



KEEPING YOU UPDATED

A recent issue of the News Alert (September 22, 2006) reviewed IDQ's mandates regarding Hot Shot, Cakes and Debit/Credit/Gift Cards with information regarding approaches that you might consider if one of these issues affects you. We want to further clarify our position. We believe that the DQOA and individual franchisees with certain franchise agreements can argue that ADQ has no right to require franchisees to implement Hot Shot, Cakes, or Credit/Debit/Gift Cards. While ADQ may not have the contractual ability to force franchisees to implement these programs, the DQOA is, at this time only willing to contest those implementations that require store remodeling or that require all franchisees to implement a gift card program that utilizes a central clearing house and with the "escheat funds" i.e. those not being claimed from the central pool of funds going to the NMF while you pay for the debit cards and the "swipe" fee.

The DQOA also believes that the use of credit, debit, and gift cards is a business necessity in today's world. We have investigated and confirmed that the "gift card" must be cleared through a "central" clearing house for a DQ customer to purchase a card in one state for use in another. The DQOA therefore endorses the IDQ credit/debit/gift card program and urges you to participate. The 5¢ fee is probably a small price to pay to meet the needs of your customers. The FAC should try to get the transaction fee and the card costs to come from those funds not claimed before they go to the general NMF.

P.O.S.

You should also be aware that the DQOA has met with IDQ and discussed the guidelines for producing a DQ point of sale kit. We will have a committee of Dairy Queen franchisees selected at the DQOA Annual Meeting in Key West, Florida in January 2007. This committee will decide what product posters and in what sizes they feel would be practical to use. We will then detail this by memo to the approximately 600 stores who may have the option to purchase this kit. We will then bid the professional kit production. When the cost is determined we will make this number available to you and finalize your interest.

NON-SYSTEM FOOD 10 YEAR MARKETING OFFER

The Directors of the DQOA believe that the current 10 year offer for these stores is a reasonable offer. We wish IDQ had made this offer originally instead of strong-arming franchisees. Put this aside and seriously consider signing-up under this new opportunity.

The issue of being audited on your dollar sales vs. your gallonage yields is a contentious problem. Certain IDQ field representatives said a letter from IDQ could be obtained saying there would be no sales audits; only gallonage and yield audits. IDQ / ADQ needs to make a written statement to the system that the franchisees will not be audited on a sales basis.

If you have further questions please call Harris Cooper at 612-306-1777.