

KAHALA BRANDS, LTD.
9311 East Via De Ventura
Scottsdale, Arizona 85258

NOTICE OF A SPECIAL MEETING
OF THE STOCKHOLDERS

To be held July 21, 2016

Dear Kahala Brands, Ltd. Stockholder,

You are cordially invited to attend a Special Meeting of the Stockholders of Kahala Brands, Ltd. (the "**Company**") to be held on July 21, 2016, commencing at 10 a.m. Arizona time at the Company's headquarters, located at 9311 East Via De Ventura, Scottsdale, Arizona 85258 (the "**Meeting**").

As stated in the press release distributed on behalf of the Company by the OTC Disclosure & News Service on May 25, 2016 (a copy of which is attached as Appendix E), the Company entered into a Transaction Agreement (the "**Transaction Agreement**") providing for the merger (the "**Merger**") of 113 Acquisition Corp. ("**Merger Sub**"), an indirect wholly-owned subsidiary of MTY Food Group Inc. ("**Parent**" or "**MTY**"), with and into the Company, and pursuant to which the Company will be the surviving corporation and will become an indirect wholly-owned subsidiary of Parent.

Only holders of record of shares of the Common Stock, par value $0.001 per share ("**Common Stock**"), at the close of business on May 24, 2016 are entitled to notice of and to vote at the Meeting or at any adjournments or postponements thereof that may take place. All stockholders of record or their duly authorized proxies are cordially invited to attend the Meeting in person. The Company may require reasonable documentation to evidence ownership of Common Stock. Please note that cameras, recording devices and other electronic devices will not be permitted at the Meeting.

At the Meeting, you will be asked to consider and vote upon proposals to (a) approve the Merger and adopt the Transaction Agreement and (b) approve an adjournment or postponement of the Meeting to a later date, if necessary or appropriate.

If the Merger is completed (and if you have not exercised your appraisal rights with respect to your shares of Common Stock), you will be entitled to receive your pro rata share of the value of the consideration to be paid in connection with the Merger, in all cases, less any applicable withholding taxes which may be required by law, for each share of Common Stock owned by you. The merger consideration as well as what you must do in order to receive your pro rata share of the value of the merger consideration is described starting on page 1 of the attached Proxy Statement and in detail in the Letter of Transmittal. If you have in your possession stock certificates evidencing your shares of Common Stock of the Company, the Letter of Transmittal is attached as Appendix A to the Proxy Statement. If your shares of Common Stock are held in "street name" by your bank, brokerage firm or other nominee and you want to receive your pro rata share of the consideration to be paid in connection with the Merger in a combination of cash and common shares in the capital of MTY, your bank, brokerage firm or other nominee would contact the exchange agent retained in connection with the Merger for further instructions. Contact information for the exchange agent is provided on page 2 of the attached Proxy Statement. You should review the information on withholding set forth in the section entitled "Certain Material U.S. Federal Income Tax Consequences" of the attached Proxy Statement for

general information regarding withholding taxes that may be required by law, and you should consult with your own tax advisor regarding the tax consequences of the transaction in your particular circumstances.

Appendix C to the attached Proxy Statement sets forth an estimate made on May 24, 2016 of the Merger consideration that a holder of 100 shares of Common Stock would receive in connection with the Merger, which estimate is based upon certain assumptions and is subject to adjustment, all as described in the Proxy Statement and Appendix C. Based on those assumptions, and subject to adjustment, a holder of 100 shares of Common Stock would receive approximately US$14,900 of Merger consideration (either all in cash or a combination of cash and MTY Issued Shares (as defined in the Proxy Statement attached to this Notice)) if the Merger is completed. If your certificate evidencing shares of Company Common Stock was issued prior to the Company's 1-for-100 reverse stock split on September 14, 2005 (or you hold your shares in uncertificated form in the "street name" of your bank, brokerage firm or other nominee and acquired your shares prior to September 14, 2005), you should divide the number of shares shown on that stock certificate by 100 to determine the number of shares of Common Stock you currently own (or if shares are held in street name, you should confirm the number of shares you hold with your bank, brokerage firm or other nominee). If you acquired shares of Common Stock prior to December 2014, your certificate evidencing shares of Common Stock may have been issued using one of the following previous names of the Company: Secretarial Services of Orlando, Inc. (a Florida corporation); Sports Group International, Inc. (a Florida corporation); Kahala Corp. (a Florida corporation); or Kahala Corp. (a Delaware corporation).

After careful consideration, the board of directors of the Company has unanimously (a) approved the Merger and the Transaction Agreement and the transactions contemplated by the Transaction Agreement and (b) determined that the Merger and the other transactions contemplated by the Transaction Agreement are at a price and on terms that are fair to, advisable and in the best interests of the Company and its stockholders. The Company's board of directors made its determination after consideration of a number of factors as more fully described in the attached Proxy Statement. **The board of directors of the Company unanimously recommends that you vote "FOR" the proposal to approve the Merger and adopt the Transaction Agreement and "FOR" the proposal to adjourn or postpone the Meeting to a later date, if necessary or appropriate.**

A majority of the outstanding shares of Common Stock must be present in person or by proxy at the Meeting in order for a quorum to be represented at the Meeting. With a quorum being present at the Meeting, approval of the Merger and adoption of the Transaction Agreement requires the affirmative vote of a majority of the votes cast at the Meeting by the holders of the Common Stock present in person or represented by proxy and entitled to vote. The Company cannot consummate the Merger without such approval.

As of May 24, 2016, the Company had 1,642,477 shares of Common Stock outstanding, and each stockholder of the Company is entitled to one vote per share of Common Stock owned. The holders of approximately 93.12% of the outstanding shares of Common Stock have agreed to attend the Meeting and vote to approve the Merger and adopt the Transaction Agreement. Even though the Company is assured of obtaining the requisite stockholder approval to approve the Merger and adopt the Transaction Agreement at the Meeting, your vote is important, regardless of the number of shares of Common Stock you own. Whether or not you plan to attend the Meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy in the accompanying prepaid reply envelope. If you choose to vote by mailing the enclosed proxy, your proxy must be filed with our Corporate Secretary by the time the Meeting begins. If you vote by proxy, the individuals who are named on the enclosed proxy, and each of them, with full power of substitution, as your proxies, will vote your shares of Common Stock in the way that you indicate.

If you attend the Meeting and vote in person, your vote by ballot will revoke any proxy previously submitted. **The failure to return your proxy or vote your shares of Common Stock will have the same effect as a vote "AGAINST" the proposal to approve the Merger and adopt the Transaction Agreement.**

You also have the right to revoke your proxy at any time before it is exercised by submitting another proxy to the Corporate Secretary, Michael Reagan, or by giving written notice of revocation of your previously submitted proxy to the Corporate Secretary, either of which must be filed with the Corporate Secretary by the time the Meeting begins.

If your shares of Common Stock are held in "street name" by your bank, brokerage firm or other nominee, your bank, brokerage firm or other nominee will be unable to vote your shares of Common Stock without instructions from you. You should instruct your bank, brokerage firm or other nominee to vote your shares of Common Stock in accordance with the procedures provided by your bank, brokerage firm or other nominee. The failure to instruct your bank, brokerage firm or other nominee to vote your shares of Common Stock "FOR" the proposal to approve the Merger and adopt the Transaction Agreement will have the same effect as voting "AGAINST" the proposal.

The attached Proxy Statement provides you with information about the Meeting, the Merger, and the Transaction Agreement. A copy of the Transaction Agreement and a copy of the attached Proxy Statement are now available on our website: www.kahalamgmt.com. You can also find these materials under the Kahala Company Profile page on www.otcmarkets.com by searching under the symbol "KAHL."

The audited financial statements of the Company, prepared in accordance with International Financial Reporting Standards, for the fiscal years ended December 31, 2014 and 2015 are included with this mailing. These audited financial statements are also now available on our website (www.kahalamgmt.com) as well as under Kahala's Company Profile page on www.otcmarkets.com.

You are encouraged to read the entire Proxy Statement and its appendices carefully. You may also obtain additional information about Parent (MTY Food Group Inc.) from documents Parent has filed publicly with the Canadian Securities Administrators under Parent's profile at www.sedar.com as well as on Parent's website at www.mtygroup.com.

Stockholders of the Company who do not vote in favor of the proposal to approve the Merger and adopt the Transaction Agreement may have appraisal rights, subject to compliance with the requirements of Section 262 of the Delaware General Corporation Law, which are summarized and are also reproduced in their entirety in the accompanying Proxy Statement.

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If you have any questions or need assistance voting your shares of Common Stock, please contact Michael Reagan at (480) 362-4800 or mjreagan@kahalamgmt.com.

Thank you in advance for your cooperation and continued support.

Sincerely,



Michael Serruya
Chairman and Chief Executive Officer

Scottsdale, Arizona
June 1, 2016

KAHALA BRANDS, LTD.

PROXY STATEMENT

This Proxy Statement (this "**Proxy Statement**") describes the proposed merger (the "**Merger**") of 113 Acquisition Corp., a Delaware corporation ("**Merger Sub**"), and an indirect wholly-owned subsidiary of MTY Food Group Inc., a Canadian corporation ("**MTY**" or "**Parent**"), with and into Kahala Brands, Ltd., a Delaware corporation ("**Kahala**" or the "**Company**"), with the Company being the surviving corporation (the "**Surviving Corporation**") and becoming an indirect wholly-owned subsidiary of Parent. It is being delivered to you because you are a holder of shares of common stock of the Company ("**Common Stock**"). The Board of Directors of the Company hereby solicits your proxy for use at the special meeting of stockholders to be held on Thursday, July 21, 2016, at 10 a.m. Arizona time (the "**Meeting**") at the Company's headquarters located at 9311 East Via De Ventura, Scottsdale, Arizona 85258. This Proxy Statement, the Notice of a Special Meeting of Stockholders and Proxy accompanying this Proxy Statement are being mailed on or about June 2, 2016 to stockholders of record as of May 24, 2016. The solicitation of proxies will be conducted by mail, and the Company will bear all attendant costs. These costs will: (1) include the expense of preparing and mailing proxy materials for the Meeting and reimbursements paid to nominees of the Depository Trust Company ("**DTC**"), brokerage firms and others for their expenses incurred in forwarding solicitation material regarding the Meeting to beneficial owners of the Common Stock; and (2) be deducted from the Merger Consideration (as defined below) to be paid in connection with the Merger. The Company may conduct further solicitations personally, telephonically, electronically or by facsimile through its officers, directors and regular employees, none of whom will receive additional compensation for assisting with the solicitation.

MTY Franchising USA, Inc. ("**Buyer Parent**"), the immediate parent company of Merger Sub and an indirect wholly-owned subsidiary of MTY, has agreed to pay US$240 million cash and cause the issuance of 2,253,930 common shares in the capital of MTY (the "**MTY Issued Shares**"), in the aggregate (collectively, the "**Merger Consideration**"), for all of the outstanding shares of Common Stock, subject to certain adjustments as set forth in the Transaction Agreement entered into among Kahala, MTY, Buyer Parent, Merger Sub, USKAL Corporation LLC ("**USKAL**"), Michael Serruya, as the Seller Representative, and certain other parties thereto, dated May 24, 2016 (the "**Transaction Agreement**"), as summarized in this Proxy Statement. As used in this Proxy Statement, the term "**Other Selling Stockholders**" means all of the parties to the Transaction Agreement other than Kahala, MTY, Buyer Parent, Merger Sub, the Seller Representative (in his capacity as such) and USKAL. Holders of the outstanding shares of Common Stock are expected to receive the consideration in connection with the Merger which is described below and is more specifically set forth in the Transaction Agreement.

Subject to reduction for the Company's transaction expenses, including the expenses related to this solicitation of proxies, and indebtedness as of the closing of the transactions contemplated by the Transaction Agreement (the "**Closing**") and further subject to adjustment for the Company's net working capital at the Closing, at the effective time of the Merger (the "**Effective Time**"), by virtue of the Merger, each share of Common Stock issued and outstanding immediately prior to the Effective Time (each, an "**Effective Time Share**" and collectively, the "**Effective Time Shares**"), other than shares of Common Stock held by Company stockholders that exercise their appraisal rights under Delaware law for such shares of Common Stock, will be converted into and become the right to receive the consideration described below.

If you hold Effective Time Shares and are an accredited investor, you may elect to receive your pro rata share of the Merger Consideration in a combination of cash and MTY Issued Shares, but you must comply with the deadline and procedures summarized below and set forth in more detail in the letter

of transmittal (the "**Letter of Transmittal**"). Those holders of Effective Time Shares who comply with these procedures are called "**Mixed Consideration Holders**" in this Proxy Statement. If you are unsure of whether you are an accredited investor, please see Appendix D attached hereto for the definition of accredited investor as set forth in Rule 501(a) of Regulation D promulgated by the United States Securities and Exchange Commission under the Securities Act of 1933, as amended.

If you do not comply with these procedures, or if you are not an accredited investor, or you desire to receive your pro rata share of the Merger Consideration only in cash, you must comply with the procedures summarized below and set forth in more detail in the Letter of Transmittal. Those holders of Effective Time Shares who will only receive cash are called "**Cash-Only Stockholders**" in this Proxy Statement.

If you have in your possession stock certificates evidencing your shares of Common Stock, the Letter of Transmittal is attached as Appendix A. If your shares of Common Stock are held in "street name" by your bank, brokerage firm or other nominee and you want to be a Mixed Consideration Holder, your bank, brokerage firm or other nominee must contact the exchange agent retained in connection with the Merger, Computershare Investor Services Inc. (the "**Exchange Agent**"), for further instructions on how to obtain a copy of the Letter of Transmittal. Contact information for the Exchange Agent is as follows:

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario
M5J 2Y1
Attn: Corporate Actions
corporateactions@computershare.com
1-800-564-6253

- **If you have in your possession stock certificates for your Effective Time Shares and you want to be a Cash-Only Stockholder**, you must deliver to the Exchange Agent, the following:
    - The original stock certificates evidencing your Effective Time Shares;
    - A fully completed and signed Letter of Transmittal; and
    - A fully completed and signed Substitute Form W-9 (which form is included in the Letter of Transmittal) (or if applicable, the appropriate IRS Form W-8).
- **If you have in your possession stock certificates which evidence your Effective Time Shares and you want to be a Mixed Consideration Holder**, you must deliver to the Exchange Agent on or prior to July 21, 2016 (the "**LT Return Deadline**"):
    - The original stock certificates evidencing your Effective Time Shares;
    - A fully completed and signed Letter of Transmittal;
    - A fully completed and signed Substitute Form W-9 (which form is included in the Letter of Transmittal) (or, if applicable, the appropriate IRS Form W-8); and

- Fully completed and signed Accredited Investor Certification (which is contained in the Letter of Transmittal) and the supporting documents required by the Accredited Investor Certification indicating to the Exchange Agent that you are an accredited investor.

