying value, the second step measures the amount of impairment, if any. The impairment loss is the amount by which the carrying amount of goodwill exceeds the implied fair value of that goodwill. There was no impairment of goodwill for the years ended March 31, 2010 and 2009.

Intangible assets are recorded at cost. Intangible assets with finite lives are amortized on a straight-line basis over the estimated useful lives.

Derivative Financial Instruments
The Company recognizes its derivatives as either assets or liabilities, measures those instruments at fair value and recognizes the changes in fair value of the derivative in net income or other comprehensive income, as appropriate. The Company hedges a portion of the variable rate interest payments on debt using interest rate swap contracts to convert variable payments to fixed payments. As part of its risk management policies, the Company uses coffee futures to hedge inventory price increases. These derivative instruments qualify for hedge accounting and have been so designated by management. Changes in the fair value of the cash flow hedges are reported as a component of other comprehensive income (loss).

Fair Value of Financial Instruments

The Company's material financial instruments consist primarily of cash, accounts receivable, accounts payable and accrued expenses, a revolver loan, long-term debt, interest rate contracts, coffee futures and written put contracts. The fair values of cash, accounts receivable, accounts payable and accrued expenses and the revolver loan approximate their carrying values based on their liquidity. The fair value of the coffee futures and written put contracts are based upon quoted prices in active markets. The fair values of the interest rate swap contracts are based primarily on the present value of the difference between the market rate and the contract rate.

Concentration of Credit Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable.

The Company sells primarily to large companies and extends reasonably short collection terms and performs credit evaluations. The Company maintains reserves for potential credit losses. Such losses, in the aggregate, have not exceeded management's estimates.

Sales to the four largest customers for the years ended March 31, 2010 and 2009 were approximately 55% and 54% of gross sales, respectively. Accounts receivable from these customers at March 31, 2010 and 2009 were approximately 54% and 60% of total accounts receivable, respectively.

Advertising, Promotions and Marketing

The costs for advertising, promotion and marketing programs are expensed in the year incurred and are included in selling and marketing expenses. Promotion and marketing expenses were approximately $4,461,000 and $7,383,000 for the years ended March 31, 2010 and 2009, respectively.

Income Taxes

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance is provided if, in the opinion of management, it is more likely than not that some or all of the deferred tax asset balance will not be recovered.

In July 2006 and effective for the Company on April 1, 2009, the Financial Accounting Standards Board ("FASB") issued guidance which clarifies the accounting for income taxes by prescribing a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of the benefit that is greater than fifty percent likely of being realized upon ultimate settlement. On April 1, 2009, the Company adopted this guidance and concluded, based on its evaluation, there were no significant uncertain positions requiring recognition at April 1, 2009 or at March 31, 2010.

Subsequent events

In May 2009 and effective for the Company at March 31, 2010, the FASB issued guidance establishing a standard of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued. The Company has performed an evaluation of subsequent events through May 26, 2010, the date the Company issued these financial statements.

3. Inventories

Inventories at March 31, 2010 and 2009 consist of the following:

	2010	2009
Raw materials and supplies	$ 4,403,640	$ 3,642,911
Finished goods	9,016,817	5,838,054
Totals	$ 13,420,457	$ 9,480,965

4. Property, Plant and Equipment

Property, plant and equipment at March 31, 2010 and 2009 consist of the following:

	Useful Life in Years	2010	2009
Leasehold improvements	Life of lease	$ 3,034,160	$ 2,858,518
Production equipment	3–20	17,563,102	17,256,331
Office equipment	5–10	228,339	133,664
Furniture and fixtures	10	819,528	153,394
Computers and software	3–5	2,035,987	1,185,612
Construction in progress	–	171,422	855,046
Total property, plant and equipment		23,852,538	22,442,565
Accumulated depreciation and amortization		(9,714,211)	(6,796,392)
Property, plant and equipment, net		$ 14,138,327	$ 15,646,173

Depreciation and amortization expense was approximately $3,102,000 and $2,918,000 for the years ended March 31, 2010 and 2009, respectively.

