

Form 51-102F3
Material Change Report

1. Name and Address of Company

Coolbrands International Inc. (the "Issuer")
8300 Woodbine Avenue, 5th Floor
Markham, ON
L3R 9Y7

2. Date of Material Change

December 13, 2005

3. News Release

A press release disclosing the material change was issued via CNW Group on December 14, 2005 in Toronto, Ontario.

4. Summary of Material Change

The Issuer announced its operating results for fiscal 2005 and fourth quarter ended August 31, 2005, and provided details on enhancements to its corporate governance practices.

5. Full Description of Material Change

The Issuer announced its operating results for fiscal 2005 and fourth quarter ended August 31, 2005, and provided details on enhancements to its corporate governance practices.

In 2005, the Issuer adopted generally accepted accounting principles in the United States ("U.S. GAAP") and changed its reporting currency from Canadian dollars to U.S. dollars. For comparative purposes, amounts disclosed in this material change report have been restated to reflect these changes.

For fiscal 2005, net revenues declined to \$385,070,000 as compared with \$449,938,000 for fiscal 2004, a 14.4% decrease. The net loss for fiscal 2005 was \$74,070,000 (\$1.32 basic and diluted loss per share) as compared with net earnings of \$23,512,000 (\$0.42 basic and diluted earnings per share) for fiscal 2004.

Net revenues for the fourth quarter of fiscal 2005 decreased to \$124,055,000 from \$129,052,000 for the same quarter last year, a 3.9% decrease. Net loss for the fourth quarter was \$64,093,000 (\$1.15 basic and diluted loss per share) as compared with net earnings of \$12,484,000 (\$0.22 basic and diluted earnings per share) for the same quarter last year.

The 2005 results for the fiscal year and fourth quarter were adversely affected by the non-cash pre-tax asset impairment charge of \$55,525,000 (Nil in 2004), which resulted from

the impairment of goodwill and intangible assets related to the Company's frozen dessert and franchising segments.

CoolBrands expects to implement its strategy in 2006 in the refrigerated category with an all natural reformulation of Breyers Yogurt, and in the frozen category through the introduction of a broad range of new Godiva Ice Cream offerings, a national rollout of Yoplait Frozen Yogurt and Cereal Bars and the launch of a new line of "better for you" frozen snacks for kids featuring popular Disney characters under license from Disney Consumer Products, our newest licensing partner. The Disney products will be in innovative forms featuring vitamin fortification and will be introduced in early 2006 at retail outlets nationwide in the U.S.

As part of CoolBrands' rebuilding efforts, CoolBrands is evaluating the potential disposition of various non-core business assets, including its franchising business. While the Corporation is currently in late-stage discussions on certain such transactions, there can be no assurance that any particular transaction will be effected.

The decrease in net revenues for fiscal 2005 reflects the decrease in net sales and the decreases in drayage income. Net sales for fiscal 2005 declined by 10.3% to \$364,686,000 in 2005 as compared with \$406,470,000 for 2004. This decrease reflects a reduction in sales volume, as well as an increase in trade promotion payments to customers for promotions with consumers. The decline in net sales came principally from the discontinuation of sales of Weight Watchers Smart Ones brand products and the decline in sales of Atkins brand products, but declines also came from our other frozen dessert brands. These sales declines were partially offset by sales from newly introduced frozen dessert products, the acquisition of the Breyers Yogurt business on March 27, 2005 and the increase in sales as a result of the change in the business arrangement with Dreyer's Grand Ice Cream Holding, Inc. ("Dreyer's"). Effective September 1, 2004, CoolBrands began purchasing products from Dreyer's and selling those products to customers at wholesale, instead of delivering products to customers on a drayage basis, except for Dreyer's scanned based trading customers which continue to be delivered on a drayage basis. During the fourth quarter, all of the foregoing factors were present, however, net sales increased by 0.4% due to sales of \$26,397 from the acquired Breyers Yogurt business, which more than offset other declines.

Gross profit percentage for fiscal 2005 declined to 0.8% as compared to 19% for fiscal 2004, primarily due to (1) the increase in trade promotion payments to customers, (2) write downs for obsolete and slow moving inventories, (3) the impact of fixed overhead costs in our manufacturing and distribution operations resulting from the decrease in sales, and (4) product mix changes. Selling, general and administrative expenses for fiscal 2005 increased as a percentage of revenues to 13.6% as compared to 11.5% for fiscal 2004 primarily due to the decline in revenues and certain write offs related to inactive or expired license agreements. In accordance with U.S. GAAP, the Company recognized \$1,918,000 and \$30,983,000 in stock-based compensation expense representing the estimated fair value of stock options earned during 2005 and 2004, respectively.

