

FRANCHISE DISCLOSURE DOCUMENT

American Dairy Queen Corporation
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8331 Norman Center Drive
Bloomington, Minnesota 55437

A Delaware Corporation

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www.dq.com



DQ Grill & Chill® Franchise. American Dairy Queen Corporation (“ADQ”) offers single unit and multiple unit franchises for the operation of DQ Grill & Chill® restaurants at authorized locations. A DQ Grill & Chill® restaurant is a quick service food restaurant with seating from which you will sell the full line of approved soft-serve, treat, food and beverage menu items.

The total investment necessary to begin operation of a single DQ Grill & Chill® franchise is \$1,516,200 - \$2,542,250. This includes the \$45,600 that must be paid to the franchisor or affiliate for the initial franchise fee and management training readiness assessment. In addition, if you enter a multiple trade area reservation agreement, you will pay an initial franchise fee deposit determined by multiplying the number of restaurants you are granted the right to develop by \$10,000.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “Consumer Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 28, 2024, as amended January 7, 2025

Director of National Franchise Sales and Development, U.S. and Canada: Jennifer Rude

Jennifer Rude has been Director of National Franchise Sales and Development in the U.S. and Canada since February 2023. She served as a national franchise sales and development manager in the U.S. from November 2021 through January 2023, and as a franchise developer from July 16, 2014 through November 2021. ADQ has employed Ms. Rude in various other franchise development positions since 2006.

Item 3: Litigation

Pending Cases

Oakland Family Restaurants, Inc. and Lake Area Restaurants, Inc. v. American Dairy Queen Corporation (United States District Court, Eastern District of Michigan, Southern Division, #2:21-cv-12539-TGB-EAS, filed October 28, 2021). Plaintiffs, Dairy Queen® franchisees, initiated this litigation seeking a declaratory judgment that ADQ must allow them to divide their respective territories and assign their existing 1965 agreement to multiple transferees, each for a separate portion of their territory, rather than requiring each transferee to sign ADQ's current form of franchise agreement. Additionally, Plaintiffs claimed breach of contract resulting in monetary damages, promissory estoppel, attorney's fees and costs. On March 31, 2024, the court ruled in favor of ADQ and against Plaintiffs on all claims. Plaintiffs filed a Notice of Appeal on April 18, 2024, and oral argument is scheduled for January 28, 2025.

~~LG2, LLC v. American Dairy Queen Corporation (United States District Court, District of Minnesota, #0:22-cv-01044, filed April 26, 2022). Plaintiff, a DQ franchisee, initiated this action seeking compensatory damages and a declaratory judgment that ADQ must allow Plaintiff to relocate its DQ business without being required to obtain ADQ's permission, sign ADQ's current form of franchise agreement, or change its menu. ADQ's system standards do not allow for relocation of restaurants with Plaintiff's non-system food menu. Plaintiff alleges breach of contract and the implied covenant of good faith and faith dealing. Additionally, Plaintiff is seeking injunctive relief, interest, attorney's fees and costs. Discovery is ongoing. ADQ will continue to vigorously defend itself.~~

2-MNA, LLC vs. American Dairy Queen Corporation (State of Minnesota Fourth Judicial District Court, Hennepin County, #27-CV-24-12897, filed August 30, 2024). Plaintiff, a DQ franchisee, initiated this litigation seeking a temporary restraining order preventing ADQ from terminating Plaintiff's franchise agreement for the use and/or storage of rerun (defined as the use and/or storage of soft-serve mix that has been run through a soft serve machine) which is a public health and safety zero-tolerance violation of the franchise agreement. Plaintiff alleges breach of contract, breach of the implied covenant of good faith and fair dealing, and violation of the Minnesota Franchise Act. Additionally, Plaintiff is seeking temporary and permanent injunctive relief, compensatory damages, attorneys' fees, and costs. On September 12, 2024, ADQ filed an opposition to Plaintiff's Motion for Temporary Restraining Order and Temporary Injunction. The Court ~~will hold~~ an evidentiary hearing in October 2024, and the parties are waiting for the decision. ADQ will continue to vigorously defend itself.

American Dairy Queen Corporation vs. UAM, LLC –(United States District Court, Western District of Texas, San Antonio Division, #5:24-cv-1209, filed October 23, 2024). American Dairy Queen Corporation (“ADQ”) initiated this litigation seeking an order declaring Defendant, a DQ® franchisee, breached its obligations under the franchise agreement by failing to use soft serve mix, supplies, and fresh milk as approved by ADQ, which is a public health and safety zero-tolerance violation of the franchise agreement. ADQ alleges breach of contract, trademark infringement and unfair competition in violation of the Lanham Act, as well as common law unfair competition. ADQ is seeking temporary and permanent injunctive relief, compensatory damages, attorneys’ fees, and costs. On November 15, 2024, the Defendant filed a counterclaim alleging wrongful termination of the franchise agreement and breach of contract. Defendant is seeking a declaratory judgment reinstating Defendant’s franchise agreement, compensatory damages, attorneys’ fees and costs. The court granted ADQ’s request for preliminary injunction at a November 22, 2024 hearing. The parties attended mediation on December 9, 2024 and were unable to resolve the matter. As the case proceeds, ADQ will continue to vigorously pursue its claims and defend itself against the counterclaims.

