MANAGEMENT`S DISCUSSION AND ANALYSIS FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2010

GENERAL

Management's Discussion and Analysis of the financial position and results of operations ("MD&A") of MTY Food Group Inc. ("MTY”) is supplementary information and should be read in conjunction with the Company’s consolidated financial statements and accompanying notes and with the most recent annual report, for the fiscal year ended November 30, 2009.

In the MD&A, MTY Food Group Inc., MTY, or the Company, designates, as the case may be, MTY Food Group Inc. and its Subsidiaries, or MTY Food Group Inc., or one of its subsidiaries.

There have been no significant changes with regards to “Corporate Objectives, Core Business and Strategies”, “Risk and Uncertainties”, and “Critical accounting Policies to those outlined in the Annual MD&A contained in MTY’s 2009 Annual Report. As such, they are not repeated herein.

The consolidated financial statements contained in this interim report have not been reviewed by MTY’s external auditors.

This MD&A was prepared as at April 1, 2010. Supplementary information about MTY, including its latest annual and quarterly reports, and press releases, is available on SEDAR’s website at www.sedar.com.

COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Unless otherwise indicated, the financial information presented below, including tabular amounts, is expressed in Canadian dollars and prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). MTY uses income before income taxes, non-controlling interest and amortization (“EBITDA”) because this measure enables management to assess the Company’s operational performance. This measure is a widely accepted financial indicator but is not a measurement determined in accordance with GAAP and may not be comparable to the EBITDA presented by other companies.

HIGHLIGHT OF SIGNIFICANT EVENTS DURING THE QUARTER

There was no significant change during the quarter.

CORE BUSINESS

MTY franchises and operates quick-service restaurants under the following banners: Tiki Ming, Sukiyaki, La Cremiere, Veggirama, Caferama, Au Vieux Duluth Express, Carrefour Oriental, Panini Pizza Pasta, Chick 'N' Chick, Franx Supreme, Croissant Plus, Villa Madina, Cultures, Thai Express, Mrs. Vanelli's, Kim Chi, "TCBY", Yogen Früz, Sushi Shop, Koya Japan, Vie & Nam, Tandori, O'Burger, Tutti Frutti, Taco Time, Country Style and Bunsmaster. As at February 28, 2010 MTY had 1597 locations in operation, of which 1576 were franchised and the remaining 21 locations were operated by MTY.

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and, iii) non-traditional format within petroleum retailers, convenience stores, cinemas, amusement parks and in other venues or retailers shared sites. The non-traditional locations, which account for approximately 39% of the total location count, 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 Cremiere, "TCBY", Sushi Shop, Taco Time and Tutti Frutti banners. La Cremiere and "TCBY" operate primarily from April to September and the others banners operate year round.

MTY has developed several quick service restaurant concepts: Tiki Ming - Chinese cuisine, was its first banner, followed by Sukiyaki - A Japanese delight, Franx Supreme – hot dog/hamburger, Panini Pizza Pasta, Chick'n'Chick, Caferama, Carrefour Oriental, Villa Madina, Kim Chi, Vie & Nam, Tandori and O'Burger. Other banners added through acquisitions include: 18 locations from the Fontaine Sante/Veggirama chain in 1999, 74 locations from the La Cremiere ice cream chain in 2001, 20 locations from the Croissant Plus chain in 2002, 24 locations from the Cultures chain in 2003, 6 locations from the Thai Express chain in May 2004, 103 locations from the Mrs. Vanelli's chain in June 2004, 91 locations of The Country's Best Yogurt "TCBY" with the undertaking of the Canadian master franchise right in September 2005. On April 1, 2006, MTY acquired the exclusive master franchise rights to franchise Yogen Früz™ throughout Canada with its network of 152 existing locations. On September 1, 2006, MTY acquired the Sushi Shop banner with its 42 franchise locations and 5 corporate owned locations and on October 19, 2006, the Company acquired the Koya Japan banner with its 24 franchise locations and one corporate owned location. On September 1, 2007 MTY purchased 15 existing Sushi Shop franchise locations from an investor group. On September 15, 2008, MTY acquired the Tutti Frutti banner with its 29 outlets. This banner caters to the breakfast and lunch crowd. On October 31, 2008, MTY acquired the Canadian franchising rights of Taco Time in Canada. As at the date of acquisition, there were 117 Taco Time restaurants operating in Western Canada. This year, the Company acquired the outstanding shares of Country Style Food Services Holdings Inc. with the 480 outlets operated by its subsidiaries. MTY also has an exclusive area development agreement with Restaurant Au Vieux Duluth to develop and sub-franchise Au Vieux Duluth Express quick-service restaurants in the Provinces of Ontario and Quebec.