If you fail to deliver these documents to the Exchange Agent on or prior to the LT Return Deadline, you will receive your pro rata share of the Merger Consideration solely in cash subject to you delivering the following items to the Exchange Agent: (a) original stock certificates evidencing your Effective Time Shares; (b) a fully completed and signed Letter of Transmittal; and (c) a fully completed and signed Substitute Form W-9 (or, if applicable, the appropriate IRS Form W-8)**.**

- **If your Effective Time Shares are held in "street name" by your bank, brokerage firm or other nominee and you want to be a Cash-Only Stockholder**, you do not need to complete the Letter of Transmittal, return any Substitute Form W-9/IRS Form W-8, or take any other action in order to receive your pro rata share of the value of the Merger Consideration solely in cash. The Exchange Agent will send your Merger Consideration to DTC; DTC will distribute the Merger Consideration to your bank, brokerage firm or other nominee; and your bank, brokerage firm or other nominee will distribute your Merger Consideration to you.

- **If your Effective Time Shares are held in "street name" by your bank, brokerage firm or other nominee and you want to be a Mixed Consideration Holder**, you should, **immediately upon receipt of this Proxy Statement,** contact your bank, brokerage firm or other nominee, notify it that you desire to receive your Merger Consideration in a combination of cash and MTY Issued Shares, and work directly with your bank, brokerage firm or other nominee to complete, execute, submit and take all necessary actions and documentation on or prior to the LT Return Deadline (which deadline is July 21, 2016) by doing the following:

  - Your bank, brokerage firm or other nominee must contact the Exchange Agent (whose contact information is on page 2 of this Proxy Statement) for further instructions on how to obtain a copy of the Letter of Transmittal;

  - You, as the beneficial owner of the Effective Time Shares, must complete and sign the Accredited Investor Certification (which is contained in the Letter of Transmittal), collect all information requested by the Accredited Investor Certification and deliver them to your bank, brokerage firm or other nominee, along with the Letter of Transmittal;

  - Your bank, brokerage firm, or other nominee must make an election, using the DTC ATOP System (the "**DTC System**"), for you to receive your pro rata share of the Merger Consideration in a combination of cash and MTY Issued Shares;

  - Your bank, brokerage firm or other nominee must record the VOI Ticket Number assigned by the DTC System to the shares of the Company's Common Stock being surrendered by the bank, brokerage firm or other nominee;

  - Your bank, brokerage firm or other nominee must tender your shares of the Company's Common Stock to the DTC System via DEL Contra CUSIP; and

  - Your bank, brokerage firm or other nominee must deliver to the Exchange Agent the following on or prior to the LT Return Deadline:

- A fully completed and signed Letter of Transmittal, as completed and signed by the bank, brokerage firm or other nominee (using its full legal name): (1) in which your bank, brokerage firm or other nominee has filled-out the special payment instructions and the special delivery instructions in the Letter of Transmittal so that your cash and MTY Issued Shares are delivered to your bank, brokerage firm or other nominee in the name of such bank, brokerage firm or other nominee; (2) the Letter of Transmittal includes a guarantee of the signature of your bank, brokerage firm or other nominee as described in the Letter of Transmittal; and (3) in which your bank, brokerage firm or other nominee has provided your taxpayer identification number and has notified the Exchange Agent whether withholding is required;

- A fully completed and signed Substitute Form W-9 (which form is included in the Letter of Transmittal) (or, if applicable, the appropriate IRS Form W-8), which form is completed and signed by your bank, brokerage firm or other nominee and bears the taxpayer identification number of your bank, brokerage firm or other nominee; and

- A fully completed and signed Accredited Investor Certification (which is contained in the Letter of Transmittal) and the supporting documents required by the Accredited Investor Certification indicating to the Exchange Agent that you are an accredited investor (as provided to your bank, brokerage firm or other nominee by you).

If you and your bank, brokerage firm or other nominee fail to take these steps and deliver these documents to the Exchange Agent on or prior to the LT Return Deadline, you will receive your pro rata share of the Merger Consideration solely in cash.

In all cases, if any applicable withholding taxes are required by law, the amount payable to you will be reduced by the amount of the required withholding.

Because the Merger Consideration is comprised of both cash and MTY Issued Shares (whose market value will be determined as provided in (y) below), and only Mixed Consideration Holders will receive MTY Issued Shares, the value of the Merger Consideration must be determined in order to ensure that each holder of Effective Time Shares receives its pro rata share of the Merger Consideration. The value of the Merger Consideration will equal the sum of (x) the US$240 million cash portion of the Merger Consideration, as adjusted as described herein, plus (y) the product of 2,253,930 (i.e., the number of MTY Issued Shares) multiplied by the volume weighted average closing price (in Canadian dollars on the Toronto Stock Exchange) of one MTY Issued Share on the Toronto Stock Exchange over the ten trading days immediately preceding the date on which the Closing occurs (the "**Closing Date**"), and with such volume weighted average closing price converted from Canadian dollars into U.S. dollars based on the exchange rate on the close of business on the business day immediately preceding the Closing Date (the "**Closing Date Share Value**") (such sum of (x) plus (y), the "**Closing Value**")). Each Cash-Only Stockholder will receive 100% of its pro rata share (determined based on the total number of issued and outstanding shares of Common Stock immediately prior to the Effective Time) of the Closing Value in cash, less applicable withholding taxes, if any. Each Mixed Consideration Holder will receive (a) its pro rata share of the MTY Issued Shares (determined based on the number of MTY Issued Shares multiplied by a fraction, the numerator of which is the number of shares of Common Stock owned by such Mixed Consideration Holder and the denominator of which is the total number of shares of Common Stock owned by all Mixed Consideration Holders), plus (b) cash equal to such Mixed Consideration Holder's

pro rata share of the Closing Value, less the portion of the Closing Date Share Value to which such Mixed Consideration Holder is entitled pursuant to clause (a), less applicable withholding taxes, if any.

In order to receive your pro rata share of the Merger Consideration for your shares of Common Stock you must fully and properly comply with the procedures summarized above and set forth in detail in the Letter of Transmittal.

The consideration payable to holders of Effective Time Shares as described above will be reduced by:

- the amount of indebtedness of the Company on the Closing Date, including $40,000,000 due to a former creditor of the Company in connection with an agreement, entered into in August 2013, which resolved litigation then pending between the Company and the creditor and reduced the outstanding indebtedness then due from the Company to the creditor,

- the amount of unpaid transaction related fees and expenses incurred in connection with the Merger, and

- the amount (which may reduce or increase the consideration payable) by which the net working capital of the Company as of the Closing Date is less than or greater than the target net working capital of the Company as of the Closing Date as set forth in the Transaction Agreement.

Attached as Appendix C to this Proxy Statement is an estimate made on May 24, 2016 of the Merger Consideration that will be received by a holder of 100 shares of Common Stock. This estimate is based upon certain assumptions and is subject to adjustment, all as described in this Proxy Statement and Appendix C. Based on those assumptions, and subject to adjustment, a holder of 100 shares of Common Stock would receive approximately US$14,900 of Merger Consideration (either all in cash or a combination of cash and MTY Issued Shares) if the Merger is completed.

The initial cash Merger Consideration payable to USKAL, the majority stockholder of the Company, for its shares of Common Stock will be reduced by an amount equal to the aggregate of (a) US$25 million (the "**Holdback Funds**") that will be held by Buyer Parent (i) to reimburse Buyer Parent for any transaction related costs and expenses that were not deducted from the US$240 million initial cash Merger Consideration or were not otherwise paid directly by Kahala or USKAL, and (ii) to indemnify Buyer Parent, MTY, Merger Sub and their respective affiliates, associates and representatives for (x) any damages arising from any breach of the representations, warranties, covenants or agreements of USKAL and its owners (who constitute the Other Selling Stockholders) in the Transaction Agreement and (y) certain other indemnification obligations of USKAL, and (b) US$5 million (the "**Additional Holdback Funds**") that will be held by Buyer Parent to satisfy any amounts payable by the Surviving Corporation, the Buyer Parent or MTY after the Effective Time in connection with (i) payment of any additional transaction expenses, and (ii) the exercise by holders of shares of Common Stock of their appraisal rights under Delaware law and legal fees relating thereto. Any Holdback Funds or Additional Holdback Funds that are not retained by Buyer Parent will be released to USKAL under the terms of the Transaction Agreement.

No holders of shares of Common Stock other than USKAL will bear any responsibility for the payment of any (a) post-Closing working capital adjustments to the purchase price in Buyer Parent's favor, (b) additional transaction expenses, (c) damages arising from any breach of the

representations, warranties or covenants of USKAL and the Other Selling Stockholders in the Transaction Agreement, (d) other indemnification obligations in favor of Buyer Parent, MTY, Merger Sub or any of their respective affiliates, associates and representatives under the Transaction Agreement, or (e) amounts payable in connection with the exercise by holders of shares of Common Stock of their appraisal rights under Delaware law and legal fees relating thereto. No holders of shares of Common Stock other than USKAL will be entitled to receive any portion of the Holdback Funds or Additional Holdback Funds, if any, that may be released to USKAL under the terms of the Transaction Agreement.

Take the time to consider the Merger carefully, read the enclosed materials and ask questions you have before voting or taking other actions described in this Proxy Statement. You are encouraged to consult with your legal, tax and financial advisor(s) regarding the tax consequences to you of the Merger. Your vote is important, regardless of the number of shares of Common Stock you own. Please respond quickly.

WE ARE NOT GIVING YOU LEGAL, TAX OR INVESTMENT ADVICE. YOU SHOULD CONSULT YOUR OWN ADVISORS.

A COPY OF THE TRANSACTION AGREEMENT IS NOW AVAILABLE ON OUR WEBSITE: WWW.KAHALAMGMT.COM. YOU CAN ALSO FIND THE TRANSACTION AGREEMENT UNDER THE KAHALA COMPANY PROFILE PAGE ON WWW.OTCMARKETS.COM BY SEARCHING UNDER THE SYMBOL "KAHL." BEFORE THE MERGER CLOSES, WE WILL PROVIDE YOU WITH ANY PUBLICLY AVAILABLE ADDITIONAL INFORMATION YOU REASONABLY REQUEST TO THE EXTENT SUCH INFORMATION IS AVAILABLE. IF YOU NEED ADDITIONAL PUBLICLY AVAILABLE INFORMATION, PLEASE CONTACT MICHAEL REAGAN AT (480) 362-4800 or mjreagan@kahalamgmt.com.

PLEASE NOTE THAT THE MERGER HAS NOT BEEN CONSUMMATED. AS SUCH, (1) IF THE MERGER IS NOT CONSUMMATED FOR ANY REASON BY THE 119TH DAY FOLLOWING THE DATE OF THE TRANSACTION AGREEMENT (UNLESS EXTENDED BY THE PARTIES), ALL LETTERS OF TRANSMITTAL AND ALL CERTIFICATES AND DOCUMENTS SUBMITTED TO THE EXCHANGE AGENT IN CONNECTION WITH LETTERS OF TRANSMITTAL WILL BE RETURNED TO THE COMPANY'S STOCKHOLDERS AND THE STOCKHOLDERS WILL HAVE NO CLAIMS WHATSOEVER AGAINST ANY OF THE MERGER PARTIES OR ANY OF THEIR AFFILIATES WITH REGARD TO THE FAILURE TO CONSUMMATE THE MERGER; (2) IF THE CONDITIONS TO CLOSING SET FORTH IN THE TRANSACTION AGREEMENT AND SUMMARIZED IN THIS PROXY STATEMENT ARE NOT FULLY SATISFIED OR WAIVED THE MERGER MAY NOT BE CONSUMMATED; (3) A NUMBER OF CONDITIONS MUST BE EITHER SATISFIED OR WAIVED BEFORE THE MERGER CAN BE CONSUMMATED (MANY OF WHICH MUST BE SATISFIED BY ONE OR MORE OF THE MERGER PARTIES); (4) SOME OF THE CONDITIONS TO THE CLOSING OF THE MERGER ARE NOT WITHIN THE CONTROL OF THE MERGER PARTIES; AND (5) NONE OF THE MERGER PARTIES CAN ASSURE THE COMPANY'S STOCKHOLDERS THAT ALL OF THE CONDITIONS TO THE CONSUMMATION OF THE MERGER WILL BE SATISFIED OR WAIVED.

TAX CONSIDERATIONS

Tax matters can be complicated, and the tax consequences of the Merger to you will depend on the facts of your own situation. We strongly urge you to consult your own tax advisor to fully understand the tax consequences of the Merger to you.

CAUTIONARY STATEMENTS

THE PROPOSED MERGER IS A COMPLEX TRANSACTION. YOU ARE URGED TO READ AND CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS PROXY STATEMENT (INCLUDING THE SUMMARY OF THE TRANSACTION AGREEMENT AND THE APPENDICES HERETO). COMPANY STOCKHOLDERS SHOULD ONLY CONSIDER AND RELY ON THE INFORMATION CONTAINED IN THIS PROXY STATEMENT (INCLUDING THE APPENDICES HERETO) OR OTHERWISE DELIVERED IN CONNECTION WITH THIS PROXY STATEMENT. YOU SHOULD NOT RELY ON ANY INFORMATION OR REPRESENTATIONS THAT ARE NOT CONTAINED IN OR DELIVERED WITH THIS PROXY STATEMENT (INCLUDING THE APPENDICES HERETO).

NO PERSONS HAVE BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OR STATEMENTS (OTHER THAN THOSE CONTAINED IN THIS PROXY STATEMENT) REGARDING THE MERGER OR THE OTHER MATTERS DISCUSSED HEREIN AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATIONS PROVIDED MUST NOT BE RELIED ON AS HAVING BEEN AUTHORIZED OR SANCTIONED BY THE COMPANY OR ANY OTHER PERSON.

YOU SHOULD PURSUE YOUR OWN INDEPENDENT EVALUATION AND MAKE SUCH INVESTIGATIONS AS YOU DEEM APPROPRIATE IN DECIDING WHETHER OR NOT TO VOTE IN FAVOR OF THE PROPOSALS DESCRIBED IN THIS PROXY STATEMENT. THE INFORMATION THE COMPANY PROVIDES TO YOU IS NOT INTENDED TO BE LEGAL, TAX OR INVESTMENT ADVICE. YOU SHOULD CONSULT YOUR OWN LEGAL COUNSEL, TAX ADVISORS AND INVESTMENT ADVISORS, RESPECTIVELY, AS TO LEGAL, TAX AND OTHER MATTERS CONCERNING THE MERGER AND THE RELATED MATTERS DESCRIBED IN THIS PROXY STATEMENT. YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES OF THE MERGER TO YOU INCLUDING APPLICABLE U.S. FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX CONSEQUENCES.