5. Intangible Assets

Intangible assets consist of the following at March 31, 2010 and 2009:

	Useful Life in Years	2010	2009
Trademarks	25	$ 40,000,000	$ 40,000,000
Customer relationships	30	75,000,000	75,000,000
		115,000,000	115,000,000
Less: Accumulated amortization		(15,033,333)	(10,933,333)
Intangible assets, net		$ 99,966,667	$ 104,066,667

Amortization expense was approximately $4,100,000 for both the years ended March 31, 2010 and 2009. Estimated amortization expense for amortizable intangible assets is $4,100,000 for each of the next five fiscal years.

6. Long-Term Debt

The long-term debt as of March 31, 2010 and 2009 is as follows:

	2010	2009
Senior Debt		
Revolving credit facility	$ 2,000,000	$ -
Term loan	72,647,077	90,545,000
Subordinated secured loan	53,000,000	53,000,000
Subordinated unsecured loan	13,677,336	12,984,379
Total long-term debt	141,324,413	156,529,379
Less: Current portion	-	(910,000)
Long-term debt, net of current portion	$ 141,324,413	$ 155,619,379

Senior Debt
On October 31, 2008, the Company restructured their existing senior debt and entered into a revised Credit Agreement with a financial institution providing for a $91,000,000 term loan and a revolving credit facility of $25,000,000. Under the terms of the revised Credit Agreement, the term loans and revolver bear interest based on LIBOR (three month rate of 0.29% at March 31, 2010) plus an applicable margin (1.75% at March 31, 2010) which is dependent on the Company's senior first lien leverage ratio. The Company must pay a commitment fee of 0.5% on the unused amount of the revolver. The Company repaid $15,000,000 of the term loan during the year, which allowed the Company to pay an additional $7,500,000 in dividends. This prepayment eliminated the quarterly principal payments of $227,500, as defined in the revised Credit Agreement. On December 21, 2009, the Credit agreement was amended, allowing the Company to make payments to any member of the Tata Group to reimburse for corporate administrative costs and to increase the permitted level of dividends made by the Company during the year. The outstanding term loan balance and the revolving credit facility balances are due at maturity, April 30, 2013.

Subordinated Debt
On February 28, 2008, the Company entered into a Subordinated Secured Loan Agreement (“Secured Subdebt”) with Tata Tea (GB) Investments Limited, an entity controlled by Tata, in the amount of $53,000,000, which matures on July 13, 2013. Under the terms of the Secured Subdebt, interest accrues at the LIBOR rate (three month rate of 0.25% at March 31, 2010) plus an applicable margin, as defined in the agreement, and is payable quarterly.

On February 28, 2008, the Company entered into a Subordinated Unsecured Loan Agreement (“Unsecured Subdebt”) with Tata Tea (GB) Investments Limited in the amount of $12,000,000 that matures on January 31, 2014. Under the terms of the Unsecured Subdebt, interest accrues on a “paid-in-kind” basis at the LIBOR rate (three month rate of 0.25% at March 31, 2010) plus an applicable margin, as defined in the agreement, and is payable at maturity on January 31, 2014.

All loans, except for the Unsecured Subdebt, are collateralized by a security interest in all of the assets of the Company. The Company is required to comply with various restrictive financial covenants, including restrictions on capital expenditures, additional indebtedness, acquisitions and distributions to stockholders (Note 12). At March 31, 2010, the Company is in compliance with its financial covenants. The agreements also provide for redemption prior to maturity to the extent of proceeds from new indebtedness, the sale of equity securities or the sale of the Company. The Company was not required to make such payments during the year ended March 31, 2010.

Scheduled principle payments due under the agreements in each of the four years subsequent to March 31, 2010 are as follows:

Years ending	
2011	$ -
2012	-
2013	-
2014	141,324,413
Total	$ 141,324,413

7. Financial Instruments

Coffee Futures
The Company uses coffee future contracts in order to reduce its price risk associated with forecasted purchases of coffee beans. These coffee future contracts have been designated as cash flow hedges. At March 31, 2010 and 2009, the unsettled contracts have a fair value of approximately $251,000 and $572,000, respectively, and are included in prepaid expenses and other current assets. In conjunction with these unsettled contracts, the Company is required to maintain a margin account with its brokers. The margin account is inclusive of the unsettled contracts fair value as well as required cash deposits. The unrealized gains/(losses) on unsettled coffee future contracts, net of tax, and net of reclassification adjustment to net income, have been included in other comprehensive losses, and was approximately ($216,000) and $505,000 for the years ended March 31, 2010 and 2009, respectively. The realized gains/(losses) reclassified from accumulated other comprehensive losses to income during the years ended March 31, 2010 and 2009 related to coffee futures was approximately $1,392,000 and ($2,075,000), respectively. Throughout the year, the Company enters into coffee futures contracts based on market price and anticipated production requirements. The Company determines the level and timing of coffee futures contract settlements to meet those production requirements throughout the year.

