



NEWS ALERT

December 31, 2007

Dear DQ Franchisee,

The DQOA office has been inundated with calls from DQOA members and non-members with regard to the DQOA positions regarding the issues of: the recently mandated IDQ remodeling program, the change to the name DQ Grill & Chill and its attendant menu merger, and the potential IDQ surcharge on products to support marketing programs, in addition to your contractual marketing commitments.

We apologize for the delay in responding to your questions, but it took many hours of legal consultation as well as consideration by the Directors of the DQOA to formulate the DQOA positions with regard to these issues.

The following are the issues and the positions adopted by your DQOA. Should you have questions regarding these positions, we suggest that you attend a DQOA affiliated state/regional convention where Executive Director, Harris Cooper will be speaking. Please refer to the various agendas to see where Mr. Cooper has been invited to speak.

DQOA OPPOSES MANDATORY MODERNIZATION PROGRAMS

IDQ/ADQ announced in mid-June 2007 that all franchisees with modernization provisions in their franchise agreements must convert to either a DQ Grill & Chill or DQ Treat Center. IDQ also threatened to block any transfers if the parties do not agree to "modernize." IDQ has estimated that converting to a Grill & Chill will cost approximately \$200,000-450,000 per store and will require remodeling, changing the signage, merging the menu, and obtaining new equipment.

After careful consideration, DQOA has decided to oppose IDQ's mandatory modernization programs. DQOA respects and supports the business decisions of its members, and therefore takes no issue with franchisees who want to make these changes voluntarily. However, DQOA strongly believes that franchisees should not be forced to convert into a largely unproven system for which they never bargained.

The bottom line is that DQOA does not think that IDQ has the contractual right to coerce franchisees into adopting these system changes. Although IDQ has been test-driving these concepts for several years, it has failed to offer credible evidence that franchisees will receive a reasonable return on their extremely costly investments. Moreover, IDQ will be making a tidy profit on equipment and signage, at the franchisees' expense.

Why should a highly successful Dairy Queen Brazier operator be forced to spend over \$200,000 and take the risk of converting into a Grill & Chill? Each individual operator is in the best position to determine whether such a drastic change makes business sense. Operators should be allowed to make that decision for themselves, not just because IDQ says so. After all, it is the franchisees who have the most at stake here.

DQOA OPPOSES MANDATORY NAME AND SIGNAGE CHANGE

IDQ/ADQ has announced that it will require DQ Brazier franchisees with modernization provisions in their franchise agreements to change the name of their stores and all signage to “DQ Grill & Chill.” Even the franchisees not converting to a Grill & Chill must eliminate all “Dairy Queen” signage and replace it with “DQ” signage.

The DQOA believes that this mandatory name and signage change is unreasonable and that IDQ does not have the legal right to require those changes. Grill & Chill is still an unproven concept. It is unreasonable for IDQ to force franchisees to expend significant amounts of money to change the names of their stores and signage, particularly because this change may alienate and confuse consumers who are loyal to the Dairy Queen Brand.

DQOA OPPOSES SUPPLIER SURCHARGES WITHOUT CREDITS

DQOA would like to remind all Dairy Queen franchisees that many franchise agreements contain a supplier surcharge provision which gives them certain rights. This provision allows IDQ to require the franchisee to pay a surcharge to suppliers for each unit of product purchased. However, this same provision also obligates IDQ to credit any supplier surcharges against the franchisee’s monthly license and sales promotion program fees. In addition, IDQ is required to submit an accounting of the surcharge credits on a monthly or quarterly basis, and to remit excess fees to the franchisee.

The DQOA believes that it would be a breach of contract for IDQ to impose surcharges on franchisees who have this supplier surcharge provision in their franchise agreements, without crediting this amount against their license and sales promotion program fees. You should assert your contractual rights so that you are not getting double-charged for supplies!