Revenues from franchise locations are generated from royalty fees, franchise fees, sales of turn key projects and other goods and services to franchisees. Revenues from corporate owned locations include sales generated from corporate owned locations. Other operating expenses include salaries, general and administrative costs associated

with existing and new franchisees, expenses in the development of new markets, costs of setting up turn key projects, supplies and equipment sold to franchisees. Corporate owned location expenses include the costs to operate corporate owned locations.

DESCRIPTION OF RECENT ACQUISITIONS

On April 13, 2009, MTY announced that its wholly owned subsidiary MTY Tiki Ming Enterprises Inc. would be acquiring all the issued shares of Country Style Food Services Holdings Inc. The acquisition was completed on May 1, 2009. The Company has paid $7,936,791 in cash and $6,750,000 as repayment of long-term debt on closing and retained the amounts of $997,868 and $794,576 as holdbacks and withholding taxes respectively. An amount of $2,697,762 of post-closing adjustments is to be reimbursed by the sellers to the Company in accordance with the provisions of the purchase agreement. The post-closing adjustments are under litigation.

As at the date of acquisition, there were 117 Country Style traditional restaurants, 348 non-traditional Country Style outlets as well as 15 Bunsmaster retail outlets. All these units were franchised with the exception of 5 corporate owned traditional restaurants.

The purchase price of Country Style has not been finalized as of April 1, 2010.

OVERALL PERFORMANCE AND RESULTS FROM OPERATIONS

Selected annual information

	Year ended November 30,2007	**Year ended November 30,2008**	**Year ended November 30,2009**
Revenue	$30,526,025	$34,239,041	$51,537,788
Income before income taxes and non-controlling interest	$13,536,341	$14,327,700	$17,927,708
Net income and comprehensive income	$9,167,123	$9,911,506	$12,261,503
EPS basic	$0.48	$0.52	$0.64
EPS diluted	$0.48	$0.52	$0.64
Weighted daily average number of common shares	18,932,767	19,120,567	19,120,567
Weighted average number of diluted common shares	19,081,504	19,120,567	19,120,567

Summary of quarterly information

	Quarter Ended May/08	Quarter Ended Aug/08	Quarter Ended Nov/08	Quarter Ended Feb/09	Quarter Ended May/09	Quarter Ended Aug/09	Quarter Ended Nov/09	Quarter Ended Feb/10
Revenue	$8,613,816	$9,221,730	$8,827,337	$9,777,233	$11,434,753	$14,838,378	$15,487,424	$14,313,553
Net income and comprehen-sive income	$2,346,962	$2,673,826	$2,836,995	$2,199,526	$2,901,760	$3,384,504	$3,775,712	$3,003,595
Per share	$0.12	$0.14	$0.15	$0.12	$0.15	$0.18	$0.20	$0.16
Per diluted share	$0.12	$0.14	$0.15	$0.12	$0.15	$0.18	$0.20	$0.16

RESULTS OF OPERATIONS FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2010

Revenue

For the quarter ended February 28, 2010, total revenue increased by 46%, to $14.3 million from $9.8 million for the same quarter last year.

Revenue from franchise locations increased to $12.3 million from $7.8 million for an increase of 57%. The acquisition and the subsequent growth of Country Style are the main drivers of this increase.

Revenue from corporate owned locations increased slightly to $2.0 million for the quarter, from $1.9 million for the same quarter last year, representing an increase of 2%. Revenues increased despite the lower number of corporate owned locations in operations during the first quarter of 2009 than during the same period a year before.