Concluded Cases

Timothy A. and Amy Lefevre, Dairy Queen of Bainbridge, Jerry Chabrian, Lavern Engelman, Ken Fugett, Thomas and Karyl Cleary, Thomas E. Klein and MAR-KA, Inc. vs. American Dairy Queen Corporation and International Dairy Queen, Inc. (American Arbitration Association, No. 002-8DF-9JF, filed January 15, 2013). The plaintiffs initiated this arbitration claiming that ADQ improperly increased or “flexed” franchisees’ sales promotion fees to levels greater than what was permitted under the franchisees’ franchise agreements. The plaintiffs in the action sought class certification on behalf of themselves and other similarly-situated franchisees. Plaintiffs also included claims for breach of contract and the implied covenant of good faith and fair dealing, conversion, and violations of the Minnesota Franchise Act and sought declaratory and injunctive relief, and damages and legal costs. On or about September 10, 2014, the parties reached a settlement agreement under which ADQ agreed to reimburse any franchisees that were incorrectly flexed the amount of their “flexed” sales promotion fees for an agreed upon number of years. As part of the settlement, ADQ is entitled to recover the amounts it reimbursed the franchisees from future sales promotion fees paid by them. ADQ also agreed to allow the Dairy Queen Operators Association, at its own expense, to audit ADQ’s flexing decisions for the next 5 years.

Rodney Johnson and Food Ventures, Inc. vs. American Dairy Queen Corporation (American Arbitration Association, No. 01-16-0005-3571, filed December 9, 2016). Claimants, a DQ Grill & Chill franchisee and its owner, initiated this arbitration claiming that ADQ unlawfully encroached upon their franchise by franchising another DQ Grill & Chill restaurant in what they allege is too close a proximity to their restaurant. Claimants alleged that the encroachment caused a decline in their restaurant’s sales and profitability. They claimed that ADQ’s actions violated the Washington Franchise Investment Protection Act and the Washington Consumer Protection Act and alleged breach of contract, breach of the implied covenant of good faith and tortious interference with business expectancy. On August 5, 2017, the parties entered into a settlement agreement under which claimants are allowed to pay ADQ a reduced royalty fee and advertising fee for set periods and avoid the modernization requirement for the next transfer of the franchise

STATE EFFECTIVE DATES:

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

California	March 28, 2024, as amended October 1, 2024 <u>January 7, 2025</u>
Hawaii	April 4, 2024, as amended [pending]
Illinois	March 28, 2024, as amended October 1, 2024 <u>January 7, 2025</u>
Indiana	March 28, 2024, as amended October 1, 2024 <u>January 7, 2025</u>
Maryland	April 2, 2024, as amended October 1, 2024 <u>January 7, 2025</u>
Michigan	March 29, 2024, as amended October 1, 2024 <u>January 7, 2025</u>
Minnesota	April 18, 2024, as amended [pending]
New York	March 28, 2024, as amended October 1, 2024 <u>January 7, 2025</u>
North Dakota	April 2, 2024, as amended October 1, 2024 <u>January 7, 2025</u>
Rhode Island	April 2, 2024, as amended October 1, 2024 <u>January 7, 2025</u>
South Dakota	March 28, 2024, as amended October 1, 2024 <u>January 7, 2025</u>
Washington	March 28, 2024, as amended October 1, 2024 <u>January 7, 2025</u>
Wisconsin	March 28, 2024, as amended October 1, 2024 <u>January 7, 2025</u>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

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If ADQ offers you a franchise, it must provide this disclosure document to you at least 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale (or sooner if required by applicable state law).

Michigan requires that ADQ give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If ADQ does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency referred to in Exhibit A.

ADQ’s franchise sellers involved in the offering and sale of new franchises are Gregg Benvenuto, ADQ’s Vice President - Franchise Development, Jennifer Rude, ADQ’s Franchise Sales and Development Director, and Franchise Developer Roger Schone (Central West Region), Tara Fry (Southeast Region), York Ragsdale (Northeast Region), or Chris LaRoe (West Region). Their address is 8000 Tower, Suite 700, 8331 Norman Center Drive Bloomington, MN 55437, and phone number is (952) 830-0200. If any other franchise seller is involved in this transaction, his or her address and phone number will be the same, with the name provided here: _____.

Issuance date: March 28, 2024, as amended ~~January 7, 2025~~~~October 1, 2024~~ (for registration state effective dates see “State Effective Dates” page immediately before these Receipt pages)

I received a disclosure document with an issuance date of March 28, 2024, as amended-~~January 7, 2025~~~~October 1, 2024~~, that included the following Exhibits: A) List of State Administrators/Agents for Service of Process; B) Operating Agreement with Guarantee and related Addenda; C) Conversion Addenda; D) Multiple Unit Agreement; E) Franchise Application; F) Third-Party Agreements Related to EPOS System and Related Hardware, Software and Services; G) Design Services Agreement; H) Construction Consultation Services Agreement; I) Tables of Contents for Manuals; J) Lists of franchises; K) Lists of franchisees whose franchise agreements were terminated or transferred; L) Financial Statements (with Guarantee of Performance); and M) Receipts.

FRANCHISEE (For an Entity)

Date: _____
_____, a

By: _____
(Signature of person signing on behalf of entity)

(Print name of person signing on behalf of entity)

Its: _____
(Title of person signing on behalf of entity)

Address: _____

City: _____ State: _____

Phone: () _____ Zip: _____

Prospective Applicant’s Copy

FRANCHISEE (For an Individual)

Date: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State: _____

Phone: () _____ Zip: _____

Date: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State: _____

Phone: () _____ Zip: _____

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FRANCHISEE (For an Entity)

FRANCHISEE (For an Individual)

Date: _____
_____, a

Date: _____
Signed: _____
Print Name: _____

By: _____
(Signature of person signing on behalf of entity)

(Print name of person signing on behalf of entity)

Address: _____
City: _____ State: _____
Phone: () _____ Zip: _____

Its: _____
(Title of person signing on behalf of entity)

Date: _____
Signed: _____
Print Name: _____
Address: _____
City: _____ State: _____
Phone: () _____ Zip: _____

Address: _____
City: _____ State: _____
Phone: () _____ Zip: _____

Office Copy