Interest Rates
The Company uses interest rate swaps to manage interest rate exposure. These derivatives have been designated as cash flow hedges. The Company has entered into interest rate swap contracts whereby the Company pays a fixed rate of interest and receives a floating rate of interest on approximately $124,619,000 and $100,000,000 of long-term debt through September 30, 2010 and March 28, 2013, respectively. At March 31, 2010 and 2009, the Company has recorded a liability for the fair value of the interest rate swap contracts of approximately $4,110,000 and $4,104,000, respectively. At March 31, 2010, $3,115,000 of this amount was included in other accruals and liabilities (short term) and the remaining $995,000 was included in other liabilities (long term) based on the anticipated cash flows related to these swaps. At March 31, 2009, $3,580,000 of this amount was included in other accruals and liabilities (short term) and the remaining $524,000 was included in other liabilities (long term) based on the anticipated cash flows related to these swaps. The change in the fair value of the interest rate swap contracts has been included in accumulated other comprehensive losses, net of tax, and was approximately $95,000 and $753,000 for the years ended March 31, 2010 and 2009, respectively.

Written Put and Call Contracts
At March 31, 2010, the Company has open written put contracts for which the Company received approximately $142,000 in premiums. The put contracts could require the Company to purchase up to 3,000,000 pounds of coffee if the spot price falls below the strike price ranging from $1.30 to

$1.35 per pound. At March 31, 2010 and 2009, the fair value of the unsettled contracts was approximately $(86,000) and ($37,000), respectively. Gains and losses realized as a result of contracts being settled are included within earnings as part of cost of goods sold.

8. Fair Value Measurements

The Company recognizes certain of its assets and liabilities at fair value. There is a fair value accounting hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels which distinguish between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The levels within the hierarchy, with level 1 having the highest priority and level 3 the lowest, are described as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

If the inputs used to measure the financial assets and liabilities fall within the different levels described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The carrying value of cash, accounts receivable, accounts payable and accrued expenses and the revolver loan approximate fair value based on the short term nature of the accounts.

The following table provides a summary of the significant financial assets and liabilities that are measured at fair value as of March 31, 2010 and 2009.

	2010		2009	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Level 1				
Coffee future contracts	$ 251,093	$ -	$ 572,250	$ -
Written put contracts	-	86,438	-	36,525
	251,093	86,438	572,250	36,525
Level 2				
Investments	-	-	2,315,791	-
Interest rate contracts	-	4,110,278	-	4,103,825
	-	4,110,278	2,315,791	4,103,825
Level 3				
None	-	-	-	-
Totals	$ 251,093	$ 4,196,716	$ 2,888,041	$ 4,140,350

The carrying amount reported in the consolidated balance sheets as of March 31, 2010 for long-term debt is approximately $141,324,000. The estimated fair value of the Company's long-term debt at March 31, 2010 is approximately $136,000,000.

9. Commitments and Contingencies

Leases

The Company leases its production and distribution facility, office space, equipment and vehicles under various noncancelable operating leases expiring through December 1, 2020. Minimum future lease payments under noncancelable operating leases in each of the five years subsequent to March 31, 2010 and thereafter are as follows:

Years ending		
2011	$	1,218,586
2012		1,243,107
2013		1,265,926
2014		1,253,514
2015		1,281,444
Thereafter		5,299,434
Total minimum lease payments	$	11,562,011

Rent expense for the years ended March 31, 2010 and 2009 was approximately $1,065,000 and $785,000 respectively.

Long Term Incentive Compensation Plan

On August 1, 2006, the Company established an unfunded deferred compensation plan to provide an incentive and reward to retain certain key employees for achieving the targeted cumulative earnings before interest expense, taxes, depreciation and amortization ("EBITDA") for the plan period from August 1, 2006 to March 31, 2010, as defined in the plan. On April 25, 2008, the Company amended the plan making the vesting time-based only. Incentive compensation expense for the years ended March 31, 2010 and 2009 was $2,221,000 and $681,000, respectively, and the liability at March 31, 2010 and 2009 was approximately $8,239,000 and $6,018,000, respectively. On April 9, 2010, the Company paid this obligation.