Cost of sales and other operating expenses

For the quarter ended February 28, 2010, other operating expenses increased by 80% to $7.0 million from $3.9 million for the same quarter in 2009. The aforementioned increase is mainly attributable to the acquisition of Country Style.

Expenses for corporate owned locations were 5% lower for the first quarter of 2010 than they were for the same period a year before, at $1.8 million from $1.9 million. The decrease is attributable to higher margins as well as to a reduced number of stores compared to 2009.

EBITDA

	First quarter ended 28-Feb-2009			First quarter ended 28-Feb-2010		
(In millions)	**Franchise**	**Corporate**	**Total**	**Franchise**	**Corporate**	**Total**
Revenues [1]	$7.91	$1.94	$9.86	$12.26	$1.99	$14.25
Expenses	$3.87	$1.93	$5.81	$6.96	$1.83	$8.79
EBITDA	$4.04	$0.01	$4.05	$5.30	$0.16	$5.46
EBITDA as a % of revenue	**51%**	**1%**	**41%**	**43%**	**8%**	**38%**

EBITDA (income before income taxes, non-controlling interest and amortization) is not an earnings measure recognized by GAAP and therefore may not be comparable to similar measures presented by other companies.
[1] For purposes of the EBITDA analysis, interest income and gain on disposal of capital assets have been included with Franchise revenue. See reconciliation to net income and comprehensive income on page 11.

Total EBITDA for MTY grew by 35%, from $4.1 million to $5.5 million for the quarter ended February 28, 2010.

EBITDA from franchise locations for the quarter increased 32%, from $4.0 million in 2009 to $5.3 million in 2010. The main drivers of that growth are the acquisition of Country Style and the higher number of stores in operations resulting from the openings of the last 12 months.

EBITDA as a percentage of revenue is lower in the first quarter of 2010 mainly because of higher sales made to franchisees, which typically generate lower profit margins.

EBITDA from corporate owned locations increased from $0.0 million to $0.2 million, despite a lower number of stores mainly because of lower cost of sales and stronger overall operations. EBITDA as a % of revenue increased to 8% for the quarter ended February 28, 2010, from 1% for the same period last year due to better performance of some of the remaining corporate stores.

Net income

For the quarter ended February 28, 2010, net income increased 37% compared to the first quarter of 2009. MTY reported a net income of $3.0 million or $0.16 per share ($0.16 per diluted share) compared to a net income of $2.2 million or $0.12 per share ($0.12 per diluted share) for the same quarter last year. The increase in net income for the quarter is mainly attributed to the acquisitions of Country Style during the second quarter of 2009 and generic growth.

Amortization

Amortization of capital assets increased to $0.3 million for the first quarter of 2010 compared to $0.2 million for the same period in 2000, mainly as a result of the capital assets acquired with Country Style.

Amortization of intangible assets increased to $0.8 million for the quarter ended February 28, 2010 compared to $0.7 million for the same period last year. The increase is due to

the additional amortization of intangible assets that resulted from the acquisition of Country Style.

Other income

For the first quarter, interest income decreased by $0.1 million compared to the same period last year. This is a reflection of lower interest rates that prevailed in 2010.

Losses on disposal of assets amounted to $0.1 million during the quarter, mainly owing to the disposal of the assets related to an under performing corporate store.

CONTRACTUAL OBLIGATIONS AND LONG-TERM DEBT

Long-term debt includes non-interest bearing holdbacks on acquisitions with a balance of $1,774,202 as well as $204,000 of debt of a partly-owned subsidiary to its non-controlling shareholders. The obligations pertaining to the long-term debt and the minimum rentals for the leases that are not subleased are as follows:

For the period ending	Long term debt	Net lease commitments	Total contractual obligations
12 months ending Feb 2011	$1,432,684	$1,757,880	$3,190,564
12 months ending Feb 2012	$545,518	$2,002,034	$2,547,552
12 months ending Feb 2013	-	$1,908,516	$1,908,516
12 months ending Feb 2014	-	$1,613,950	$1,613,950
12 months ending Feb 2015	-	$1,495,038	$1,495,038
Balance of commitments	-	$6,738,229	$6,738,229
	$1,978,202	**$15,515,647**	**$17,493,849**

LIQUIDITY AND CAPITAL RESOURCES

Cash and highly liquid temporary investments amounted to $20.3 million on February 28, 2010, compared $15.9 million at the end of the 2009 fiscal period.

