February 10, 2022

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Dear MTY Franchisees,

I. Introduction.

New and renewal franchisees should pay particular attention to Sections III, IV and IV below.

Our traffic on each of the websites continues to increase substantially each months since October of last year. We realize that is due in part to franchisees spreading the word because those who reach out to us sometimes tell us. We couldn't be more pleased with the number of contacts that flow from each. (At the suggestion of one franchisee, we're in the process of adding Twitter, Facebook and Instagram.)

We've always planned to take our story to the financial press, but we were hoping to time those articles with our various complaints to regulatory bodies. That may not be possible because the websites seem to be generating their own media interest. Thus, we have to prepare for media now. Current, former and prospective MTY franchisees who would like to speak with a reporter about their experience should **contact us**.

II. MTY Committed to Solving Franchisee Profitability Two Years Ago

Within two weeks after **announcing** our whistleblower allegations, MTY CEO Eric Lefebvre spoke of the company's **negative organic growth** during its Q4, 2019 investor conference. At that time, he committed to addressing franchisee profitability.

He stated, the company would "try to make the stores as profitable as possible and have the best condition possible for our stores to remain open and do good business." In addition, he discussed an IT tool that would assist the company in providing early detection and intervention that was already showing "some really positive results." After implying there was instability in the system, he **discussed** pausing acquisitions to address the company's current portfolio. He said, it's "our goal is to make our franchisees profitable…. We want to make our franchisees profitable."

III. Now MTY Admits Franchisees are Unprofitable & Don't Want to Renew

During MTY's Q3, 2021 investor conference, Lefebvre failed to address the company's **kickback** scheme head on. However, he admitted that MTY has a **store closure** problem. He then **described** how a lack of profitability is causing franchises to close.

Historically, as closures have increased and earnings have **fallen 15% per year** over each of the past five years, MTY became more reliant on kickbacks. As a result, kickbacks, not restaurant services, accounted for **82% of the company's earnings** in 2020. The same kickbacks that are causing MTY's franchisees to become unprofitable, are causing MTY's franchise network to collapse.

IV. After Two Years of Trying, Lefebvre Says There's No Time Frame to Resolve Closures

More than five years into the **collapse** of MTY's franchise network and nearly two years after Lefebvre's commitment to address franchisee profitability, he has admitted the company's closure and profitability issues persist. But now, in the third year of the pandemic, he is still blaming the closures on the pandemic, even though they began well before Covid. In addition, the company's closures have **increased** each of the past five years totaling 2,594 through 2020. MTY's closure problem is not caused by the pandemic; they're caused by kickbacks. Two years after he committed to resolving the issue, Lefebvre is reporting he has **no timeframe** for resolving the issue. That's unacceptable!

Lefebvre's attempt to blame the pandemic is nothing less than yet another attempt at an MTY **cover-up** of senior management's poor performance. It's a covert admission that MTY is substantially more committed to enriching **Chairman Stanley Ma** than making its franchisees more profitable, stopping the closures and growing its franchise network. This elaborate scheme has added as much as $214 million to Ma's already substantial personal wealth during the pandemic alone.

Franchisees should refuse to stand for it!

V. Compare MTY's Sales Speak to It's More Highly Regulated Securities Sources

New and renewal franchisees considering signing on with MTY should pay close attention to the polar opposite information revealed in MTY's information from more highly regulated sources directed at securities investors compared to information used to lure unsuspecting franchise investors to sign on with the company.

On our **MTY Cover-Up** webpage and throughout our **websites**, we have repeatedly flagged that Lefebvre and former Audit Chairman Gary O'Connor made numerous false statements to financial analysts following their announcement of the whistleblower allegations. We also believe MTY/Cold Stone has published false data to its U.S. federal disclosures and **industry websites** since 2017 to make it appear that the franchise network was larger than it was and that it was growing when it wasn't.

Regulations and enforcement related to the sale of securities are much stronger than those related to franchising. Franchisees should notice the significant difference in candor expressed in the more highly regulated securities communications when compared to franchise communications such as franchise sales websites and even franchise disclosures.

For example, Lefebvre's admissions of MTY's franchisee profitability issues and its acknowledged difficulties convincing franchisees to renew says that MTY/Cold Stone is likely a high-risk investment. However, that notion conflicts with MTY/Cold Stone's promotion of its franchises as "**low-risk, high-reward**" franchise opportunities that are "**like finding a winning lottery ticket**." MTY/Cold Stone also makes false statements about its growth. The company has published statements within the past two years that imply the brand is growing when it is not. For example, two years ago Lefebvre **claimed** MTY/Cold Stone was growing and would always grow, even though it hadn't grown since 2007. MTY/Cold Stone has made **similar claims**. MTY/Cold Stone has also submitted false data to **industry publications**, bragged about the unearned **ranking** their dishonesty netted them, and published articles to its franchise recruitment website **claiming it grew** during the height of the pandemic, when it didn't. However, Lefebvre's more recent comment that Cold Stone has not grown in "**the past few years**", was made in the more highly regulated space of an investor conference. They completely contradict his earlier statement and the numerous false statement published by MTY/Cold Stone.

VI. Is MTY's Stanley Ma the New Jeffery Skilling of Enron?

We believe MTY **Chairman Stanley Ma**, with the assistance of Lefebvre and O'Connor, is at the root of all the franchisees profit and closure issues. MTY has labeled him its "**most important shareholder**" (PDG pg. 32) and perhaps that means many of the franchisees have to fail in order to further add to his already substantial fortune. MTY's 14% **dividend increase** is the most recent example. It was made at the expense of the franchisees for the benefit of Stanley Ma. It essentially takes more earnings from the burdensome kickbacks paid by franchisees and transfers them to Stanley Ma and other securities investors.

Franchisees and their attorneys should take a closer look at the facts surrounding Stanley Ma's April 18, 2021, $43 million **insider trade** and compare them to some of the facts associated with the collapse of Enron and the subsequent prosecution of its CEO.

In the case of Stanley Ma, he dispatched Lefebvre and O'Connor to make **false statements** to financial analysts. Those statements made it appear that its flagship concept was **growing**. The company failed to issue a material impact statement as to the falsity of the statements. Six months later, Stanley Ma sold $43million of his shares while the stock was "**overvalued**" and investors were in the dark about the falsity of Lefebvre and O'Connor's statements. (Board members Lefebvre and Orr also traded.)

By comparison, **Enron's CEO, Jeffery Skilling**, made false statements to **financial analysts** to "make it appear that Enron was growing at a healthy and predictable rate…". Enron failed to issue a material impact statement as to the falsity of the statements. Skilling then traded $63 million in stock at "inflated prices" while investors were in the dark as to the falsity of Skilling's statements. Skilling was later convicted of insider trading. The company's **CFO** and other executives pled guilty to various crimes.

We believe Stanley Ma's trade should be investigated by authorities as a possible conspiracy among various board members and company executives. We also believe MTY/Cold Stone executives should be investigated for possible false data published to numerous U.S. federal disclosures.

VII. Close your store!

MTY has known about its profitability and closure issues for more than five years now. Lefebvre committed to addressing it two years ago. Most recently, he acknowledged the problems continue to persist and he has no timeframe for a resolution. If five years is not enough, another year or two won't make a difference. It's time to end the misery and protect your family.

If your location is struggling, you should plan to close it IMMEDIATELY. The longer you remain in your unprofitable store, the worst your recovery will be. You should therefore plan to close your store at once. Please don't hesitate to **contact us** for assistance.