YOU SHOULD NOT ASSUME THAT THE INFORMATION IN THIS PROXY STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE OF THIS PROXY STATEMENT.

THIS PROXY STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN THIS PROXY STATEMENT, IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

WHERE YOU CAN FIND MORE INFORMATION

You should rely only on the information contained in or delivered with this Proxy Statement. We have not authorized anyone to provide you with information that is different from or in addition to the information contained in or delivered with this Proxy Statement. All information contained in this Proxy Statement with respect to MTY, Buyer Parent and Merger Sub has been provided by MTY, and additional information about MTY can be obtained from www.sedar.com. All information contained in this Proxy Statement with respect to Kahala has been provided by Kahala.

To the extent that you desire to learn more about MTY, you may review certain documents (the "**Reports**") which MTY publicly filed with the Canadian Securities Administrators under MTY's profile at www.sedar.com, and any future filings that MTY makes with the Canadian Securities Administrators until the Merger is complete, including without limitation:

1. MTY's Annual Report and Audited Financial Statements for the fiscal year ended November 30, 2013;

2. MTY's Annual Report and Audited Financial Statements for the fiscal year ended November 30, 2014;

3. MTY's Annual Report and Audited Financial Statements for the fiscal year ended November 30, 2015;

4. MTY's Condensed Interim Consolidated Financial Statements and Management's Discussion and Analysis for the three-month period ended February 29, 2016; and

5. Material Change Reports filed by MTY with the Canadian Securities Administrators.

Any statement contained in this Proxy Statement with respect to MTY that references a public filing made by MTY with the Canadian Securities Administrators will be deemed to be modified or superseded for purposes of this Proxy Statement to the extent that the public filing in which such statement was made is amended in a way that modifies or supersedes the statement.

Electronic copies of the Annual Reports (including Audited Financial Statements and Management's Discussion and Analysis) and certain other information are available from MTY without charge (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference into such documents) through www.sedar.com and through MTY's website at www.mtygroup.com promptly after such documents are filed with the Canadian Securities Administrators, and paper copies are available from MTY without charge by e-mailing ir@mtygroup.com.

MTY files annual and quarterly financial statements and management's discussion and analysis, material change reports, proxy statements, annual information forms and other information with the Canadian Securities Administrators. The Canadian Securities Administrators maintain a website that contains reports, proxy statements and other information regarding MTY. The address of that website is http://www.sedar.com.

FORWARD-LOOKING STATEMENTS

This Proxy Statement and the appendices hereto may contain "forward-looking" statements within the meaning of applicable U.S. securities laws. Forward-looking statements include all matters that are not historical facts. Statements containing the words "believe," "expect," "intend," "anticipate," "will," "positioned," "project," "risk," "plan," "may," "estimate" or, in each case, their negative and words of similar meaning are forward-looking statements.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance, and that actual financial condition, results of operations and cash flows, and other results may differ materially from those made in or suggested by any forward-looking statements contained in this Proxy Statement. Further, we caution you that historical financial information and performance are not guarantees of future performance.

We urge you to read this Proxy Statement, including the section entitled "Risk Factors" for a more complete discussion of the factors that could affect future performance and results.

Neither MTY nor Kahala has any obligation to, or intends to, update publicly or revise any forward-looking statements in this Proxy Statement, whether as a result of new information, future events or otherwise. You are cautioned not to rely unduly on forward-looking statements when evaluating the information presented in this Proxy Statement.

KAHALA, MTY AND THE MERGER

Please understand that this Proxy Statement is intended to provide a "plain English" summary of the Merger and the Transaction Agreement. To do that, we have summarized and simplified the description of the transactions contemplated by the Transaction Agreement. If you want additional detailed information, you should request a copy of the Transaction Agreement for a comprehensive understanding of these matters, and the description herein is qualified completely by the full text of such Transaction Agreement. If you want additional information about MTY, additional information can be obtained from www.sedar.com.

KAHALA

Business

The Company is a franchisor and occasional operator of quick service restaurants worldwide, and it has developed its business through the acquisition or internal development of a variety of quick-service restaurant brands. The Company is not a real estate company. The Company's core business activities are to franchise and license intellectual property in the business of quick-service restaurants under the following trade names, trademarks, and associated insignia: Cold Stone Creamery, Blimpie, Taco Time, Surf City Squeeze, The Great Steak & Potato Company, NrGize Lifestyle Café, Samurai Sam's Teriyaki Grill, Frullati Café & Bakery, Rollerz, Johnnie's New York Pizzeria, Ranch One, America's Taco Shop, Kahala Coffee Traders, Cereality, Planet Smoothie, Tasti D-lite, Maui Wowi Hawaiian, and Pinkberry (collectively, the "**Concepts**"). The Company also has Master License Agreements with Tim Horton's and Rocky Mountain Chocolate Factory that allows the Company and franchisees of the Concepts to open either a Tim Horton's or a Rocky Mountain Chocolate Factory unit as a cobrand within the applicable location of the Concept. As of May 5, 2016, there were 77 Rocky Mountain Chocolate Factory cobranded units inside franchised Cold Stone Creamery locations and 2 Tim Horton's units inside one franchised and one corporate-owned Cold Stone Creamery location. The Company also temporarily operates certain restaurant locations as corporate-owned until such locations can be refranchised. As of May 5, 2016, the Company operated 47 corporate units of the Concepts.

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The Company has developed its business through the acquisition or internal development of each of the Concepts. The following summarizes each of the Concepts as of May 5, 2016, including the date of its acquisition by the Company, if applicable:

Brand Name	Year of Acquisition or Internal Development	Type of Restaurant Business	Number of Units as of May 5, 2016
America's Taco Shop	Acquired in 2011	Restaurants serving freshly prepared Mexican food including tacos, tortas, burritos, and quesadillas	7 franchises/licenses (plus 4 company-owned units)
Blimpie	Acquired in 2006 & 2007	Restaurants serving submarine sandwiches and salads	348 franchises/licenses (340 in the United States and 8 International) (plus 4 company-owned units)
Cereality	Acquired in 2007	Restaurants serving hot and cold cereals and cereal blends with toppings, oatmeal, and parfaits	2 franchises
Cold Stone Creamery	Acquired in 2007	Restaurants serving super-premium fresh made ice cream, frozen yogurt, cakes, pies, smoothies, shakes, and other frozen dessert products	1,353 franchises/licenses (1,026 in the United States and 327 International) (plus 9 company-owned units)
Frullati Cafe & Bakery	Acquired in 1999	Restaurants serving sandwiches, salads, smoothies and baked goods	16 franchises
The Great Steak & Potato Company	Acquired in 2004	Restaurants serving Philadelphia cheesesteak sandwiches, chicken sandwiches and French fries	72 franchises/licenses (58 in the United States and 14 International)

Brand Name	Year of Acquisition or Internal Development	Type of Restaurant Business	Number of Units as of May 5, 2016
Johnnie's New York Pizzeria	Acquired in 2006	Restaurants serving New York style pizza, calzones, salads, and related Italian cuisine menu items	11 franchises
Kahala Coffee Traders	Acquired in 2011	Restaurants serving coffee and espresso, tea, baked goods, parfaits, sandwiches and merchandise	5 franchises/licenses
Maui Wowi Hawaiian	Acquired in 2015	Mobile carts and cafes serving smoothies and coffee	181 franchises/licenses (175 in the United States and 6 International)
NrGize Lifestyle Cafe	Developed Internally in 2006	Cafes serving smoothies, fruit drinks and nutritional supplements	90 franchises
Pinkberry	Acquired in 2015	Restaurants serving frozen yogurt, smoothies and shakes	108 franchises in the United States (plus 28 company-owned units)
Planet Smoothie	Acquired in 2015	Restaurants serving smoothies, fruit drinks and nutritional supplements	109 franchises
Ranch One	Acquired in 2002	Restaurants specializing in grilled and crispy breaded chicken sandwiches and Ranch One famous fries	6 franchises

Brand Name	Year of Acquisition or Internal Development	Type of Restaurant Business	Number of Units as of May 5, 2016
Rollerz	Acquired in 2001	Restaurants serving gourmet rolled sandwiches, salads, soups and baked goods	3 franchises
Samurai Sam's Teriyaki Grill	Acquired in 2003	Restaurants serving Japanese food	27 franchises (plus 1 company-owned unit)
Surf City Squeeze	Acquired in 1999	Juice bars	95 franchises/licenses
Taco Time	Acquired in 2003	Restaurants serving Mexican food	346 franchises, licenses and subfranchises (220 franchises/licenses in the United States and 126 international restaurants)
Tasti D-lite	Acquired in 2015	Frozen confections	17 franchises (13 in the United States and 4 international)

In August 2013, USKAL (which is controlled by members of the Serruya family) acquired a controlling interest in the Company and reorganized the board of directors and management of the Company.

On December 11, 2015, the Company acquired the U.S. intellectual property, business and franchise rights of Pinkberry Holding Corporation for $3,400,000. Kayla Foods International Inc. ("**Kayla**") and Pinkberry Canada Inc. ("**Pinkberry Canada**") acquired the international (including Canadian) intellectual property, business, and franchising rights of Pinkberry Holding Corporation for $5,100,000. Aaron Serruya, a director and officer of the Company, is also a director, officer and shareholder of Pinkberry Canada and Kayla. Pursuant to a management agreement between a subsidiary of the Company and Kayla, which is terminable any time after December 11, 2016 on 90 days' written notice, the subsidiary provides management, training, administrative and support services to Kayla in exchange for reimbursement of out-of-pocket expenses, payment of 130% of the Company's employee compensation to the extent rendering services under the agreement plus a flat monthly fee of $5,000 The management agreement will terminate on the Closing Date.

The Company's principal place of business is located at 9311 East Via De Ventura, Scottsdale, Arizona 85258. You may reach the Corporate Secretary, Michael Reagan, by calling (480) 362-4800.

Capitalization

Effective as of May 24, 2016, the authorized capital stock of the Company consists of 4,500,000 shares of Common Stock, of which 1,642,477 shares are issued and outstanding, and there are no outstanding equity instruments of the Company, including preferred stock, stock options, warrants, or other rights to equity in the Company.

Securities

The Common Stock currently trades on the Pink Sheets under the symbol "KAHL". From March 1999 until January, 2001, the Common Stock traded on the over-the-counter Electronic Bulletin Board under the symbol "SPGK." From February 2001 until March 2003, the Common Stock traded on the over-the-counter Electronic Bulletin Board under the symbol "KAHA." During March 2003, the Company voluntarily deregistered with the United States Securities and Exchange Commission (the "**SEC**") through the filing of a Form 15. Thereafter, the Company ceased further filings with the SEC, and the Common Stock moved to trading on the Pink Sheets. On September 14, 2005, the Company effectuated a 1-for-100 reverse stock split and changed its stock symbol to "KAHL." In December 2014, the Company changed its name from Kahala Corp. to Kahala Brands, Ltd.

The Common Stock has been very thinly traded and, as a result, the trading data regarding the Common Stock is not a meaningful indicator of value. For informational purposes, based upon data obtained from the OTC Markets Group, in the period between the quarter ended March 31, 2013 and December 23, 2014, closing prices of the Common Stock ranged between $14 and $48.50 per share at nominal volumes; in trading between December 23, 2014 and January 2, 2015, a total of 610 shares of Common Stock were traded at prices ranging from $27.00 and $77.50 per share; and in the most recent trades of Common Stock before the announcement of the signing of the Transaction Agreement, in trading between March 11, 2016 and March 28, 2016, a total of 1,187 shares of Common Stock were traded at prices ranging between $10.75 and $12.60 per share.

The closing high and low bid prices for 2015 and the first quarter of 2016, as published by the OTC Markets Group, are as follows:

	Closing Bid	
Calendar Quarter Ending:	**High:***	**Low:***
March 31, 2015	$51.00	$50.00
June 30, 2015	$50.00	$26.00
September 30, 2015	$26.00	$26.00
December 31, 2015	$26.00	$15.00
March 31, 2016	$15.00	$10.00

* The closing high and low bid prices shown above are only bid prices and do not represent actual sales prices.

Following the Company's press release dated May 25, 2016, announcing the signing of the Transaction Agreement, on May 25, 2016, a total of 667 shares of Common Stock were traded at prices ranging between $30.00 and $117.00 per share, and on May 26, 2016, a total of 1,144 shares of Common Stock were traded at prices ranging between $120.90 and $126.00 per share. A current quote for shares of Kahala Brands can be found at www.otcmarkets.com under the symbol "KAHL."

Financial Statements

Financial statements for the fiscal years ending December 31, 2014 and 2015, audited according to International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board, were sent to stockholders together with the Notice of Special Meeting.

Please also see the "Risk Factors" section of this Proxy Statement.

Kahala's Directors

Certain information concerning our directors, including their ages as of May 24, 2016, is set forth below:

Name	**Age**
Michael Serruya	51
Aaron Serruya	50
Kenneth MacKenzie	60
Daniel R. Kaplan	87

Mr. Michael Serruya became the Chairman of the board of directors and a director of the Company in August 2013. In November 2013, Mr. Michael Serruya became Chief Executive Officer of the Company. Mr. Michael Serruya has also served as the Chief Executive Officer of MOS Holdings Inc. in Ontario, Canada since 2000.

Mr. Aaron Serruya has served as a director of the Company since August 2013 and as the President of the Company since December 2013. Mr. Serruya also serves as the President and a director of Yogen Fruz Canada Inc., the President and a director of Yogen Fruz U.S.A., Inc., and the Chairman and Chief Executive Officer of YF Franchise LLC. MTY is a licensee of Yogen Fruz Canada Inc. Mr. Serruya is also a shareholder of Yogen Fruz.

Mr. MacKenzie became a director of the Company in August 2013. From August 2013 through October 2013, Mr. MacKenzie served as Chief Financial Officer and Secretary of the Company. From November 2010 until January 2012, Mr. MacKenzie was the Director of Corporate Development of Swisher Hygiene Inc. in Charlotte, North Carolina. Mr. MacKenzie is a retired senior audit partner of PricewaterhouseCoopers LLP.

Mr. Kaplan became a director of the Company in August 2013. Mr. Kaplan has been Of Counsel with Dorf & Nelson, LLP since June 2014. From January 2009 until June 2014, Mr. Kaplan was Of Counsel with Bryan Cave LLP.

Kahala's Executive Officers

Certain information concerning our executive officers, including their ages as of May 24, 2016, is set forth below:

Name	**Age**	**Position(s)**
Michael Serruya	51	Chief Executive Officer
Aaron Serruya	50	President
Jeff Smit	58	Executive Vice President and Chief Operating Officer
Michael J. Reagan	44	Executive Vice President, General Counsel and Secretary
Dyan Houston	48	Senior Vice President of Accounting & Finance and Treasurer

Please see certain information about Messrs. Michael and Aaron Serruya contained under the heading "Kahala's Directors" immediately preceding this section.

