



UNITY WILL SECURE OUR FUTURE. TRANSPARENCY WILL SECURE OUR RIGHTS.

Over thirty years ago, the DQOA was formed for the sole purpose of helping franchisees just like you protect their interests and improve their operations. One of our greatest achievements was realized in 1991 with the formation of the DQOC – an independent cooperative that introduced competition into the Dairy Queen supply system, and lowered your cost of goods from 38-42% of your revenue to only 28-32%. For you, the typical DQ owner, *that amounted to about \$60,000 in savings each year.*

The DQOC was right for the times; but times change, and businesses must change with them in order to remain successful. In an effort to find even better ways for our franchisees to compete, IDQ/ADQ has introduced a new concept to the Dairy Queen supply chain – Unified Supply Chain, Inc. The hope is that by unifying purchasing of IDQ-approved products from a single source, the company can achieve even greater efficiencies which will benefit franchisees.

We couldn't agree more. So why are we back in court? The answer is simple: unity can only exist with trust; and there can be no trust without verification.

For more than 30 years, the DQOA/DQOC has operated under a policy of *full transparency*, including all purchases, endorsements, vendor contracts, distribution agreements, as well as all monies, goods or services paid to or given to DQOA companies or affiliated companies. Although IDQ and USCI claim that they will subscribe to this practice, to date they have not done so. Testimony in recent arbitration underscores this fact.

Here is what your franchisee representative, a member of the Advisory Committee and the Financial Review committee, testified under oath:

Q: Have you seen the contract between Kraft and USCI with respect to the crushed Oreos?

A: No.

Q: Do you know what the price is? Do you know what the terms are? Do you know what the contract says?

A: I haven't seen the contract. I can't speak to specifics.

Q: Have you compared prices to determine whether any of the prices that USCI has negotiated with manufacturers are the best price?

A: That's not my job.

Chuck Mooty didn't seem to have those answers, either:

Q: Do you know how much Kraft/Nabisco pays in fees to Dairy Queen under the present arrangement?

A: No, I do not.

Q: Do you know how much they pay in fees on a single case of crushed Oreo product?

A: No, I do not.

Q: Do you know how much Kraft/Nabisco pays to Dairy Queen for convention expenses?

A: No, I do not.

Q: Or for advertising in the magazine called the World of Dairy Queen?

A: No, I do not.

Q: Do you know any amounts that any manufacturers paid to Dairy Queen in the way of marketing allowances?

A: No, not specifically.

Even John Gainor seems to be operating in the dark:

Q: Do you know what the total fees are that USCI got from Kraft?

A: No, I don't.

Q: Do you know how much Kraft pays to Dairy Queen for marketing allowances?

A: No, I don't.

In question after question, no one seemed to have any answers because the truth is that USCI accounting is not transparent at all. Under oath, we heard that the supposed "audit" of USCI was meaningless, because there was no testing of their internal controls, or the methodology used to figure margins. Under oath, we heard that checks go directly to IDQ – not USCI – so there is no way to verify what's really going on.

In past newsletters, we've told you how USCI contends that it no longer "sells" products to its own warehouses, and therefore can't "sell" to our warehouses. We've told you how their new franchise agreements manipulate language and definitions of "critical mass" to prevent new owners from taking advantage of our lower-cost suppliers. We've shown you how USCI inflates cost by adding freight, obsolescence, the cost of "Instill," tooling and more. We've shown you how, depending on what products you purchase and from what source, fees to IDQ/USCI increase even more.

Our argument is not with unity, it's with transparency. All we ask in return is .5% add-on to the agreed upon IDQ margin so that we can continue to exist as an autonomous organization and protect your rights as we have done for over thirty years.

You have the ability to make this happen by taking positive action. Add your voice to DQOA/DQOC, and IDQ will be forced to respond. Right now, it's the competition between IDQ and our association that assures you of the lowest cost of goods on food, dairy and distribution. Help us keep it healthy and strong by continuing to purchase Crown Select products from your DQOC distributor, and by joining the DQOA. Your annual membership fee is a small price to pay to secure your future without sacrificing your rights; as we work towards unity with full transparency.

Together, we can protect our interests, preserve our livelihoods and continue the traditions of honesty and integrity that have defined the Dairy Queen family for decades.