Union Agreement

The Company's manufacturing employees are part of a union agreement with the Company that expires on July 16, 2011.

Disputes and Claims

The Company is subject to certain disputes and claims arising in the normal course of its business. It is management's opinion that the ultimate resolution of such claims and disputes, individually or in the aggregate, will not have a material impact on the Company's financial position, results of operations or cash flows in the period resolved.

10. Income Taxes

The provision (benefits) for income taxes for the years ended March 31, 2010 and 2009 consist of the following:

	2010	2009
Current		
Federal	$ 5,942,120	$ 3,172,172
State and local	834,907	155,058
	6,777,027	3,327,230
Deferred		
Federal	2,778,657	(263,385)
State and local	1,953,165	544,838
	4,731,822	281,453
Provision for income taxes	$ 11,508,849	$ 3,608,683

The difference between the effective income tax rate and the U.S. federal income tax rate is summarized as follows:

	2010	2009
Statutory federal rate	35.0 %	34.0 %
State income taxes, less federal benefit	6.9 %	4.9 %
Domestic manufacturing deduction	(1.3)%	(2.2)%
Capitalized fees from restructuring	0.6 %	3.2 %
Change in tax rate on opening deferred taxes	2.7 %	-
Other, net	(0.1)%	(1.5)%
Totals	43.8 %	38.4 %

The components of deferred income tax assets and (liabilities) are as follows:

	2010	2009
Current		
Accounts receivable	$ 82,583	$ 48,796
Inventories	401,060	285,494
Accrued employee benefits	837,100	434,386
Accrued trade liabilities	1,830,023	1,431,254
Coffee futures	(36,769)	(155,367)
Interest rate swaps	1,240,006	570,000
Capital loss carryforwards	238,661	307,237
Investments	-	166,817
Other	(30,756)	(50,499)
Total deferred income tax assets, current	$ 4,561,908	$ 3,038,118
Noncurrent		
Deferred financing costs	$ 211,113	$ 283,899
Fixed assets	(2,898,549)	(2,377,432)
Goodwill	(5,849,591)	(4,550,476)
Intangible assets	(26,759,751)	(24,713,133)
Interest rate swaps	395,884	932,000
Accrued employee benefits	-	2,244,000
Other	1,406,110	724,453
Net deferred income tax liabilities, noncurrent	$ (33,494,784)	$ (27,456,689)

11. Retirement Savings and Pensions Plans

Retirement Savings Plan

The Company maintains a 401(k) plan for its nonunion employees. Eligible employees may defer a portion of their salary. The Company matches a portion of each employee's contributions up to a maximum percentage of the employee's compensation. The Company's contributions amounted to approximately $132,000 and $98,000 for the years ended March 31, 2010 and 2009, respectively.

Multi-Employer Union Pension Plans

The Company contributes to a multi-employer union pension plan that is administered by union representatives. Pension expense for this plan approximated $461,000 and $361,000 for the years ended March 31, 2010 and 2009, respectively. The Company is unable to determine the liability, if any, of withdrawing from the plan, although the Company does not currently expect to do so.

12. Related Party Transactions

Royalties

Beginning January 1, 2008, the Company is obligated to pay royalties to Tata for the use of the Tata logo on the Company's products. Royalties are calculated on net sales at a rate of 0.15% and were $294,000 and $197,000 for the years ended March 31, 2010 and 2009, respectively.

Dividends

The Company paid $15,500,000 and $6,000,000 in dividends to its stockholders for the years ended March 31, 2010 and 2009, respectively. This was in compliance with the existing bank agreement. For tax purposes, the dividend was treated as a distribution from tax basis earnings and profits.

Service Fees from Affiliates

The Company provides sales, marketing, operations and general and administrative functions for Tetley US Holdings Inc., Tetley USA Inc., Good Earth Corporation and Good Earth Teas, Inc. The Company also provides limited services to Tetley Canada and Tetley GB Limited. The Company charged these related parties service fees of $8,013,877 for the year as a reimbursement for the related costs.

Management Charges

For the year ended March 31, 2010, the Company was charged approximately $2,258,000 for management services provided by Tetley Group Limited. The Company was also charged approximately $87,000 from Tata Tea Limited/Mount Everest Mineral Water Limited for preliminary marketing research work.