Mr. Smit has been the Chief Operating Officer of the Company since June 2009 and held various other senior positions with the Company between 2005 and June 2009.

Mr. Reagan has been Executive Vice President and General Counsel of the Company since January 2004. In October 2013, Mr. Reagan also became the Secretary of the Company.

Ms. Houston started with Kahala in January 2015 as Director of Accounting. She became Senior Vice President of Accounting & Finance and Treasurer in November 2015. Prior to joining Kahala, she was a tax accountant with ON Semiconductor. She has served as tax accountant and interim Chief Financial officer for various companies for the two years prior to 2015.

Beneficial Ownership of Common Stock

The following table sets forth certain information, as of May 24, 2016, with respect to the beneficial ownership of Common Stock by (i) each stockholder known by the Company to be the beneficial owner of more than 5% of the Company's outstanding shares of Common Stock, other than the Company's directors, (ii) each Company director who beneficially holds shares of Common Stock, (iii) all other Company executive officers and key employees not otherwise listed pursuant to (i) or (ii) above, and (iv) all of our current executive officers and directors as a group. On May 24, 2016, there were 1,642,477 shares of Common Stock issued and outstanding. Unless otherwise indicated, the persons and entities in the table below have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Except where otherwise indicated, each beneficial owner named in the table may be reached c/o the Company, 9311 East Via De Ventura, Scottsdale, Arizona 85258.

Name of Beneficial Owner[(1)]	**No. of Shares of Common Stock Beneficially Owned**	**Percentage of Common Stock Beneficially Owned[(2)]**
USKAL Corporation LLC[3]	1,509,435	91.90%
Michael J. Reagan[4]	20,000	1.22%
Executive officers and directors as a group (three persons)[5]	1,529,435	93.12%

* Less than one percent.

1 Such persons have sole voting and investment power with respect to all shares of Common Stock shown as being beneficially owned by them, subject to community property laws, where applicable, and the information contained in the footnotes to this table.

2 The percentages in this table are based on, as of May 24, 2016, 1,642,477 shares of Common Stock issued and outstanding.

3 1,509,435 shares of Common Stock are held by USKAL. USKAL is owned by CANKAL Corporation, a Canadian corporation ("CANKAL"), and Kayla Foods Int'l (Barbados) Inc., a Barbados corporation ("Kayla"). CANKAL is controlled by the Serruya family (which family includes Messrs. Michael and Aaron Serruya, both of whom are directors of the Company), and the Serruya family holds voting and investment power with respect to these shares. Kayla is controlled by Aaron Serruya and his parents. Aaron Serruya is a director of the Company, and the Serruya family holds voting and investment power with respect to these shares.

4 20,000 shares of Common Stock are held by Michael J. Reagan, as trustee of his revocable trust, and Mr. Reagan holds voting and investment power with respect to these shares.

5 The shares of Common Stock indicated in this row are inclusive of the shares that Michael Serruya and Aaron Serruya own through USKAL, and Mr. Reagan's revocable trust as indicated in footnotes 3 and 4 above. Michael Serruya, Aaron Serruya, and Michael J. Reagan are the only officers and directors of the Company who directly or indirectly own Common Stock of the Company.

The remaining 113,042 shares of Common Stock (or 6.88% of the total number of outstanding shares of Common Stock), are owned by approximately 141 other shareholders.

Interests of Kahala's Directors in the Merger

Two of Kahala's four directors will directly or indirectly receive Merger Consideration in connection with the Merger.

The table below sets forth the approximate portion of the Merger Consideration to be received by each director (or in the case of Messrs. Michael and Aaron Serruya, to be paid to an affiliated entity) of the Company at Closing as a result of such director's direct or indirect ownership of shares of Common Stock. Each of Messrs. Michael and Aaron Serruya is an "interested party" under Section 144 of the Delaware General Corporation Law ("**Section 144**"), and the Merger is an "interested party transaction" under Section 144.

Director	**Approximate Merger Consideration to be Received with respect to Securities Held**
Michael Serruya	$202,415,233*
Aaron Serruya	$202,415,233*
Kenneth MacKenzie	$0
Daniel R. Kaplan	$0

*Based on the assumptions, and subject to adjustment, as described in this Proxy Statement and Appendix C. Note that this consideration is by virtue of indirect ownership of holdings by the Serruya family in USKAL, which holds 1,509,435 shares of Company Common Stock, and is subject to reduction at Closing for the Holdback Funds and Additional Holdback Funds and the indemnification obligations of USKAL and the Other Selling Stockholders.

Mr. MacKenzie is compensated by the Company for his independent financial consulting services to the Company in connection with the Merger.

Dorf & Nelson, LLP has served as the Company's U.S. co-counsel in connection with the Merger. Mr. Kaplan, Senior Counsel at Dorf & Nelson, has provided legal services to the Company in connection with the Merger. In connection with the Closing, the Company will pay Dorf & Nelson's legal fees with respect to its legal services.

Interests of Kahala's Executive Officers in the Merger

Messrs. Michael and Aaron Serruya and Reagan will receive Merger Consideration in connection with the Merger by virtue of their direct or indirect ownership of Common Stock. Except as described in this section, none of Kahala's executive officers will (a) receive consideration in connection with the Merger or (b) enter into any post-Merger agreements with MTY or Kahala in connection with the Merger concerning employment or transaction bonuses, or severance.

Each of Messrs. Reagan and Smit is currently a party to an agreement with the Company that provides for the payment of two years of compensation to him in connection with certain terminations of employment following a change-of-control of the Company.

Director and Officer Indemnification

From the Effective Time until the sixth anniversary of the Closing Date, all rights to exculpation and indemnification by the Company existing in favor of any current or former director or officer of the Company under the Certificate of Incorporation and bylaws of the Company (each as in effect as of immediately after the consummation of the Merger) shall survive the Merger and shall be fulfilled and observed by the Surviving Corporation. In addition, prior to the Effective Time, Merger Sub will purchase tail insurance coverage for the Company's directors and officers, which shall become effective as of the Closing Date and provide the Company's existing directors and officers with pre-paid, non-cancellable coverage for six years following the Effective Time.

MTY

The following information with respect to MTY, Buyer Parent and Merger Sub has been provided by MTY.

According to its management discussion and analysis for the three-month period ended February 29, 2016 and filed with the Canadian Securities Administrators on April 7, 2016 (the "**MTY MD&A**"), MTY (Toronto Stock Exchange: MTY) franchises and operates quick-service restaurants under the following banners: Tiki-Ming, Sukiyaki, La Crémière, Au Vieux Duluth Express, Carrefour Oriental, Panini Pizza Pasta, Franx Supreme, Croissant Plus, Villa Madina, Cultures, Thaï Express, Vanellis, Kim Chi, "TCBY", Yogen Früz, Sushi Shop, Koya Japan, Vie & Nam, Tandori, O'Burger, Tutti Frutti, Taco Time, Country Style, Buns Master, Valentine, Jugo Juice, Mr. Sub, Koryo Korean Barbeque, Mr. Souvlaki, Sushi Go, Mucho Burrito, Extreme Pita, PurBlendz, ThaïZone, Madisons New York Grill & Bar, Café Dépôt, Muffin Plus, Sushi-Man, Fabrika, Van Houtte, Manchu Wok, Wasabi Grill & Noodle, SenseAsian, Tosto and Big Smoke Burger.

MTY is a master licensee of the Company and franchises/licenses Taco Time throughout Canada, of which there are 124 locations as of November 30, 2015.

According to the MTY MD&A, as at February 29, 2016, MTY had 2,724 locations in operation, of which 2,680 were franchised or under operator agreements and the remaining 44 locations were operated by MTY.

Also according to the MTY MD&A, MTY's locations can be found in: (i) food courts and shopping malls; (ii) street fronts; and (iii) non-traditional formats within petroleum retailers, convenience stores, cinemas, amusement parks, in other venues or retailers' shared sites, hospitals, universities and airports. The non-traditional locations are typically smaller in size, require a lower investment and generate lower revenues than the locations found in shopping malls, food courts or street front locations. The street front locations are mostly made up of the Country Style, La Crémière, "TCBY", Sushi Shop, Taco Time, Tutti Frutti, Valentine, Mr. Sub, ThaïZone, Extreme Pita, Mucho Burrito and Madisons banners. La Crémière and "TCBY" operate primarily from April to September and the other banners operate year round.

As of the date of this Proxy Statement, MTY has only one class of equity authorized which are Common Shares, of which 19,120,567 shares are issued and outstanding. The issued and outstanding MTY Common Shares are freely tradable subject to restrictions imposed by applicable Canadian

securities laws. The MTY Issued Shares being issued as part of the Merger Consideration will be freely tradable under Canadian securities laws in accordance with applicable law.

The high, low and closing prices for each calendar quarter of 2013, 2014, and 2015 and the first quarter of 2016, as published on www.tsx.com, are as follows (expressed in Canadian dollars):

Calendar Quarter Ending:	**High Price ($):**	**Low Price ($):**	**Closing Price ($):**
March 31, 2013	27.00	21.74	26.85
June 30, 2013	27.78	22.24	25.30
September 30, 2013	34.72	24.90	33.77
December 31, 2013	35.00	27.84	34.28
March 31, 2014	34.54	30.04	30.36
June 30, 2014	31.69	28.51	30.20
September 30, 2014	34.34	29.71	32.93
December 31, 2014	36.93	26.11	33.71
March 31, 2015	36.99	31.53	34.62
June 30, 2015	35.28	32.10	33.12
September 30, 2015	37.35	30.02	31.83
December 31, 2015	33.40	29.55	32.43
March 31, 2016	34.98	27.91	34.52

MTY's principal place of business is located at:

MTY Food Group Inc.
8150 Transcanada Highway
Suite 200
Saint-Laurent, Québec H4S 1M5
Phone number: 514-336-8885
Fax: 514-336-9222

For more information, visit www.mtygroup.com.

THE MERGER

Background of the Merger

Kahala management has held discussions with third parties regarding the possibility of a strategic transaction with such third parties. The Chairman of MTY and the Chairman of Kahala have been involved in the industry and have known each other for many years. When the MTY Chairman learned that the Chairman of Kahala, Michael Serruya, and members of his family had acquired control of Kahala in 2013, the MTY Chairman identified certain strategic opportunities for MTY if it acquired Kahala, including potential increased earnings, consolidation of expenses, and the business practices employed by Kahala in managing multiple brands. As a result, the MTY Chairman contacted the Chairman of Kahala to explore a possible strategic transaction. During 2014, the Chairman of Kahala met with the MTY Chairman and discussed a possible strategic transaction. Those discussions continued for many months and culminated in the parties reaching an understanding of the general terms of a Merger. North Point Advisors served as a financial advisor to the Serruya Family (the indirect controlling stockholders of Kahala) in connection with this Merger. The parties negotiated the Transaction Agreement over many months and ultimately executed the Transaction Agreement on May 24, 2016.

Under the terms of the Transaction Agreement, the Merger cannot be completed until the waiting period applicable to the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "**HSR Act**"), has expired or been terminated. Under the HSR Act and the rules promulgated thereunder by the Federal Trade Commission (the "**FTC**"), the Merger cannot be completed until each of the Company and MTY files, or has filed on its behalf, a notification and report form with the FTC and the Antitrust Division of the Department of Justice under the HSR Act and the applicable waiting period has expired or been terminated.

Reasons for the Merger and Board of Directors' Unanimous Recommendation

In the course of reaching its decision to unanimously approve the Merger, the Transaction Agreement and the transactions contemplated by the Transaction Agreement, and to unanimously recommend that the Company's stockholders approve the Merger, the Transaction Agreement and the transactions contemplated by the Transaction Agreement, the Company's board of directors considered and reviewed with the Company's senior management a significant amount of information and general factors relevant to the Merger, including the Company's business, its current brand offerings, its franchising relationships and operations, its competitive position, the outlook for the quick service restaurant market, its financial position, results of operations, its potential for future growth in revenues and earnings, and the value of the Merger Consideration proposed by MTY.

The Company's board of directors considered a number of positive factors in its deliberations, including, but not limited to:

- the knowledge of the Company's board of directors and management of the Company's operations, financial condition, earnings and future prospects;

- the determination by the Company's board of directors that the Merger Consideration is a full and fair price and reasonable to and in the best interests of the Company and its stockholders;

- the nature of the consideration payable to the Company's stockholders in the Merger, including the existence of an active public market for the MTY Issued Shares;

- the elimination of the risks of remaining a standalone company in a time of economic uncertainty;

- the business reputation of MTY and its management and the size and financial resources of MTY, which collectively supported the conclusion that a transaction with MTY could be completed relatively efficiently and in an orderly manner;

- the fact that stockholders of the Company that own in the aggregate approximately 93.12% of the Common Stock on a fully diluted basis indicated their intention to execute (and have in fact executed) the Transaction Agreement (and/or the voting agreement contemplated in the Transaction Agreement) and agreed to vote in favor of the approval and adoption of the Transaction Agreement and the Merger, thereby ensuring that the Transaction Agreement and the Merger would be approved and adopted by stockholders of the Company holding the requisite percentage of shares of Common Stock as required by applicable law and the Company's charter, and, consequently, making it more likely that the transaction would be consummated on a timely basis;

- the course of negotiations over the transaction and the judgment of the Company's board of directors that the proposed terms of the Merger, as set forth in the Transaction Agreement, were the most advantageous that could be negotiated with MTY;

- the expectation, after considering advice of outside legal counsel, with respect to obtaining all regulatory approvals in a timely manner (including the approval of the FTC and the Antitrust Division of the Department of Justice under the HSR Act); and

- the availability of appraisal rights with respect to the Merger, which would give the Company's minority stockholders that perfected their appraisal rights the ability to seek and be paid a judicially determined appraisal of the "fair value" for their shares of Common Stock upon or following completion of the Merger.

The Company's board of directors also considered a number of potentially negative factors in its deliberations concerning the Merger, including, but not limited to, the risks and costs to the Company if the Merger is not consummated, including the diversion of the attention of Company directors and executives and the incurrence of significant transaction costs, and the fact that the Merger Consideration to be received by the Company's stockholders that are U.S. persons (within the meaning of applicable U.S. tax laws) in the Merger would be taxable to such stockholders that have a gain for U.S. federal income tax purposes.

The preceding discussion is not meant to be an exhaustive description of the information and factors considered by the Company's board of directors. In view of the wide variety of factors considered in connection with its evaluation of the Merger and the complexity of these matters, the Company's board of directors did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to the various factors considered in reaching its determination. In addition, the Company's board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination. Rather, the Company's board of directors conducted an overall analysis of the factors described above.