Cash and working capital

Cash, investments and restricted cash decreased to \$41,562 at August 31, 2005 from \$64,327 at August 31, 2004. Working capital declined to \$28,469 at August 31, 2005 from \$118,138. CoolBrands' current ratio declined to 1.2 to 1 at August 31, 2005 from 2.6 to 1 at August 31, 2004. These changes in current assets and current liabilities are attributable to the use of cash and short term debt to finance the Company's acquisitions and fixed asset purchases. CoolBrands is currently negotiating with lenders to refinance its short term borrowings, including \$40,000 due January 3, 2006 and \$7,145 due January 10, 2006.

Comparability of results

The Company's 2005 financial statements reflect the March 27, 2005 acquisition of the Breyers Yogurt business. This acquisition was accounted for under the purchase method of accounting and the 2005 Consolidated Statement of Operations includes the results of this acquisition from the date of acquisition. In fiscal 2005, the revenues and operating results from the Breyers Yogurt business represent five months of activity as compared with no activity in fiscal 2004. The third quarter of fiscal 2006, ending May 31, 2006, will be the first quarter following this acquisition in which the Consolidated Statement of Operations for the quarter can be directly compared with the prior-year period.

Corporate Governance Changes

As previously announced, following the election of additional independent directors at the last annual and special shareholders' meeting, the board of directors of CoolBrands formed a Corporate Governance Committee consisting of three independent directors to review CoolBrands' corporate governance practices and to recommend changes with respect to these practices to the board of directors.

Based on the recommendations of the Corporate Governance Committee, CoolBrands is instituting the following changes and initiatives:

- *Collapse of Dual Class Structure* - CoolBrands will propose a special resolution to its holders of multiple voting shares and holders of subordinate voting shares at the upcoming annual and special meeting scheduled for February 27, 2006. If passed, the special resolution will result in the change of each multiple voting share and each subordinate voting share into one common share on May 31, 2007, unless the independent directors of CoolBrands unanimously determine to effect the change earlier. Aaron Serruya, Michael Serruya, David Smith and David Stein, and entities affiliated with them (collectively, the "**Management MVS Holders**"), have each entered into a voting agreement with the Corporation pursuant to which they each agreed to vote all of the shares that they beneficially own or control in favour of the special resolution. The Management MVS Holders beneficially control, in the aggregate, 5,986,043 multiple voting shares (representing approximately 99% of the issued and outstanding multiple voting shares) and 120,449 subordinate voting shares (representing less than 1% of the issued and outstanding subordinate voting shares). Currently, each multiple voting share carries 10 votes, and each subordinate voting share carries one vote. Following the change to the Corporation's dual class

structure becoming effective, each common share will carry one vote. The change will not result in any conversion premium being paid to the holders of the multiple voting shares.

- *Board Representation Agreement and Trust Agreement* – upon the change to the Corporation’s dual class structure becoming effective, these agreements will terminate. In the meantime, the parties have agreed that all nominations for membership on the board of directors of the Corporation made by the Corporation will be made by the Corporate Governance Committee. Copies of the Board Representation Agreement and the Trust Agreement are available on the Internet at www.sedar.com.
- *Continuance under the Canada Business Corporations Act* – at its upcoming annual and special meeting, CoolBrands will propose a special resolution to its holders of multiple voting shares and holders of subordinate voting shares to continue the Corporation under the *Canada Business Corporations Act*. If passed, this will allow the Corporation to be governed by a more modern corporate statute than the *Nova Scotia Companies Act*, under which the Corporation is currently organized.
- *Lead director* – as previously announced, the Corporation has appointed Robert E. Baker as lead director of the board of directors of CoolBrands. The board of directors has also adopted written terms of reference for the position of lead director and for the Co-Chairmen of the Corporation.
- *Committee Charters* – the board of directors has adopted written charters for each of the Audit Committee, Compensation Committee and Corporate Governance Committee.
- *Code of Conduct* – the board of directors has adopted a corporate Code of Conduct which applies to all employees, officers and directors of the Corporation.

As part of the Corporate Governance Committee’s ongoing mandate, it will continue to monitor the Corporation’s corporate governance practices and those of “best practices” with a view to making further recommendations from time to time as it determines appropriate. Copies of the voting agreement entered into by the Corporation and the Management MVS Holders, the terms of reference of the Lead Director and the Co-Chairmen, the committee charters and CoolBrands’ Code of Conduct are all available at www.coolbrandsinc.com.

Filing Default Correction

Further to the Corporation's press release dated November 23, 2005 in which CoolBrands stated that it would not meet the statutory filing deadline for its audited annual financial statements, related management’s discussion and analysis and annual information form for its financial year ended August 31, 2005, the Company announces that it has today filed these items with the applicable Canadian securities regulators and CoolBrands therefore expects that the management cease trade order related to CoolBrands’ securities

and imposed against all of the directors and certain officers CoolBrands will be lifted in due course.

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

Not applicable.

7. Omitted Information

Not applicable.

8. Executive Officer

Further information regarding the matters described in this report may be obtained from David J. Stein, Chief Executive Officer of the Issuer, (631) 737-9700 (x216)

Dated this 21st day of December, 2005.

(signed) "Michael Serruya"

**Name: Michael Serruya
Co-Chairman**