



NEWS ALERT

June 18, 2004

This is the fourth in a series of News Alerts that 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 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.

The DQQA/DQOC has excerpted certain provisions of the “DQ Grill & Chill Amendment to Dairy Queen Agreement” for your benefit. Please note that this document takes away the rights and privileges that the franchisees of the DQ system fought so hard to achieve in the matter of Collins et al v. IDQ/ADQ. DQ franchisees who sign this addendum could be right back under the pre-Collins IDQ monopoly on sourcing, with predictable results for their cost of goods. (See below)

DQ GRILL & CHILL® AMENDMENT TO DAIRY QUEEN® AGREEMENT

Excerpted Page 2

...ADQ also has the right to designate a single approved manufacturer, supplier and/or distributor of any approved products (or the ingredients of any approved products) and any approved equipment. Under all circumstances and notwithstanding the provisions below, ADQ has the right to designate a single approved manufacturer, supplier and/or distributor of: [Underline added for emphasis.]

- (1) soft drink products;
- (2) third party branded products for use in Licensee’s Restaurant;
- (3) products relating to limited time offers and special promotions; and
- (4) equipment, including but not limited to electronic point of sale equipment and all related software and back-office hardware and software.

In addition, under all circumstances and notwithstanding the provisions below, ADQ has the right to designate a single approved manufacturer, supplier and/or distributor of any product, ingredient or equipment where ADQ does not receive any fee or payment with respect to the sale of that product, ingredient or equipment.

For products and equipment not described in the previous sentence or in items 1-4 above, after ADQ makes a reasonable determination that there is a “critical mass” of DQ Grill & Chill® restaurants, and as long as there is not in place an agreement for a “unified purchasing program” as defined in the next paragraph, Licensee may make written request for approval of a specific product or piece of equipment of an additional, qualified manufacturer, supplier or alternate distributor, pursuant to ADQ’s then current policies and procedures.

ADQ has entertained and offered proposals to enter into an agreement that would create a “unified purchasing program” as a joint effort between ADQ and a cooperative association of DAIRY QUEEN restaurant operators, to benefit the entire DAIRY QUEEN system in the United States. ADQ agrees that for any period during which there is an agreement in place for a “unified purchasing program” as described above, that ADQ will designate as approved for the system the manufacturers, suppliers and/or distributors properly selected within the structure of that program.

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

1580 White Oak Drive, Suite 285, Chaska, MN 55318

Dear DQ Franchisee,

It's an exciting time to become a part of the Dairy Queen Operators' Association and Cooperative. The DQOA/DQOC is in its 33rd year of service as the only independent voice for Dairy Queen Franchisees throughout the United States. Our Cooperative recently distributed a 2003 patronage dividend totaling more than \$2 million to members who purchase DQOC products – our biggest dividend to a single member this year was \$5,094.60. And that's on top of the thousands of dollars of avoided cost through DQOC's competitive pricing. It's savings like this that makes being a member such an easy and important choice for you.

More than ever, your DQOA/DQOC membership is vital to your business success. In addition to enhancing your bottom line, your Association is working diligently to change business practices and strategies of IDQ that threaten your equity in your DQ stores. With your membership, you will receive valuable information and insights that explain, in plain language, what these changes are all about and how they threaten your business. Your Association is committed to constructively negotiating necessary changes with IDQ that will ensure a healthy and growing DQ system, more royalty income for IDQ, and a sound future for all DQ Franchisees. Your membership support and involvement is essential to this effort.

When you join the DQOA/DQOC you win, because:

- DQOA/DQOC is your advocate; watching over your franchise interests and helping protect your equity in your DQ store.
- DQOA/DQOC works constructively with IDQ management to negotiate business strategies and practices that are in your best interest.
- The association helps lower your cost of goods by maintaining healthy competition with IDQ's single-source suppliers of DQ products.
- You'll get independent information and insights about issues affecting your franchise.
- Access to additional benefits such as an annual convention with your fellow DQ Franchisees and programs offering business and health insurance, uniforms, equipment and parts at member rates, long distance calling, travel discounts and much more.

Stay tuned this year for a new and improved Bottomline newsletter, offering you valuable insights on how to get the most from your DQOA membership and keep your DQ business booming.

We invite you to contact the DQOA office to request a membership application. We know you will find that being a DQOA/DQOC member is an invaluable step to keep up the value of your DQ business. Please contact us at 952-556-5511.

Sincerely,

Rick Brandes,
President DQOA/DQOC



DAIRY QUEEN®
OPERATORS'
ASSOCIATION,
INC.

DQOA MEMBERSHIP APPLICATION

Phone (952) 556-5511

Fax (952) 556-5522

SEND TO:

DQOA/Membership

1580 White Oak Drive, Ste. 285

Chaska, MN 55318

Name (Franchisee) _____ Date ____/____/____
(Please Print)

Company Name _____ Membership year _____

Mailing Address _____

City _____ State(Prov.) _____ Zip _____

Store Address _____

City _____ State(Prov.) _____ Zip _____

IDQ #: _____ Fed. ID#: _____

Home Phone () _____ Work Phone () _____

Fax Number () _____ A New Membership? _____

If you own more than one store, you must sign up all of your stores for any of your stores to be members of the DQOA. If you need more room please use the back side of this form.

Total Number of stores you own? _____

Total Amount Remitted? \$_____.00

*Membership Dues Are \$250 (US Funds) Per Store, Per Year

*All DQOA Memberships Renew Annually On January 1st.

Method of Payment (please check one): Check _____ VISA _____ MasterCard _____ Exp. Date _____

Card Account # _____ Print name on credit card. _____ Cardholder's Signature _____

Application for membership must be signed by Franchisee and approved by the Board of Directors of DQOA.

Franchisee _____ Date _____

Please list additional Stores:

#2 Store Manager _____ Store Phone # _____
Street Address _____
City _____ State _____ Zip _____
IDQ # _____ Fed. ID# _____

#3 Store Manager _____ Store Phone # _____
Street Address _____
City _____ State _____ Zip _____
IDQ # _____ Fed. ID# _____

#4 Store Manager _____ Store Phone # _____
Street Address _____
City _____ State _____ Zip _____
IDQ # _____ Fed. ID# _____