The Transaction Agreement

The following summary describes the material provisions of the Transaction Agreement. The provisions of the Transaction Agreement are complicated and not easily summarized. This summary may not contain all of the information about the Transaction Agreement that may be relevant to you or other

Company stockholders and this summary is qualified in its entirety by the full text of the Transaction Agreement. Capitalized terms not defined in this section or this Proxy Statement shall have the meanings set forth in the Transaction Agreement. A copy of the Transaction Agreement is now available on our website: www.kahalamgmt.com. You can also find the Transaction Agreement under the Kahala Company Profile page on www.otcmarkets.com by searching under the symbol "KAHL." **If you obtain a copy of the Transaction Agreement, you are encouraged to read it carefully and in its entirety for a more complete understanding of the terms of the Transaction Agreement and the Merger because it is the legal document that governs the Merger and the transactions contemplated thereby.**

The Merger

Upon the terms and subject to the conditions set forth in the Transaction Agreement, at the Effective Time, Merger Sub will merge with and into the Company, whereupon the separate corporate existence of Merger Sub will cease. After the Merger, the Company will continue as the Surviving Corporation, as a direct wholly-owned subsidiary of Buyer Parent and as an indirect wholly-owned subsidiary of MTY, and the Common Stock will no longer be publicly traded.

Effective Time

The Merger will become effective upon the filing of the certificate of merger attached to the Transaction Agreement (the "**Certificate of Merger**") with the Secretary of State of the State of Delaware or at such later time as may be mutually agreed by Merger Sub, Buyer Parent and the Company, and specified in the Certificate of Merger. The closing of the Merger is expected to happen within 75 days of May 25, 2016.

At the Effective Time of the Merger, in connection with the filing of the Certificate of Merger, the Certificate of Incorporation of the Merger Sub will be amended and will become the Certificate of Incorporation of the Surviving Corporation in the form attached to the Transaction Agreement, until thereafter amended in accordance with applicable law. At the Effective Time of the Merger, the bylaws of the Merger Sub will be amended and restated in the form attached to the Transaction Agreement and will become the bylaws of the Surviving Corporation, until thereafter amended in accordance with applicable law.

Merger Consideration

As a result of the Merger, each share of Common Stock will be converted into only the right to receive the applicable portion of the Merger Consideration as described below and such shares of Common Stock shall otherwise cease to be outstanding, be canceled and cease to exist following the Effective Time, except as otherwise provided in the Transaction Agreement or applicable law.

Subject to reduction for the Company's transaction expenses and indebtedness as of the Closing and adjustment for the Company's net working capital at the Closing, at the Effective Time, each Effective Time Share, other than shares of Common Stock held by stockholders that exercise their appraisal rights under Delaware law for such shares of Common Stock, shall be converted into and become the right to receive the consideration set forth below:

- Each Mixed Consideration Holder will receive its pro rata share of the Merger Consideration in the form of both cash and MTY Issued Shares; and

- Each Cash-Only Stockholder will receive its pro rata share of the Merger Consideration exclusively in cash.

As noted on pages 4-5 of this Proxy Statement above, because the Merger Consideration is comprised of both cash and MTY Issued Shares, and only Mixed Consideration Holders will receive MTY Issued Shares, the value of the Merger Consideration must be determined in order to ensure that each holder of Effective Time Shares receives its pro rata share of the Merger Consideration. Each Cash-Only Stockholder will receive 100% of its pro rata share (determined based on the total number of issued and outstanding shares of Common Stock immediately prior to the Effective Time) of the Closing Value in cash. Each Mixed Consideration Holder will receive (a) its pro rata share of the MTY Issued Shares (determined based on the number of MTY Issued Shares multiplied by a fraction, the numerator of which is the number of shares of Common Stock owned by such Mixed Consideration Holder and the denominator of which is the total number of shares of Common Stock owned by all Mixed Consideration Holders), plus (b) cash equal to such Mixed Consideration Holder's pro rata share of the Closing Value, less the portion of the Closing Date Share Value to which such Mixed Consideration Holder is entitled pursuant to clause (a).

The Merger Consideration payable to holders of Effective Time Shares as described above will be reduced by:

- the amount of indebtedness of the Company on the Closing Date, including $40,000,000 due to a former creditor of the Company in connection with an agreement, entered into in August 2013, which resolved litigation then pending between the Company and the creditor and reduced the outstanding indebtedness then due from the Company to the creditor,

- the amount of unpaid transaction related fees and expenses incurred in connection with the Merger,

- the payment of withholding taxes, if any, and

- the amount (which may reduce or increase the consideration payable) by which the net working capital of the Company as of the Closing Date is less than or greater than the target net working capital of the Company as of the Closing Date as set forth in the Transaction Agreement.

It is currently expected that: (1) the LT Return Deadline will occur approximately five days before the Closing Date; (2) each holder of Effective Time Shares who holds stock certificates and has submitted its properly completed and executed Letter of Transmittal (and all other documents required in connection with the Letter of Transmittal) prior to the Effective Time will receive its pro rata share of the Merger Consideration shortly following the Closing Date; (3) each holder of Effective Time Shares who holds stock certificates and has not submitted its Letter of Transmittal prior to the Effective Time will receive its pro rata share of the Merger Consideration within five Business Days after the Exchange Agent receives its properly completed and executed Letter of Transmittal (and all other documents required in connection with the Letter of Transmittal); (4) the Exchange Agent will distribute to each bank, broker or other nominee who is a DTC Participant and is a nominee for a beneficial owner of Effective Time Shares held in "street name" who has qualified as a Mixed Consideration Holder, the benefical owner's pro rata share of the Merger Consideration shortly following the Closing Date; and (5) the Exchange Agent will distribute to the DTC promptly after the Closing Date the pro rata share of the Merger Consideration for each holder of Effective Time Shares who holds such shares in "street name" with its bank, brokerage firm or other nominee and is not a Mixed Consideration Uncertificated Holder.

Attached as <u>Appendix C</u> to this Proxy Statement is an estimate made on May 24, 2016 of the Merger Consideration that will be received by a holder of 100 shares of Common Stock. This

estimate is based upon certain assumptions and is subject to adjustment, all as described in this Proxy Statement and Appendix C. Based on those assumptions, and subject to adjustment, a holder of 100 shares of Common Stock would receive approximately US$14,900 of Merger Consideration (either in cash or a combination of cash and MTY Issued Shares) if the Merger is completed.

The initial cash Merger Consideration payable to USKAL for its shares of Common Stock will be reduced by (a) the US$25 million Holdback Funds and (b) the US$5 million Additional Holdback Funds. Any Holdback Funds or Additional Holdback Funds that are not retained by Buyer Parent as described in this Proxy Statement will be released to USKAL under the terms of the Transaction Agreement.

No holders of shares of Common Stock other than USKAL will bear any responsibility for the payment of any (a) post-Closing working capital adjustments to the purchase price in Buyer Parent's favor, (b) additional transaction expenses, (c) damages arising from any breach of the representations, warranties or covenants of USKAL and the Other Selling Stockholders in the Transaction Agreement, (d) other indemnification obligations in favor of Buyer Parent, MTY, Merger Sub or any of their respective affiliates, associates and representatives under the Transaction Agreement, or (e) amounts payable in connection with the exercise by holders of shares of Common Stock of their appraisal rights under Delaware law and legal fees relating thereto. No holders of shares of Common Stock other than USKAL will be entitled to receive any portion of the Holdback Funds or Additional Holdback Funds, if any, that may be released to USKAL under the terms of the Transaction Agreement.

Payment of Merger Consideration

As a condition to receiving the Merger Consideration described above, each holder of Effective Time Shares must comply with the procedures summarized on pages 2-4 of this Proxy Statement and as more fully set forth in the Letter of Transmittal.

Transfer of Shares

At the close of business, Toronto time, on the Closing Date, the stock transfer books of the Company will be closed and there will be no further registration of transfers of shares of Common Stock that were outstanding on the Company's records as of the Effective Time.

Representations and Warranties

Each of USKAL and the Other Selling Stockholders (collectively, the "**Seller Parties**") and each of Merger Sub, Buyer Parent and MTY (collectively, the "**Buyer Parties**") has made certain representations and warranties in the Transaction Agreement, including representations and warranties related to its due organization, if applicable, and authorization to enter into the Transaction Agreement and carry out its obligations thereunder. In addition, each of the Seller Parties and each of the Buyer Parties has made certain representations and warranties particular to each such party, including, in the case of the Seller Parties, representations and warranties in respect of the Company's business, operations and assets.

The representations and warranties made by the Seller Parties and the Buyer Parties are qualified by and subject to important limitations agreed to by the parties in connection with negotiating and entering into the Transaction Agreement. Furthermore, the representations and warranties were made as of specific dates and in some cases may be subject to important exceptions, limitations and supplemental information contained in the confidential disclosure letters that the Seller Parties and the Company, on the

one hand, and the Buyer Parties, on the other hand, provided to each other in connection with negotiating and entering into the Transaction Agreement (the "**Seller Disclosure Letter**" and the "**Buyer Disclosure Letter**", respectively), and may also be subject to standards of materiality that may be different from those that are generally applicable under U.S. and Canadian securities laws. In addition, the representations and warranties may have been included in the Transaction Agreement for the purpose of allocating risk between the Seller Parties, on the one hand, and the Buyer Parties, on the other hand, rather than to establish matters of fact. Moreover, the facts underlying the representations and warranties, which do not purport to be accurate as of the date of this Proxy Statement, may have changed since the date of the Transaction Agreement.

Covenants of the Parties

Mutual Covenants

Each of USKAL, the Company and the Buyer Parties have given usual and customary mutual covenants, applicable between the date of the Transaction Agreement and the earlier of the Effective Time and the time that the Transaction Agreement is terminated in accordance with its terms (such period, the "**Interim Period**"), for an agreement of the nature of the Transaction Agreement, including a mutual covenant to use all of their respective commercially reasonable efforts to: satisfy the conditions precedent to their respective obligations under the Transaction Agreement; comply promptly with all requirements imposed by applicable laws with respect to the Transaction Agreement; oppose, lift or rescind any legal impediment to, and to defend any legal proceedings to which it is a party or brought against it or its directors or officers challenging, the consummation of the transactions contemplated by the Transaction Agreement (the "**Transactions**"); not take any action, refrain from taking any commercially reasonable action, or permit any action to be taken or not taken which is inconsistent with the Transaction Agreement or which would reasonably be expected to prevent, materially delay or otherwise impede the consummation of the Transactions; and make all governmental filings, and obtain all governmental consents and approvals, required in connection with the Transactions.

Covenants of USKAL and the Company

Each of USKAL and the Company has given, in favor of the Buyer Parties, usual and customary covenants, applicable during the Interim Period, for an agreement of the nature of the Transaction Agreement, including: a covenant to carry on the business of the Company and its subsidiaries in the ordinary course of business consistent with past practice; a covenant to keep available the services of the officers, employees, agents and other personnel of the Company and its subsidiaries, and to pay their wages and benefits; a covenant to continue in force and un-amended all directors' and officers' insurance policies of the Company and its subsidiaries; a covenant to collect all accounts receivable and pay all liabilities as they come due; covenants not to undertake certain actions without the prior written consent of Merger Sub; a covenant to provide the Buyer Parties and their representatives reasonable access and information to conduct due diligence; a covenant to use commercially reasonable efforts to obtain any consents, approvals or authorizations required to be obtained by the Company and its subsidiaries under material contracts and leases; and a covenant to provide certain consolidated financial statements of the Company required to be included by MTY in its public filings under applicable Canadian securities laws in connection with the Transactions.

Covenants of the Buyer Parties

The Buyer Parties have given, in favor of USKAL and the Company, usual and customary covenants, applicable during the Interim Period, for an agreement of the nature of the

Transaction Agreement, including a covenant to use best commercial efforts to obtain sufficient financing to satisfy the Merger Consideration (the "**Merger Financing**").

MTY Guarantee

Pursuant to the Transaction Agreement, MTY has unconditionally and irrevocably guaranteed the due and punctual performance by Buyer Parent and Merger Sub of their obligations under the Transaction Agreement. The parties have agreed that the Seller Parties will not have to proceed first against Buyer Parent or Merger Sub in respect of any such matter before exercising its rights under the guarantee against MTY, and MTY has agreed to be liable for all such guaranteed obligations as if it were the principal obligor thereof.

Seller Representative

In connection with the Merger and upon approval of the Merger and adoption of the Transaction Agreement by the Company's stockholders, Michael Serruya will be appointed as the initial seller representative (the "**Seller Representative**") under the Transaction Agreement. The Seller Representative will have authority to act on behalf of the Seller Parties and will serve as agent and as attorney-in-fact of each of the Seller Parties for all matters in connection with the Transaction Agreement. Pursuant to the Transaction Agreement, the Seller Representative will be entitled to perform this role without having to consult with the Seller Parties on the course of action taken.

Conditions of Closing

Mutual Conditions Precedent

The Transaction Agreement provides that the respective obligations of the parties to complete the transactions contemplated by the Transaction Agreement are subject to the fulfillment of the following conditions on or before the Effective Time:

1) each of the governmental filings, consents and approvals required in connection with the Transactions shall have been made, given or obtained, as applicable;

2) there is no governmental order that enjoins or prohibits any of the Transactions; and

3) no law is in effect that makes the consummation of any of the Transactions illegal or otherwise prohibits or enjoins the consummation of any of the Transactions.

Additional Conditions Precedent to the Obligations of the Buyer Parties

The Transaction Agreement provides that the obligations of the Buyer Parties to complete the Transactions are subject to the fulfillment of a number of additional conditions, each of which is for the benefit of the Buyer Parties, including the following:

1) except as contemplated by the Transaction Agreement, the representations and warranties of the Seller Parties set out in the Transaction Agreement are true and correct in all material respects as of the Closing Date with the same force and effect as if such representations and warranties were made on and as of such date (except for representations and warranties made as of a specified date, the truth and correctness of which shall be determined as of that specified date) and, for this purpose, any reference to material adverse effect or other concepts of materiality in such representations and warranties shall be disregarded;

2) each of the Seller Parties and the Company has performed and complied in all material respects with all obligations, covenants and agreements to be performed and complied with by it under the Transaction Agreement on or before the Closing Date;

3) all of the consents, approvals or authorizations required to be obtained by the Company and its subsidiaries under material contracts and leases have been obtained;

4) no material adverse effect has occurred during the Interim Period with respect to the Company and its subsidiaries;

5) certain specific financial targets with respect to the business of the Company have been achieved as of each of: (a) the date of each quarter-end of the Company during the Interim Period, (b) the end of the calendar month that precedes the Closing Date, and (c) the Closing Date; and

6) all documents required to be delivered by the Seller Parties and the Company pursuant the Transaction Agreement have been received by Merger Sub.