During the first quarter of 2010, cash flows generated by operating activities were $4.3 million, compared to $1.3 million during the first quarter of 2009. The main drivers of this increase are the strength in net income and the stabilization of the company’s working capital requirements.

MTY anticipates that its positive cash flows will continue and will only borrow for the purpose of financing large acquisitions. In the short-term, Management will continue to open new locations that will be funded by new franchisees. MTY will continue its efforts to sell some of its existing corporate owned locations and will seek new opportunities to acquire other food service operations. MTY has an available line of credit of $5.0 million that remained unused at February 28, 2010. The facility, when used, bears interest at the bank’s annual prime rate plus 1.00%.

BALANCE SHEET

Temporary investments at the end of the first quarter were $13.0 million, down $1.7 million compared to the balance at November 30, 2009. The decrease is due to some investments maturing shortly before year-end for which the proceeds from redemption had not yet been re-invested as at February 28, 2010.

These temporary investments are comprised of short-term notes valued at fair value. They have maturity dates between May 2010 and January 2011 and have rates of return between 0.53% and 0.80% (0.35% to 1.01% in November 2009).

The number of turnkeys delivered during the first quarter of this year caused the franchise locations under construction held for resale to decrease to $0.9 million as at February 28, 2010 from $1.0 million as at November 30, 2009.

Capital assets decreased to $3.2 million at the end of the first quarter because of the combined impact of the disposal of some of the Company's assets through the sale of corporate-owned locations and amortization recorded during the period, which exceeded the new investments in capital assets.

Intangible assets decreased from $35.1 million as at November 30, 2009 to $34.3 million at the end of the first quarter of 2010 due to the amortization charges recorded during the quarter.

Accounts payable increased from $9.3 million to $9.7 million between November 30, 2009 and February 28, 2010 mainly because of higher accruals in relation to the construction of turnkey locations to be delivered later in the year.

Deferred revenues consist of distribution rights which are earned on a consumption basis and include initial franchise fees to be earned once substantially all of the initial services have been performed. Deferred revenues decreased to $1.3 million as at February 28, 2010 from $1.7 million as at November 30, 2009. The increase is the result of the recognition of initial franchise fees during the period following the high level of activity that had happened in the last quarter of 2009.

Long-term debt was stable as no material repayments occurred during the period. The long-term debt is composed of non-interest bearing holdbacks on acquisitions and of debt contracted by one of the company's subsidiary for the set up of its operations. We expect the holdbacks will be repaid over the next two years, while the debt from the subsidiary carries no terms of repayment and will be repaid when this subsidiary generates sufficient cash flow to repay its debt without impairing its operations.

Further details on the above balance sheet items can be found in the notes to the February 28, 2010 financial statements.

CAPITAL STOCK

No shares were issues during the first quarter of the Company's 2010 fiscal period. As at April 1, 2010 there were 19,120,567 common shares of MTY outstanding.

LOCATION INFORMATION

	Number of locations 3 months Feb 2010	Number of location 3 months Feb 2009
Franchises, beginning of year	**1,550**	996
Corporate owned, beginning of year	**20**	27
Opened during the year	**34**	12
Closed during the year	**(7)**	(11)
Total end of year	**1,597**	1,024
Franchises, end of year	**1,576**	1,000
Corporate owned, end of year	**21**	24
Total end of year	**1,597**	1,024

For the first quarter ended February 28, 2010 MTY had, 1,597 locations (1,576 franchises and 21 corporate-owned restaurants) in operation compared to 1,570 locations (1,550 franchises and 20 corporate-owned restaurants) as at November 30, 2009. The net addition of 27 locations is up from a net addition of 1 location in the first quarter of 2009.

During the first quarter of 2010, 2 corporate-owned locations were sold while 3 were added.

As at February 28, 2010, there were 27 test locations in operation, all of which are excluded from the numbers presented above. This is the same number as at the end of our 2009 fiscal year, resulting from 1 test being closed and 1 opened during the period.

