



NEWS ALERT

May 28, 2004

In the next several News Alerts, we will deal with specific language that you will find in the DQ System Bulletins and System Memos that appear to be intended to undermine many of your rights and privileges as a Dairy Queen franchisee. We hope that you will take the time to make note of these matters and join and support the DQQA/DQOC in its effort to secure change that would better protect your interests as a DQ franchisee.

All DQ franchisees should become thoroughly familiar with System Bulletin #128-C "Dairy Queen® Record Keeping Requirements and Audit Policies". The DQQA/DQOC has excerpted certain requirements and notices under this System Bulletin for your benefit. (See below)

TO: Dairy Queen® Store Operators Directly Licensed by ADQ
and Territory Operators

FROM: Jim Simpson, Controller and Treasurer

DATE: October 1, 2001

SUBJECT: Dairy Queen® Record Keeping Requirements and Audit Policies

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Record Keeping Requirements

Maintenance of the following records is deemed acceptable compliance with the record keeping requirements of all Dairy Queen Franchise Agreements:

- A) A disbursements journal recording all checks drawn and cash payments made for purposes relating to the store's operations.
- B) Bank statements, along with all cancelled checks, deposit slips and withdrawals.
- C) All invoices or cash receipt records for all goods purchased for resale.
- D) Records of retail price for each category of items sold (different sized portions to be considered separate items), together with dates of all changes in price.

- E) Records of any products or supplies disposed of other than by regular sale to customers, such as sales to other operators, gifts, consumption by employees, loss through spoilage, fire or other casualties, etc.
- F) An inventory of supplies by units, either in perpetual form or as of the date ending the calendar or fiscal year.
- G) All cash register tapes and daily sales logs.
- H) Records of prices used for all price-off promotions, along with unit volume of product sold at the special price.
- I) Copies of sales reports submitted to governmental agencies, i.e., state sales tax report, Schedule C of Form 1040, or corporate equivalent.

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- J) Copies of Profit and Loss statements and balance sheets.

...To the extent that any franchisee is required under their franchise agreement to maintain financial records or to follow ADQ's business methods or procedures, failure to maintain the records identified in this system bulletin will be deemed a breach of the franchise agreement, which, if not cured in a timely manner, will result in termination of the license and other rights granted under the franchise agreement.

Audit Policies

In the event of an audit, only the records specified above will be initially requested. These records will be used to reconstruct sales using the inventory extension method, or other methods that may be adopted by ADQ. Should any of these records be missing or incomplete, the auditor will either recommend to ADQ's legal staff that the franchise be defaulted and terminated (see previous paragraph), or make any estimate necessary to arrive at an audited sales figure. The auditor's decision on which course of action to take will be based on the extent of the missing or incomplete records.

DQOA members who find themselves in a contractual dispute or difference of interpretation with IDQ are asked to contact the DQOA office at 952-556-5511. There may be other franchisees in your similar circumstances.

Thanks to those who continue to call, email and write to voice support and offer help. You may continue to contact us at 952-556-5511. We appreciate your efforts.