Additional Conditions Precedent to the Obligations of the Seller Parties and the Company

The Transaction Agreement provides that the obligations of the Seller Parties and the Company to complete the Transactions are subject to the fulfillment of a number of additional conditions, each of which is for the benefit of the Seller Parties and the Company:

1) except as contemplated by the Transaction Agreement, the representations and warranties of the Buyer Parties set out in the Transaction Agreement are true and correct in all material respects as of the Closing Date with the same force and effect as if such representations and warranties were made on and as of such date (except for representations and warranties made as of a specified date, the truth and correctness of which shall be determined as of that specified date) and, for this purpose, any reference to material adverse effect or other concepts of materiality in such representations and warranties shall be disregarded;

2) each of the Buyer Parties has performed and complied in all material respects with all obligations, covenants and agreements to be performed and complied with by it under the Transaction Agreement on or before the Closing Date;

3) no material adverse effect has occurred during the Interim Period with respect to the Buyer Parties; and

4) all documents required to be delivered by the Buyer Parties pursuant the Transaction Agreement have been received by USKAL.

Indemnification

Pursuant to the Transaction Agreement, the Other Selling Stockholders are required to indemnify Buyer Parent, MTY, Merger Sub and their respective affiliates, associates and representatives for (a) any damages arising from any breach of the representations, warranties, covenants or agreements of the Seller Parties in the Transaction Agreement, (b) certain taxes of the Company and its subsidiaries for periods prior to the Closing, and (c) certain litigation to which the Company or its subsidiaries are a party. The US$25 million Holdback Funds will be held by Buyer Parent for three years post-Closing to provide security for the indemnification obligations of the Seller Parties under the Transaction Agreement, provided, that Buyer Parent is required to release the Holdback Funds to USKAL in three separate

installments on each of the first, second and third anniversaries of the Closing Date (each, a "**Release Date**"), subject in each case to the retention by Buyer Parent of an amount equal to the aggregate amount of any unpaid indemnification claims properly submitted by the Buyer Parties prior to each such Release Date. No holders of shares of Common Stock other than USKAL will be entitled to receive any portion of the Holdback Funds, if any, that may be released to USKAL under the terms of the Transaction Agreement.

Pursuant to the Transaction Agreement, the US$5 million Additional Holdback Funds held by Buyer Parent to satisfy any amounts payable by the Surviving Corporation, the Buyer Parent or MTY after the Effective Time in connection with (a) payment of any additional transaction expenses and (b) amounts payable in connection with the exercise by holders of shares of Common Stock of their appraisal rights under Delaware law and legal fees relating thereto will be released to USKAL on the later of (i) 60 days following the Closing and (ii) five business days following the date on which all appraisal demands have been settled or finally determined by a court of competent jurisdiction. No holders of shares of Common Stock other than USKAL will be entitled to receive any portion of the Additional Holdback Funds, if any, that may be released to USKAL under the terms of the Transaction Agreement.

As noted above, no holders of shares of Common Stock other than USKAL will bear any responsibility for the payment of any indemnification obligations in favor of Buyer Parent, MTY, Merger Sub or any of their respective affiliates, associates and representatives under the Transaction Agreement.

Termination of Transaction Agreement

The Transaction Agreement may be terminated in the following circumstances by:

1) mutual consent of the Seller Representative and Merger Sub; or

2) Merger Sub if:

    a) USKAL and the Company are required to amend the Seller Disclosure Letter in order to qualify the applicable representations and warranties in respect of any matter occurring after the date of the Transaction Agreement and any information required in order for the closing conditions in favor of the Buyer Parties to be satisfied on or before the Closing Date, and such amendment(s) would or would reasonably be expected to result in a material adverse effect with respect to the Company and its subsidiaries;

    b) notwithstanding Merger Sub's best commercial efforts, Merger Sub cannot obtain, or is unable to close, the Merger Financing; or

    c) a breach of any representation or warranty of the Seller Parties or the Company, or a failure to perform any covenant or agreement on the part of the Seller Parties or the Company, occurs that would cause the closing conditions in favor of the Buyer Parties set out in Items 1 and 2 under *"Additional Conditions Precedent to the Obligations of Buyer Parties"* above not to be satisfied, and such breach or failure is incapable of being cured or is not cured by the end of the day on September 20, 2016 (which is the outside date for the Closing of the Transactions contemplated by the Transaction Agreement (the "**Outside Date**")), provided, that any wilful breach shall be deemed incapable of being cured; or

d) the closing condition set out in Item 5 under *"Additional Conditions Precedent to the Obligations of Buyer Parties"* above is not satisfied.

3) the Seller Representative if:

a) the Buyer Parties are required to amend the Buyer Disclosure Letter in order to qualify the applicable representations and warranties in respect of any matter occurring after the date of the Transaction Agreement and any information required in order for the closing conditions in favor of the Seller Parties and the Company to be satisfied on or before the Closing Date, and such amendment(s) would or would reasonably be expected to result in a material adverse effect with respect to the Buyer Parties; or

b) a breach of any representation or warranty of any of the Buyer Parties, or failure to perform any covenant or agreement on the part of the Buyer Parties, occurs that would cause the closing conditions in favor of the Seller Parties and the Company set out in Items 1 and 2 under *"Additional Conditions Precedent to the Obligations of the Seller Parties and the Company"* above not to be satisfied, and such breach or failure is incapable of being cured or is not cured by the end of the day on the Outside Date, provided, that any wilful breach shall be deemed incapable of being cured; or

4) either Merger Sub or the Seller Representative if the closing of the Transactions has not occurred by the end of the day on the Outside Date (provided, that neither Merger Sub nor the Seller Representative may terminate the Transaction Agreement if Merger Sub or Buyer Parent, on the one hand, or any of the Seller Parties or the Company, on the other hand, as applicable, has failed to perform any one or more of its material obligations or covenants under the Transaction Agreement required to be performed at or prior to the closing of the Transactions and the closing of the Transactions has not occurred as a result of such failure).

In the event of termination, the parties are released from all of their obligations under the Transaction Agreement, except as expressly set out in the Transaction Agreement.

Expense Reimbursement by Merger Sub

The Transaction Agreement specifies that if the Transaction Agreement is terminated by Merger Sub pursuant to Item 2(b) under "*Termination of Transaction Agreement"* above or by the Seller Representative pursuant to Item 3(b) under "*Termination of Transaction Agreement"* above, then, in each case, Merger Sub will pay or cause to be paid to the Seller Representative (or as the Seller Representative may otherwise direct), an amount equal to CDN$200,000.

Stockholder Approval

As of May 24, 2016, the Company had 1,642,477 shares of Common Stock outstanding, and each stockholder of the Company is entitled to one vote per share of Common Stock owned. Under its charter documents and pursuant to Delaware law, Kahala must convene a meeting of its stockholders in order to approve the Merger and adopt the Transaction Agreement. Holders of at least a majority of the outstanding shares of Common Stock must be present in person or by proxy at the Meeting in order for a quorum to be represented at the Meeting. With a quorum being present at the Meeting, approval of the Merger and adoption of the Transaction Agreement requires the affirmative vote of a majority of the votes cast at the Meeting by the holders of shares of Common Stock present in person or represented by proxy and entitled to vote thereon (the "**Requisite Stockholder Approval**"). The Requisite Stockholder Approval constitutes the only votes of the holders of any of the Company's capital stock necessary in

connection with the consummation of the Merger. The holders of approximately 93.12% of the outstanding shares of Common Stock have agreed to attend the Meeting and vote to approve the Merger and adopt the Transaction Agreement.

MTY's stockholders do not need to approve the Merger.

Exchange of Common Stock

Please refer to the Letter of Transmittal for specific instructions regarding the submission of your original stock certificates representing shares of Common Stock (if your shares are certificated) and other documentation to the Exchange Agent.

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain material U.S. federal income tax consequences of the Merger to the Company's stockholders, assuming the Merger is effected as described in the Transaction Agreement. This summary is based upon the Internal Revenue Code of 1986, as amended (the "**Code**"), the Treasury Regulations promulgated thereunder, judicial authority, court decisions and administrative rulings and pronouncements of the Internal Revenue Service ("**IRS**"), all in effect as of the date hereof. All such laws and authorities are subject to differing interpretations and to change, possibly with retroactive effect. None of MTY, Merger Sub, nor the Company has requested or will request a ruling from the IRS as to the tax consequences of the Merger, nor will counsel to MTY, Merger Sub or the Company render a tax opinion in connection with the Merger. The IRS may take different positions concerning the tax consequences of the Merger other than the positions stated below.

This summary is generally limited to stockholders of the Company that hold shares of Common Stock as capital assets within the meaning of Section 1221 of the Code. This summary does not address U.S. federal income tax consequences that may be relevant to stockholders of the Company who, in light of their personal circumstances, are subject to special tax rules, including, without limitation, stockholders of the Company who, for U.S. federal income tax purposes:

- are controlled foreign corporations or passive foreign investment companies;
- are subject to U.S. federal alternative minimum tax;
- are certain types of former citizens or former residents of the U.S.;
- are partnerships (or entities treated as partnerships for U.S. federal income tax purposes), S corporations, or other pass-through entities, or are investors in such entities;
- are mutual funds, retirement plans or other tax-deferred accounts;
- are banks, insurance companies, tax-exempt entities, financial institutions, or broker-dealers;
- hold the Common Stock as "qualified small business stock";
- are dealers in securities or currencies;
- are traders who elect mark-to-market treatment;
- acquired the Common Stock as part of a hedging, straddle, conversion or other integrated transaction;
- are U.S. holders (as defined below) that have a functional currency other than the U.S. dollar;
- acquired the Common Stock pursuant to the exercise of options, warrants or otherwise as compensation; or
- exercise their appraisal rights as discussed in "Stockholder Appraisal Rights" below.

In addition, this summary does not address the state, local, or foreign tax laws, or U.S. non-income tax laws, such as U.S. federal estate or gift tax laws, that may be applicable to the Company's stockholders.

For purposes of this discussion, "**U.S. holder**" means a beneficial owner of shares of Common Stock that is for U.S. federal income tax purposes: (i) an individual citizen or resident of the U.S.; (ii) a corporation (including any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof, or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust if it (a) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

As used herein, the term "**non-U.S. holder**" means a beneficial owner of shares of Common Stock that is neither a U.S. holder nor a partnership or an entity or arrangement treated as a partnership for U.S. federal income tax purposes.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of shares of Common Stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A beneficial owner that is a partnership and partners in such a partnership should consult their tax advisors about the U.S. federal income tax consequences of the Merger.

The discussion included herein is for general information purposes only. The Company's stockholders should consult their own tax advisors with respect to the tax consequences of the Merger, including with respect to the application of the U.S. federal income tax laws to their particular situation, as well as any tax consequences arising under U.S. federal non-income tax laws, such as U.S. federal estate or gift tax laws or under the laws of any state, local, or foreign taxing jurisdiction or under any applicable tax treaty.

IN LIGHT OF THE FOREGOING, YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES OF THE MERGER TO YOU INCLUDING APPLICABLE U.S. FEDERAL, STATE, LOCAL, AS WELL AS FOREIGN AND OTHER TAX CONSEQUENCES.

Form of the Transaction

The transaction is structured as a reverse subsidiary merger, pursuant to which Merger Sub will be merged with and into the Company, with the Company being the Surviving Corporation in the Merger and a direct, wholly-owned subsidiary of Buyer Parent. For U.S. federal income tax purposes, the Merger is deemed to be a sale of stock by the Company's stockholders.

Tax Consequences of the Merger to U.S. Holders

Taxable Sale. The exchange of shares of Common Stock for the Merger Consideration pursuant to the Transaction Agreement will be a taxable transaction for U.S. federal income tax purposes. A U.S. holder will generally recognize gain or loss as a result of the Merger in an amount equal to the difference between the proceeds received by such U.S. holder in exchange for its shares of Common Stock and such U.S. holder's adjusted tax basis in the shares of Common Stock surrendered. The proceeds received by a U.S. holder will generally include (i) the amount of any cash received in the Merger, (ii) the fair market value of any MTY Issued Shares received in the Merger, and (iii) the fair market value of any rights to

additional payments from the Holdback Funds and/or Additional Holdback Funds received in the Merger (please see the section entitled "*Merger Consideration*" above for a description of which Company stockholders have any right to receive any Holdback Funds or Additional Holdback Funds to the extent not retained by the Buyer Parties). A U.S. holder's adjusted basis in its shares of Common Stock is generally its original cost for such shares of Common Stock. A U.S. holder's capital gain or loss will generally be long-term capital gain or loss provided such U.S. holder's holding period for such shares of Common Stock is more than one year as of the Closing Date. U.S. holders who acquired different blocks of shares of shares of Common Stock at different times must determine the amount and character of gain or loss separately for each identifiable block of shares of Common Stock surrendered in the Merger, with a "block" consisting of shares of Common Stock acquired at the same cost in a single transaction. Long-term capital gains of non-corporate taxpayers are currently taxed at a maximum 20% U.S. federal tax rate. The use of capital losses to offset other income or gain is subject to certain limitations. To the extent a U.S. holder receives payments from the Holdback Funds and/or Additional Holdback Funds and such payments are more or less than the amount taken into income at Closing with respect to the Holdback Funds and/or Additional Holdback Funds, such U.S. holder will generally be required to recognize additional gain or loss.

Net Investment Income Tax. A 3.8% Medicare tax will be imposed on a portion or all of the net investment income of certain individuals with a modified adjusted gross income of over $200,000 ($250,000 in the case of joint filers or $125,000 in the case of married individuals filing separately) and on the undistributed net investment income of certain estates and trusts. For these purposes, "net investment income" generally includes interest, dividends, annuities, royalties, rents, net gain attributable to the disposition of property not held in a trade or business (including net gain from the sale of shares of the Common Stock) and certain other income, but will be reduced by any deductions properly allocable to such income or net gain. If you are a U.S. holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your gains in respect of your investment in shares of the Common Stock.

Tax Consequences of the Merger to Non-U.S. Holders

Generally, any gain recognized by a non-U.S. holder in the Merger will not be subject to U.S. federal income tax and withholding, except as provided below with respect to backup withholding and FIRPTA withholding, unless:

- the gain is effectively connected with the conduct of a U.S. trade or business by the non-U.S. holder (and, if required by an applicable tax treaty, the gain is attributable to a permanent establishment maintained in the U.S. by the non-U.S. holder); or

- the non-U.S. holder is an individual who is present in the U.S. for 183 days or more during the taxable year of that disposition, and certain other conditions are met.

If a non-U.S. holder whose gain is effectively connected with the non-U.S. holder's conduct of a trade or business within the U.S. (and, if a treaty applies, is attributable to a permanent establishment maintained by the non-U.S. holder in the U.S.), the non-U.S. holder generally will be subject to U.S. federal income tax on such gain as if it were a U.S. holder. In addition, if the non-U.S. holder is a corporation, it may be subject to an additional 30% branch profits tax (or such lower rate as may be prescribed by an applicable tax treaty), which generally is imposed on a foreign corporation upon the deemed repatriation from the United States of effectively connected earnings and profits.