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, cinemas, amusement parks and in other venues or retailers shared sites. The non-traditional locations are typically smaller in size, require lower investment and generate lower revenue than the shopping malls, food courts and street front locations. The chart below provides the breakdown of MTY's locations by type as at February 28, 2010:

Location type	% of total location count
Shopping mall & food court	**38**%
Street front	**23**%
Non-traditional format	**39**%

Of the 34 stores opened during the first quarter of 2010, 17 were in shopping malls and food courts, 4 were street front and 13 were non-traditional. There were 2 street front and 5 shopping mall and food court locations closed during the same period.

The geographical breakdown of MTY’s locations at February 28, 2010 consists of:

Geographical location	% of total location count
Ontario	50%
Quebec	28%
Prairies provinces	12%
British Columbia	5%
Maritimes	2%
International	3%

SYSTEM WIDE SALES

MTY total system wide sales amounted to $105.0 million during the quarter ended February 28, 2010 compared to $80.6 million for the same period last year, representing an increase of over 30%. Total system wide sales include sales for corporate and franchise locations, which are for the vast majority of them as reported by franchisees. The increase in system wide sales is attributable primarily to the acquisition of Country Style and to the new locations opened since the end of the first quarter of 2009.

SAME STORE SALES

Same store sales for the first quarter of 2010 decreased by 1.2%, showing an improvement compared to the trend we had witnessed at the end of our 2009 fiscal period. Management believes that the decrease is temporary and is due to adverse economic conditions that have affected Canada. Sales are expected to recover once the economy gains momentum.

INVESTOR RELATIONS

On January 19, 2004, MTY appointed, for a 12 month-term, Mr. Jean-Francois Dube of Boxe Comm, as its investor relation's specialist. Mr. Dube is responsible for communicating to existing shareholders, potential investors and members of the brokerage community, for and on behalf of MTY. The Company further extended the contract with Boxe Comm to end in April 2010, subject to terms and conditions contained in the Agreement. For the three month period ended February 28, 2010, MTY has paid an amount of $12,000 to Boxe Comm.

STOCK OPTIONS

During the three month period, no options were granted or exercised. As at February 28, 2010 there were no options outstanding.

SEASONALITY

Results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will not to be a material factor in the quarterly variation of its results. System sales fluctuate seasonally, during January and February sales are historically lower than average due to weather conditions. Sales are historically above average during May to August. This is generally as a result of higher traffic in the street front locations, higher sales from seasonal locations only operating during the summer months and higher sales from shopping centre locations. Sale for shopping malls locations are also higher than average in December during the Christmas shopping period.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. Significant areas requiring the use of management estimates relate to the carrying value of long lived assets, valuation of allowances for accounts receivable and inventories, liabilities for potential claims and settlements, income taxes, the useful life of assets used when calculating amortization, the determination of fair value of assets and liabilities in business acquisitions and impairment testing on goodwill and trademarks. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

CONTINGENT LIABILITIES

The Company is involved in legal claims associated with its current business activities, the outcome of which is not determinable. Management believes that these legal claims will have no significant impact on the financial statements of the Company.

GUARANTEE

The Company has provided a guarantee in the form of a letter of credit for an amount of $45,000.

EBITDA RECONCILIATION TO NET INCOME AND COMPREHENSIVE INCOME

The following table provides reconciliation of EBITDA to net income and comprehensive income disclosed in this MD&A.

(In millions)	3 months ended Feb 2009	3 months ended Feb 2010
	$	$
EBITDA	4.05	5.46
Less:		
Amortization – capital assets	0.17	0.29
Amortization – intangible assets	0.69	0.79
Total income taxes	0.98	1.37
Non-controlling interest	0.01	0.01
Net income and comprehensive income	**2.20**	**3.00**

