

**Form 51-102F3**  
**MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

CoolBrands International Inc. (“CoolBrands” or the “Company”)  
8300 Woodbine Avenue  
5th Floor  
Markham, Ontario  
L3R 9Y7

**Item 2 Date of Material Change**

October 26, 2004

**Item 3 News Release**

CoolBrands issued a press release through Canada Newswire on October 26, 2004 disclosing the material change.

**Item 4 Summary of Material Change**

CoolBrands announced updated guidance for the year ended August 31, 2004. CoolBrands announced expected earnings per share for the year ended August 31, 2004 of C\$0.87 (on a fully-diluted basis) compared to the C\$0.90 to C\$0.97 per share guidance previously provided by the Company. The updated guidance reflected the Company’s decision to take a non-cash compensation charge of C\$0.10 per share related to stock options granted to the Company’s Co-CEO and Co-Chairman.

As this non-cash compensation charge will be partially taken in each of the first three quarters of fiscal 2004, the Company’s financial statements for the first, second and third fiscal quarters of 2004 will be restated and refiled with the applicable securities regulatory authorities to give effect to the charge.

**Item 5 Full Description of Material Change**

CoolBrands announced updated guidance for the year ended August 31, 2004. CoolBrands announced expected earnings per share for the year ended August 31, 2004 of C\$0.87 (on a fully-diluted basis) compared to the C\$0.90 to C\$0.97 per share guidance previously provided by the Company. The updated guidance reflected the Company’s decision to take a non-cash compensation charge of C\$0.10 per share related to stock options granted to the Company’s Co-CEO and Co-Chairman.

CoolBrands’ Co-CEO and Co-Chairman, who does not receive cash compensation directly from the Company, received stock option grants during 2004 for his service to the Company. The Company had believed that, for accounting purposes, these stock option grants could be characterized either as option grants to an employee or as option grants to a consultant, although the Company had believed that accounting for them as grants to an employee was the more appropriate accounting treatment. Under Generally Accepted Accounting Principles for that period, an option grant to an

employee did not carry an immediate charge to earnings, while an option grant to a consultant carried an immediate charge against earnings.

However the Company, in consultation with its independent auditors, BDO Dunwoody LLP, determined that it is appropriate to follow CICA 3870 Stock-Based Compensation and Other Stock-Based Payments, FASB Interpretation Number 44, Accounting for Certain Transactions Involving Stock Compensation, and APB Opinion Number 25, and for purposes of accounting for grants of stock options, to treat the Company's Co-CEO and Co-Chairman as a consultant.

As a result, the Company is recording a non-cash pre-tax compensation charge of C\$8,938,000 (or C\$5,349,000 after tax) during fiscal 2004. For the first three months ended November 30, 2003, C\$1,542,000 (pre-tax) is being reflected; C\$484,000 (pre-tax) is being reflected in the three months ended February 29, 2004 and C\$6,912,000 (pre-tax) is being reflected in the three months ended May 31, 2004. These charges will reduce the Company's earnings per diluted share from what the result would have been had stock options granted to him not have been expensed by approximately C\$0.10 for the year-ended August 31, 2004.

Consistent with recent changes in Canadian GAAP, beginning in fiscal 2005 the Company will now expense the fair value of all stock options granted.

The Company's financial statements for the first, second and third fiscal quarters of 2004 will be restated and refiled with the applicable securities regulatory authorities to give effect to this non-cash charge. The earnings per share for the first three quarters of fiscal 2004 will be impacted as follows:

<u>Earnings per share</u>	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>
Basic as reported	\$0.14	\$0.23	\$0.34
Diluted as reported	\$0.14	\$0.23	\$0.34
Basic as adjusted	\$0.12	\$0.22	\$0.27
Diluted as adjusted	\$0.12	\$0.22	\$0.26

**Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

None.

**Item 8 Executive Officer**

Further information regarding the matters described in this report may be obtained from Michael Serruya of CoolBrands, who is knowledgeable about the details of the material change and may be contacted at (905) 479-8762.

**Item 9 Date of Report**

October 27, 2004.