A non-U.S. holder that is an individual who is present in the U.S. for 183 days or more during the taxable year of the Merger, and who meets certain other conditions, will be subject to a flat 30% tax on the gain derived from the Merger, which may be offset by certain U.S. source capital losses.

Federal Backup Withholding

U.S. federal backup withholding, currently at a rate of 28%, and information reporting may apply to the Merger Consideration received in exchange for shares of Common Stock in the Merger. Backup withholding will not apply, however, to a Company stockholder who:

- in the case of a U.S. holder, furnishes a correct taxpayer identification number ("**TIN**") and certifies that such U.S. holder is not subject to backup withholding of federal income tax by completing the Substitute Form W-9 included in the Letter of Transmittal;

- in the case of a non-U.S. holder, furnishes an applicable IRS Form W-8 or successor form; or

- is otherwise exempt from backup withholding and complies with other applicable rules and certification requirements.

Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules generally will be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided the required information is furnished timely to the IRS.

FIRPTA Withholding

To prevent federal income tax withholding under the Foreign Investment in Real Property Tax Act of 1980 ("**FIRPTA withholding**") with respect to consideration received pursuant to the Merger, the Company must provide MTY with a certificate certifying that interests in the Company, including shares of Common Stock, do not constitute "United States real property interests" under Section 897(c) of the Code. If the Company fails to provide such certificate, all of the Company's stockholders will be subject to FIRPTA withholding on consideration received pursuant to the Merger (currently at the rate of 10% for U.S. federal income tax purposes), unless they are able to certify that they are U.S. persons. The Company currently expects to provide such a certificate to MTY.

The foregoing discussion is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the Merger. In addition, the discussion does not address tax consequences which may vary with, or are contingent on, your individual circumstances, or tax consequences under the laws of any state, local, or foreign taxing jurisdiction or under any applicable tax treaty. Therefore, you are urged to consult your own tax advisors as to the specific tax consequences of the Merger to you.

RISK FACTORS

Your current investment in Kahala is subject to a wide variety of risks applicable to companies in its industry and at its stage of development. Kahala's past and present performance is not an indicator of its future performance. The number of Kahala's corporate and franchised units fell in 2014 and 2015; however, the remaining units are, in the aggregate, producing increased sales, with same-store-sales up in 2015 over 2014 and in 2014 over 2013, and Kahala's net income has increased since 2013 in large part due to Kahala's new management realizing and exploiting synergies within Kahala and effectuating tighter internal controls. In addition, your current investment in Kahala is subject to certain lease defaults and litigation risks and liabilities, including certain lease and franchise related litigation and other litigation. If the Merger does not occur, your interest in Kahala would be subject to the risk that Kahala is unable to successfully execute its business plan and may incur future losses and declines in revenue. Further, if the Merger does not occur, your interest in Kahala would continue to have limited liquidity due to the thinly-traded nature of the Common Stock on the Pink Sheets.

The Company's new management discovered in April 2015 that the Company failed to file tax returns for past years. The Company has recently submitted federal filings for tax years 2005-2014 and requisite state filings for tax years 2006 – 2014. The Company is currently subject to a pending tax audit by the United States Internal Revenue Service for tax years 2013 and 2014. The Company may be liable for taxes, penalties, late filing fees, and interest relating to the tax returns and audit described in this paragraph. In the Transaction Agreement, the Seller Parties have undertaken responsibility to MTY and Buyer Parent for any breaches of tax-related representations and warranties and other tax-related indemnification obligations. If the Merger does not occur, your interest in Kahala will be subject to the on-going risk posed by the Company's liability for taxes, penalties, late filing fees and interest.

If the conditions to the Merger are not satisfied or waived, the Merger will not occur. These conditions must be either satisfied or waived before the Merger can be completed. Most of these conditions relate to actions that must be taken by Kahala and the Seller Parties. For example, if Kahala fails to satisfy the financial targets based on Kahala's consolidated earnings before interest, taxes, depreciation and amortization, systemwide sales, consolidated revenue, and the aggregate number of franchised and corporate units, then MTY and Buyer Parent may elect to not complete the Merger, and the Merger will not close. A number of these conditions, however, are not within the control of Kahala. Further, a number of these conditions relate to actions that must be taken by MTY and Merger Sub. For example, Merger Sub can terminate the Transaction Agreement if it is unable to obtain, or is unable to close, financing for the initial cash Merger Consideration on such terms as are acceptable to Merger Sub. Neither MTY nor Kahala can assure you that each of the conditions will be satisfied or waived. These conditions are described under the section entitled "Conditions of Closing" under the "Transaction Agreement" section of this Proxy Statement and in detail in the Transaction Agreement.

If the Merger is not completed, Kahala will be subject to a number of risks, including those that are described under the "Reasons for the Merger and Board of Directors' Unanimous Recommendation" section of this Proxy Statement.

The total Merger Consideration to be received by the Company's stockholders in the Merger (a) will be reduced for the amount of unpaid transaction related fees and expenses and Kahala's indebtedness as of the Closing and adjusted up or down for the Company's estimated net working capital at the Closing vis-à-vis the target net working capital and (b) with respect to USKAL only, may be reduced if there are any successful indemnification claims made by the Buyer Parties. As a result, the amount of cash that the Company's stockholders will receive in the Merger is dependent upon the amounts of these adjustments, and the amount of these adjustments will not be known until before or after the Closing of the Merger.

For a description of how these adjustments are calculated and how they affect the amount of cash to be received by the Kahala Stockholders in the Merger, please see the section entitled "Merger Consideration" under the "Transaction Agreement" section of this Proxy Statement.

Please see the section of this Proxy Statement entitled "Where You Can Find More Information" for instructions on how you can obtain information concerning MTY, including risk factors applicable to MTY's business.

STOCKHOLDER APPRAISAL RIGHTS

Appraisal rights under the General Corporation Law of the State of Delaware (the "**DGCL**") are available in connection with the Merger. Under the DGCL, stockholders who do not vote to approve a merger or consent thereto and who follow certain procedures may, under certain circumstances, be entitled to exercise appraisal rights and receive cash for a "fair value" of their shares of the acquired company. The value of the capital stock for this purpose will exclude any element of value arising from the accomplishment or expectation of the Merger and may be more or less than the consideration provided for in the definitive agreement entered into in connection with such Merger.

Delaware

Pursuant to Section 262 of the DGCL ("**Section 262**"), Company stockholders who (a) are holders of record of shares of capital stock of the Company on the date of making a demand for appraisal of their shares, (b) continuously hold the shares through the Effective Time, (c) do not vote in favor of the Merger nor consent thereto in writing, (d) comply with the other requirements of Section 262 and (e) have not waived their appraisal rights, are entitled to seek appraisal of the "fair value" of their shares (exclusive of any element of value arising from the accomplishment or expectation of the Merger) as judicially determined and have such amount paid to such Company stockholders in cash, together with a fair rate of interest, if any, provided that any such Company stockholder complies with the provisions of Section 262. For a Company stockholder to exercise its right to an appraisal pursuant to the DGCL, such Company stockholder must deliver to the Company a written demand for appraisal of such Company stockholder's shares of Common Stock as provided by the DGCL before the taking of the vote on the Merger. Such demand will be sufficient if it reasonably informs the Company of the identity of the Company stockholder and that the Company stockholder intends to demand appraisal of the Company's stockholder's shares of Common Stock. The demand must be made by, or with the consent of, the holder of record. The demand should state the Company stockholder's name as it appears on such holder's certificates evidencing shares of Common Stock (or, if the shares of Common Stock are in uncertificated form, the Company stockholder's name as it appears on the records of the Depository Trust Company), the Company stockholder's mailing address, the number of shares of Common Stock registered in the holder's name that are covered by the demand, and that the Company stockholder is thereby demanding the appraisal of such Company stockholder's shares of Common Stock.

If the shares of Common Stock are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand should be made by the fiduciary in that capacity, and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand must be made by or for all owners of record. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a holder of record; however, such agent must identify the record owners and expressly disclose in such demand that the agent is acting as agent for the record owners of such share of Common Stock. Where the number of shares of Common Stock is not expressly stated, the demand will be presumed to cover all shares of Common Stock outstanding in the name of that record owner.

Please note that the written demand must be received by the Company before the taking of the vote on the Merger. As a result, a demand for appraisal rights must be received by the Company no later than 10:00 a.m. Arizona time on July 21, 2016.

Simply failing to deliver a written proxy or vote against the approval of the Merger and the adoption of the Transaction Agreement or delivering a proxy or voting against the Merger is NOT sufficient to constitute a demand for appraisal rights under the DGCL. Any Company stockholder who

fails to deliver a written demand to Michael Reagan c/o Kahala Brands, Ltd., 9311 East Via De Ventura, Scottsdale, Arizona 85258 before the taking of the vote on the Merger, in accordance with the provisions of the DGCL, will lose the right to an appraisal under the DGCL.

A Company stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw a demand for appraisal at any time within 60 days of the Effective Time. Thereafter, the approval of the Company (as the Surviving Corporation) will be needed for such a withdrawal. If, after the Effective Time, a Company stockholder who had demanded appraisal rights withdraws its demand for appraisal, fails to perfect or otherwise loses its right to an appraisal, such Company stockholder will be entitled to receive the consideration to which such Company stockholder would otherwise have been entitled under the Transaction Agreement.

Within 120 days after the Effective Time (the "**120-Day Period**"), any Company stockholder who has complied with Section 262 and who has not withdrawn his demand as provided above (such stockholders being referred to collectively as the "**Dissenting Stockholders**") and the Company (as the Surviving Corporation) each have the right to file in the Delaware Court of Chancery (the "**Delaware Court**") a petition (the "**Petition**") demanding a determination of the value of the shares of Common Stock held by all the Dissenting Stockholders. A Dissenting Stockholder who files a Petition must serve a copy of the Petition on the Company. It is not necessary that each Company stockholder asserting appraisal rights file a Petition in the Delaware Court. Rather, a single petition will suffice for the petitioning and non-petitioning Dissenting Stockholders. If, within the 120-Day Period, no Petition shall have been filed as provided above, all rights to appraisal will cease and all of the Dissenting Stockholders who owned shares of Common Stock will become entitled to receive the consideration to which such stockholder would otherwise have been entitled under the Transaction Agreement. The Company is not obligated and does not currently intend to file a Petition. Any Dissenting Stockholder is entitled, within the 120-Day Period and upon written request to the Company, to receive from the Company, as the Surviving Corporation, a statement setting forth the aggregate number of shares of Common Stock not voted in favor of the Merger and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. The statement must be mailed within 10 days after the written request has been received by the Company or within 10 days after expiration of the time for delivery of demands for appraisal under Section 262(d), whichever is later. Notwithstanding the foregoing, a person who is the beneficial owner of shares of Common Stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a Petition or request from the Company the statement described in this paragraph.

If a Petition is timely filed by a holder of shares of Common Stock and a copy thereof is served upon the Company, as the Surviving Corporation, the Company will then be obligated within 20 days to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all Company stockholders who have demanded an appraisal of their shares and with whom agreements as to the value of their shares of Common Stock have not been reached.

If a hearing on the Petition is held, the Delaware Court is empowered to determine which Dissenting Stockholders have complied with the provisions of Section 262 and are entitled to an appraisal of their shares of Common Stock. The Delaware Court may require that Dissenting Stockholders submit their share certificates for notation thereon of the pendency of the appraisal proceedings. The Delaware Court is empowered to dismiss the proceedings as to any Dissenting Stockholder who does not comply with such requirement. Accordingly, Dissenting Stockholders are cautioned to retain their share certificates pending resolution of the appraisal proceedings.

The shares of Common Stock will be appraised by the Delaware Court at the fair value thereof exclusive of any element of value arising from the accomplishment or expectation of the Merger, together

with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Delaware Court will take into account all relevant factors. The costs of the proceeding may be determined by the Delaware Court and taxed upon the parties as the Delaware Court deems equitable in the circumstances. Upon application of a Company stockholder, the Delaware Court may order that all or a portion of the expenses incurred by any Company stockholder in connection with an appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares of Common Stock entitled to an appraisal. The Delaware Court will direct the payment of the fair value of the shares of Common Stock, together with interest, if any, by the Company, as the Surviving Corporation in the Merger, to the Company stockholders entitled thereto.

Once a Petition has been filed, the appraisal proceeding may not be dismissed as to any holder without court approval; provided, however, that a Company stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw such Company stockholder's demand for appraisal and accept the terms of the Merger within 60 days after the Effective Time.

From and after the Effective Time, no Company stockholder who has demanded appraisal rights as provided in Section 262 will be entitled to vote such shares of Common Stock for any purpose or to receive payment of dividends or other distributions on such shares of Common Stock (except dividends or other distributions payable to Company stockholders of record at a date which is prior to the Closing Date).

The preceding discussion is not a complete statement of the law pertaining to appraisal rights under Section 262. More detailed and complete information concerning appraisal rights can be found in the DGCL; a copy of Section 262 is attached as Appendix B. To the extent there are any inconsistencies between the foregoing summary and Delaware law, including the DGCL, such Delaware law, including the DGCL, as may be amended after the date of this Proxy Statement, shall control.

ALL COMPANY STOCKHOLDERS THAT WISH TO EXERCISE APPRAISAL RIGHTS PURSUANT TO DELAWARE LAW OR THAT WISH TO PRESERVE THEIR RIGHT TO DO SO SHOULD CAREFULLY REVIEW APPENDIX B, SINCE FAILURE TO COMPLY WITH THE PROCEDURES SET FORTH THEREIN WILL RESULT IN THE LOSS OF SUCH RIGHTS. IF YOU EXECUTE THE ATTACHED PROXY TO VOTE IN FAVOR OF THE MERGER AND ADOPTION OF THE TRANSACTION AGREEMENT OR ACTUALLY ATTEND THE STOCKHOLDER MEETING AND VOTE IN FAVOR OF THE MERGER AND ADOPTION OF THE TRANSACTION AGREEMENT, YOU WILL WAIVE YOUR APPRAISAL RIGHTS.

COMPANY STOCKHOLDERS CONSIDERING SEEKING APPRAISAL SHOULD BE AWARE THAT THE FAIR VALUE OF THEIR SHARES OF COMMON STOCK AS DETERMINED UNDER SECTION 262 COULD BE MORE THAN, THE SAME AS OR LESS THAN THE MERGER CONSIDERATION THEY WOULD RECEIVE PURSUANT TO THE TRANSACTION AGREEMENT IF THEY DID NOT SEEK APPRAISAL OF THEIR SHARES OF COMMON STOCK. COMPANY STOCKHOLDERS WHO PERFECT THEIR APPRAISAL RIGHTS WILL BE ENTITLED TO NO MERGER CONSIDERATION UNDER THE TRANSACTION AGREEMENT.