RISKS AND UNCERTAINTIES

Despite the fact that the Company has a various number of concepts, diversified in type of locations and geographically across Canada, the performance of the Company is also affected by changes in demographic trends, traffic patterns, occupancy level of malls and office towers and the type, number, and location of competing restaurants. In addition, factors such as innovation, increased food, labour and benefits costs, occupancy costs and the availability of experienced management and hourly employees may adversely affect the Company. Changing consumer preferences and discretionary spending patterns could oblige the Company to modify or discontinue concepts and/or menus and could result in a reduction of revenue and operating income. Even if the Company was able to compete successfully with other restaurant companies with similar concepts, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the concept profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce customer traffic or impose practical

The growth of MTY is dependant on maintaining the current franchise system which is subject to the renewal of existing leases at sustainable rates, MTY's ability to continue to

expand by obtaining acceptable store sites and lease terms, obtaining qualified franchisees, increasing comparable store sales and completing acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the MTY system and culture could also have an impact on MTY's results.

OFF-BALANCE SHEET ARRANGEMENT

MTY has no off-balance sheet arrangements

FUTURE ACCOUTING POLICIES

International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board (AcSB) confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. For the Company, the conversion to IFRS will be required for interim and annual financial statements for the year ending November 30, 2012. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. The Company is currently preparing its IFRS conversion plan. The plan will be aimed in particular at identifying the differences between IFRS and the Company's accounting policies, assessing their impact and, where necessary, analyzing the various policies that the Company could elect to adopt.

Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", which supersedes Section 1581, "Business Combinations". The Section establishes standards for the accounting for a business combination. This Section applies prospectively to business combinations for which the acquisition date is on or after October 1, 2011.

CRITICAL ACCOUNTING POLICIES

MTY's significant accounting policies are those which are set forth in the notes to the consolidated financial statements as at February 28, 2010. There are no critical accounting estimates that, if changed, would materially affect MTY's overall financial condition or results of operations.

Capital assets

Capital assets are recorded at cost. Amortization is based on their estimated useful life using the following methods and rates or terms:

Equipment	diminishing balance	20%
Computer hardware	diminishing balance	30%
Computer software	diminishing balance	50%
Leasehold improvements	straight-line	term of leases
Rolling stock	diminishing balance	30%

Goodwill

Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired. Goodwill, which is not amortized, is tested for impairment annually or more frequently if impairment indicators arise to determine whether the fair value of each reporting unit to which goodwill has been attributed is less than the carrying value of the reporting unit's net assets including goodwill, thus indicating impairment. The fair value of a reporting unit is calculated based on future cash flows. Any impairment is then recorded as a separate charge against income and a reduction of the carrying value of goodwill.

Intangible assets

Franchise rights

Franchise rights include franchise rights and master franchise rights. The franchise rights and master franchise rights represent the fair value of the future revenue stream related to the acquisition of franchises. The franchise rights and master franchise rights are generally amortized on a straight-line basis over the term of the agreements which range between 10 to 20 years. Master franchise rights with an indefinite life are not amortized. They are tested for impairment annually or more frequently when events or circumstances indicate that the master franchise rights might be impaired.

Trademarks

Trademarks represent the cost incurred to operate under a trade name and are not amortized as they have an indefinite life. They are tested annually for impairment or more frequently when events or circumstances indicate that the trademarks might be impaired. The impairment test compares the carrying amount of the trademarks with their fair market value.

Leases

Leases, which represent the value associated to preferential terms or locations, are amortized on a straight-line basis over the term of the leases.

Other

Included in other intangible assets are a sponsorship fee and a licensing agreement acquired in the 2004 acquisition of Mrs. Vanelli's Restaurants Ltd., which are both fully amortized, and distributions rights obtained from the acquisition of Country Style Food Services Inc., which are being amortized over the remaining life of the contracts (three years).

Revenue recognition

Revenue is generally recognized on the sale of products or services when the products are delivered or the services performed, all significant contractual obligations have been satisfied and the collection is reasonably assured.

Revenue from franchise locations

Royalties are based either on a percentage of gross sales as reported by the franchisees or on a fixed monthly fee and are recognized as revenue in the period earned.

Initial franchise fees are recognized when substantially all of the initial services as required by the franchise agreement have been performed. This occurs when the location commences operations.

Revenue from the sale of franchise locations is recognized at the time the franchisee assumes control of the franchise location.