FAILURE TO COMPLY STRICTLY WITH ALL OF THE PROCEDURES SET FORTH IN SECTION 262 WILL RESULT IN THE LOSS OF A COMPANY STOCKHOLDER'S STATUTORY APPRAISAL RIGHTS THEREUNDER. CONSEQUENTLY, ANY COMPANY STOCKHOLDER WISHING TO EXERCISE APPRAISAL RIGHTS IS URGED TO CONSULT LEGAL COUNSEL IN CONNECTION WITH COMPLIANCE UNDER SECTION 262.

ATTACHMENTS

The following documents are attached as Appendices to this Proxy Statement.

A. Letter of Transmittal (but only if your shares of Common Stock are certificated).

B. Section 262 of the Delaware General Corporation Law.

C. Estimate of Merger Consideration

D. Definition of Accredited Investor pursuant to Rule 501(a) of Regulation D promulgated by the United States Securities and Exchange Commission under the Securities Act of 1933, as amended

E. Press Release of Kahala dated May 25, 2016 with respect to the Transaction Agreement

Separately provided in the package containing this Proxy Statement are the audited financial statements of Kahala for the fiscal years ended December 31, 2014 and 2015.

APPENDIX A

LETTER OF TRANSMITTAL

If your shares of Common Stock are held in "street name" by your bank, brokerage firm or other nominee and you want to be a Mixed Consideration Holder, your bank, brokerage firm or other nominee must contact the exchange agent retained in connection with the Merger, Computershare Investor Services Inc. (the "**Exchange Agent**"), for further instructions on how to obtain a copy of the Letter of Transmittal. Contact information for the Exchange Agent is as follows:

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario
M5J 2Y1
Attn: Corporate Actions
corporateactions@computershare.com
1-800-564-6253

APPENDIX B

SECTION 262 OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in 1 or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title and, subject to paragraph (b)(3) of this section, § 251(h) of this title), § 252, § 254, § 255, § 256, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that, except as expressly provided in § 363(b) of this title, no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of the meeting of stockholders to act upon the agreement of merger or consolidation, were either: (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in § 251(f) of this title.

(2) Notwithstanding paragraph (b)(1) of this section, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 255, 256, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a. and b. of this section; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a., b. and c. of this section.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 251(h), § 253 or § 267 of this title is not owned by the parent immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(4) In the event of an amendment to a corporation's certificate of incorporation contemplated by § 363(a) of this title, appraisal rights shall be available as contemplated by § 363(b) of this title, and the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as practicable, with the word "amendment" substituted for the words "merger or consolidation," and the word "corporation" substituted for the words "constituent corporation" and/or "surviving or resulting corporation."

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for notice of such meeting (or such members who received notice in accordance with § 255(c) of this title) with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) of this section that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section and, if 1 of the constituent corporations is a nonstock corporation, a copy of § 114 of this title. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228, §251(h), § 253, or § 267 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section and,

if 1 of the constituent corporations is a nonstock corporation, a copy of § 114 of this title. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice or, in the case of a merger approved pursuant to § 251(h) of this title, within the later of the consummation of the tender or exchange offer contemplated by § 251(h) of this title and 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice or, in the case of a merger approved pursuant to § 251(h) of this title, later than the later of the consummation of the tender or exchange offer contemplated by § 251(h) of this title and 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) of this section hereof and who is otherwise entitled to appraisal rights, may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) of this section hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) of this section hereof, whichever is later. Notwithstanding subsection (a) of this section, a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from the corporation the statement described in this subsection.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After the Court determines the stockholders entitled to an appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the stockholders entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just; provided, however that this provision shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of the merger or consolidation, as set forth in subsection (e) of this section.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

APPENDIX C

ESTIMATE OF MERGER CONSIDERATION

The following calculation is only an estimate to provide you with a hypothetical example to assist you in understanding how the Closing Value and the Merger Consideration payable to Company stockholders will be computed. Please remember that if your stock certificate was issued prior to the Company's 1-for-100 reverse stock split on September 14, 2005, you should remember to divide the number of shares shown on that stock certificate by 100 to determine the number of shares of Common Stock you currently own.

Subject to (a) reduction for the Company's actual transaction expenses and indebtedness as of the Closing, (b) adjustment for the Company's net working capital at the Closing, (c) variation based on the volume weighted average closing price of one common share in the capital of MTY (in Canadian Dollars on the Toronto Stock Exchange) over the ten trading days immediately preceding the Closing (as compared to Canadian $35.68, which was the closing price of one common share in the capital of MTY on May 24, 2016 and was used in the following calculation), and (d) variation in the exchange rate of Canadian dollars into U.S. dollars, the estimated value of the Merger Consideration that will be received by a holder of 100 shares of Common Stock is calculated below:

(1) Computation of Estimated Closing Value:		
(x) Initial Cash Merger Consideration:	$240,000,000	
Less: Estimated Transaction Costs	($750,000)	
Less: Estimated Company indebtedness	($40,201,000)	
Plus/Less: Estimated Working Capital Adjustment	($15,500,000)	
Equals Estimated Cash Merger Consideration		$ 183,549,000
(y) Estimated Closing Date Share Value:		
2,253,930 shares at Canadian $35.68/share (based upon the closing price of one MTY share and the exchange rate on May 24, 2016)		$ 61,180,000
Estimated Closing Value (i.e., the sum of (x) and (y)):		$ 244,729,000
(2) Number of Issued and Outstanding Shares of Common Stock:		1,642,477
Estimated Per-Share Closing Value (i.e., (1)÷(2)):		$149.00

With an Estimated Per-Share Closing Value of $149.00, a holder of 100 shares of Common Stock would receive a Closing Value of approximately $14,900.00 (i.e., 100 x the Estimated Per-Share Closing Value). This Closing Value will be entirely in cash for Cash-Only Stockholders and will be in the form of both cash and common shares in the capital of MTY for Mixed Consideration Holders.

APPENDIX D

DEFINITION OF ACCREDITED INVESTOR

As defined in Rule 501(a) of Regulation D promulgated by the United States Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"),

Accredited Investor shall mean any person who comes within any of the following categories, or who the issuer reasonably believes comes within any of the following categories, at the time of the sale of the securities to that person:

(1) Any bank as defined in section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; any insurance company as defined in section 2(a)(13) of the Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(2) Any private business development company as defined in section 202(a)(22) of the Investment Advisers Act of 1940;

(3) Any organization described in section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

(4) Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;

(5) Any natural person whose individual net worth, or joint net worth with that person's spouse, exceeds $1,000,000.

(i) Except as provided in paragraph (a)(5)(ii) of this section, for purposes of calculating net worth under this paragraph (a)(5):

(A) The person's primary residence shall not be included as an asset;

(B) Indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and

(C) Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of securities shall be included as a liability;

(ii) Paragraph (a)(5)(i) of this section will not apply to any calculation of a person's net worth made in connection with a purchase of securities in accordance with a right to purchase such securities, provided that:

(A) Such right was held by the person on July 20, 2010;

(B) The person qualified as an accredited investor on the basis of net worth at the time the person acquired such right; and

(C) The person held securities of the same issuer, other than such right, on July 20, 2010.

(6) Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(7) Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in §230.506(b)(2)(ii); and

(8) Any entity in which all of the equity owners are accredited investors.

As referenced in (7) above, §230.506(b)(2)(ii) describes a sophisticated person as a person with: “such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment. . .”

APPENDIX E

KAHALA PRESS RELEASE

FOR IMMEDIATE RELEASE

Contact For Media Inquiries:

Name: Jessica Benedick
Phone: (480) 362-4837
Email: jbenedick@kahalamgmt.com

Contact for Shareholder Inquiries:

Name: Michael Reagan
Phone: (480) 362-4800
Email: mjreagan@kahalamgmt.com
Stock Quotes: www.otcmarkets.com
Symbol: KAHL

KAHALA BRANDS, LTD. AND MTY FOOD GROUP INC. ANNOUNCE SIGNING A TRANSACTION AGREEMENT TO MERGE

SCOTTSDALE, Ariz. – (May 25, 2016) – Scottsdale-based Kahala Brands, Ltd.™ (www.kahalabrands.com) ("Kahala Brands"), today announced that it has signed an agreement to merge with an indirect, wholly-owned subsidiary of MTY Food Group Inc. ("MTY"). MTY is a franchisor and operator of 40 concept restaurant brands, headquartered in Montreal, Quebec, Canada, and is traded on the Toronto Stock Exchange under the symbol "MTY".

The aggregate consideration for Kahala Brands consists of 2,253,930 common shares of MTY (closing market price of MTY common shares on the Toronto Stock Exchange on May 24, 2016 of $35.68 Canadian) and $240,000,000 U.S. cash less actual closing costs, indebtedness and other customary adjustments ("Closing Adjustments").

The consideration to be paid to the individual stockholders of Kahala Brands can consist of all cash (a "cash only stockholder"), or if a stockholder is an accredited investor (as defined by applicable U.S. securities laws), a combination of cash and MTY common shares (a "combination stockholder"). Based on the closing market price of MTY common shares on the Toronto Stock Exchange on May 24, 2016, the exchange rate of Canadian dollars to U.S. dollars on May 24, 2016, and subject to Closing Adjustments, a cash only stockholder or a combination stockholder of Kahala Brands who owns 100 shares of Kahala Brands stock would receive consideration

valued at approximately $14,900 U.S. subject to increase or decrease based on the average market price of the MTY common shares for the 10 trading days prior to the closing of the transaction, and the then-current U.S./Canadian dollar exchange rate, and Closing Adjustments. The closing of the transaction is expected to happen within the next 75 days and is subject to numerous closing and regulatory conditions which are fully set forth in the Confidential Proxy Statement that will be furnished to all Kahala Brands stockholders within approximately the next ten business days.

Kahala Brands stockholders should check their shareholdings since the capitalization of Kahala Brands was decreased in 2005 in a 1-for-100 reverse stock split. A current quote for shares of Kahala Brands can be found at www.otcmarkets.com under the symbol "KAHL".

Immediately following the closing of the merger, Kahala Brands will continue to be operated from its current Scottsdale, AZ headquarters.

North Point Advisors served as a financial advisor to the Serruya Family (the controlling stockholders of Kahala Brands) in connection with this Transaction. If you are a Kahala Brands stockholder and have questions about this transaction, please contact Michael Reagan at (480) 362-4800 or by e-mail at mjreagan@kahalamgmt.com.

About Kahala Brands

Kahala Brands is an international franchising Company with a portfolio of 18 quick-service restaurant brands with approximately 2,900 locations in 25 countries including: Cold Stone Creamery®, Blimpie®, TacoTime™, Samurai Sam's Teriyaki Grill®, The Great Steak & Potato Company™, NrGize Lifestyle Cafe™, Surf City Squeeze®, Johnnie's New York Pizzeria™, Cereality®, Kahala Coffee Traders® Frullati Café & Bakery™, Rollerz™, Ranch One®, America's Taco Shop®, Planet Smoothie®, Tasti D-Lite™, Maui Wowi®, and Pinkberry®.

For more information about Kahala Brands, please visit Kahala Brands website at www.kahalamgmt.com or contact Michael Reagan at (480) 362-4800 or by e-mail at mjreagan@kahalamgmt.com.

About MTY

MTY is the franchisor and operator of over 2,700 restaurants, operating mainly in Canada and in 14 other countries around the world. MTY is among the leaders in the Canadian quick service restaurant industry, with system wide sales of over C$1 billion and 40 brands under its portfolio. MTY is headquartered in St.-Laurent,

Quebec, Canada and is traded on the Toronto Stock Exchange under the symbol "MTY."

For more information about MTY, please visit MTY's website at www.mtygroup.com or contact Eric Lefebvre, Chief Financial Officer at (514) 336-8885 x288 or by e-mail at ir@mtygroup.com, or visit SEDAR's website at www.sedar.com under MTY's name.

Forward Looking Statements

Certain statements in this News Release may constitute "forward looking" statements that involve known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of Kahala Brands and/or MTY or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In some cases, forward-looking statements can be identified by such terms as "anticipate", "estimate", "may", "will", "expect", "predict", "believe", "plan" and other terminology. Such statements reflect our current intent, belief and expectations about future events and operating performance, speak only as of the date of this News Release and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Except as required by law, we assume no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise. Additional information about MTY is available in MTY's Management's Discussion & Analysis, which can be found on SEDAR at www.sedar.com.

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THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF

KAHALA BRANDS, LTD.

Special Meeting of Stockholders on July 21, 2016

The undersigned stockholder of Kahala Brands, Ltd., a Delaware corporation (the "**Company**"), was a record holder of shares of Common Stock of the Company on the record date (May 24, 2016) for the special meeting of stockholders to be held on July 21, 2016, at 10:00 a.m. Arizona time, at the Company's headquarters, located at 9311 East Via De Ventura, Scottsdale, Arizona 85258 (the "**Meeting**"), and hereby appoints Michael Serruya and Michael Reagan, and each of them, proxies and attorneys-in-fact, with full power to each of substitution, on behalf and in the name of the undersigned, to represent the undersigned at the Meeting, and at any adjournment(s) or postponement(s) thereof, and to vote all shares of Common Stock which the undersigned would be entitled to vote, if then and there personally present, on the matters set forth below:

PLEASE PROMPTLY COMPLETE, DATE, SIGN AND MAIL THIS PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. DO NOT STAPLE OR MUTILATE

1. **To approve the Merger, the Transaction Agreement, dated as of May 24, 2016, as it may be amended from time to time, by and among the Company, MTY Food Group Inc., MTY Franchising USA, Inc., 113 Acquisition Corp., and certain other parties, and the transactions contemplated by the Transaction Agreement.**

[ ] FOR [ ] AGAINST [ ] ABSTAIN

2. **To adjourn or postpone the special meeting to a later date, if necessary or appropriate.**

[ ] FOR [ ] AGAINST [ ] ABSTAIN

Any one of such attorneys-in-fact or substitutes as shall be present and shall act at said meeting or any adjournment(s) and postponement(s) thereof shall have and may exercise all powers of said attorneys-in-fact hereunder.

Dated: _____, 2016

_____

(Signature)

Printed Name: _____

_____

(Signature)

Printed Name: _____

(This Proxy should be marked, dated and signed by the stockholder(s) **exactly** as his or her name appears hereon and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate. If shares are held by joint tenants or as community property, both should sign.)

This Proxy may be revoked at any time before it is exercised by submitting another proxy to the Company's Corporate Secretary, Michael Reagan, or by giving written notice of revocation of this Proxy to the Company's Corporate Secretary, either of which must be filed with the Corporate Secretary by the time the Meeting begins.