Master license fees are recognized when the Company has performed substantially all material initial obligations under the agreement, which usually occurs when the agreement is signed.

Renewal and transfer fees are recognized when substantially all applicable services required by the Company under the franchise agreement have been performed. This generally occurs when the agreement is signed.

The Company receives considerations from certain suppliers. Supplier contributions are recognized as revenues as they are earned.

Revenue from corporate-owned locations

Revenue from corporate-owned locations is recorded when services are rendered.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments.

Classification

Cash	Held for trading
Temporary investments	Held for trading
Accounts receivable	Loans and receivables
Deposits	Loans and receivables
Loans receivable	Loans and receivables
Other receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

Held for trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued,

gains and losses realized on disposal and unrealized gains and losses are included in other income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities other than derivative instruments.

Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

CREDIT RISK

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the balance sheet are net of allowances for bad debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment. The Company believes that the credit risk of accounts receivable is limited for the following reasons:

- The Company's broad client base is spread mostly across Canada.
- The Company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual account receivable.

The following table sets forth details of the age receivables that are not overdue as well as an analysis of overdue amounts and related allowance for the doubtful accounts:

	February 28, 2010	November 30, 2009
	$	$
Total accounts receivable	7,592,801	7,429,147
Less: Allowance for doubtful accounts	915,475	754,110
Total accounts receivable, net	6,677,326	6,675,037
Of which:		
Not past due	3,880,772	5,003,899
Past due for more than one day but for no more than 30 days	548,621	147,782
Past due for more than 31 days but for no more than 60 days	618,478	616,139
Past due for more than 61 days	1,629,455	907,217
Total accounts receivable, net	6,677,326	6,675,037
Allowance for doubtful accounts beginning of year	754,110	648,934
Additions	195,168	443,939
Acquisition	-	115,107
Write-off	(33,803)	(453,870)
Allowance for doubtful accounts end of year	915,475	754,110

The credit risk on cash and temporary investments is limited because the Company invests its excess liquidity in high quality financial instruments.

ECONOMIC ENVIRONMENT RISK

The business of the Company is dependent upon numerous aspects of a healthy general economic environment, from strong consumer spending to provide sales revenue, to available credit to finance the franchisees and the Company. In light of recent upheaval in economic, credit and capital markets, the Company's performance and market price may be adversely affected. The Company's current planning assumptions forecast that the quick service restaurant industry will be impacted by the current economic recession in the provinces in which it operates. However, management is of the opinion that the current economic situation will not have a major impact on the Company due to the following reasons: 1) the Company has strong cash flows; 2) quick service restaurants represent an affordable dining out option for consumers in an economic slowdown.

OUTLOOK

It is Management's opinion that the trend in the quick service restaurants industry will continue to grow in response to the demand from busy and on-the-go customers.

Management will maintain its focus on producing innovative menus and revamping the store designs of its banners which should result in positive same store sales growth when renovations are completed.

MTY continues to grow through the expansion of its existing concepts. Approximately 75 new locations have been planned for the 2010 fiscal year.

Management remains committed to seek out potential acquisitions to further strengthen its market position.

FORWARD LOOKING STATEMENTS

Certain information in this Management's Discussion and Analysis may constitute "forward-looking" information that involves known and unknown risks, uncertainties, future expectations and other factors which may cause the actual results, performance or achievements of the Company or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this Management`s Discussion and Analysis, this information may include words such as "anticipate", "estimate", "may", "will", "expect", "believe", "plan" and other terminology. This information reflects current expectations regarding future events and operating performance and speaks only as of the date of this Management`s Discussion and Analysis. This forward-looking information involves a number of risks, uncertainties and future expectations including, but not limited to risks and uncertainties set out above in "Risks and Uncertainties". This Management`s Discussion and Analysis discusses some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking information. Forward-looking information is provided as of the date hereof and, except as required by law, we assume no obligation to update or revise forward looking information to reflect new events or circumstances.

"*Stanley Ma*"

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Stanley Ma, Chief Executive Officer

"Claude St-Pierre"

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Claude St-Pierre, Chief Financial Officer

"*Eric Lefebvre*"

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Eric Lefebvre CA, VP Finance