

Steps to Complete Transfer

These are the obligations of each and every Seller and Buyer (prospective franchisee) PRIOR to Dairy Queen MT / ND LLC's granting final consent to transfer a DQ MT / ND restaurant to a new or existing franchisee. This policy is meant to ensure, to the extent possible, that operation of the restaurants licensed by DQ MT / ND are under control of persons possessing skills, management and financial qualifications necessary to provide active supervision for the operation of the business, and that a transfer takes place in a legal, responsible manner in line with Dairy Queen System Standards.

DQ MT / ND, by approving transfers, is in no way approving any document, including any purchase agreement, to which it is not a party.

DQ MT / ND is precluded by federal law to make any guarantees regarding returns on investment, but may refer the Seller and Buyer to other operators who may assist them in making projections.

Due to these requirements and federal regulations regarding franchising, facility maintenance, facility modernization, training school registration and pre-testing, financial requirements and processing, buyer and seller coordination, system standards and facility upgrades, complications, restructuring of the purchase agreement etc., etc. the entire transfer process typically takes *up to six months, and in some instances may extend further*. While all parties wish to complete transfers as quickly as possible, failure to fully complete all steps *in the order they are required* will delay the transfer.

ALL steps must be completed by both the buyer and seller before a transfer is complete. Failure to do so will result in denial of transfer.

DQ MT / ND is the licensor of DQ outlets in MT and ND. We are referred to as a Territory Operator in our relationship with American Dairy Queen (ADQ). ADQ does not conduct the transfer process, but does coordinate with DQ MT / ND and the Buyer regarding training school information, and receives notice of new ownership after new operating agreements have been fully executed.

The Buyer and Seller are written here in the singular, regardless of how many persons consist in either party.

Transfer Procedures 2008 v5.5

All correspondence, unless otherwise noted should be directed to:

DQ MT / ND LLC
PO Box 9137
Missoula, MT 59807

Operations* (917) 536 6291
Main Office (406) 721-5760
Office Fax (406) 721 5822
helmer@dqmtnd.com*

*Primary point-of-contact during your transfer.

Please read through entire document before beginning and, for clarity, use this document in conjunction with the Transfer Flowchart of the same version at the end of this document.

Contact DQ MT/ND to make sure you are using the most current version of this document.

Checkmark the list as you go and be mindful of the **Red Stop-Points**.

Seller's Responsibilities

1. NOTICE OF SALE & FRANCHISE TRANSFER REQUEST

To complete and return the Notice of Sale Franchise Request Form. You can request this document from DQ, and have it delivered to you via fax, e-mail, postal mail or from our website at:

www.dqmtnd.com/forms/transfernotev2.pdf

STOP -- PROCESS CANNOT CONTINUE UNTIL THE PRECEDING STEPS ARE PERFORMED BY THE BUYER AND SELLER ACCORDING TO THE STANDARDS OF DQ MT / ND.

2. SALES BREAK-EVEN PROJECTION

Countersign the Buyer's Sales Break-Even Projection Form. On the accompanying Transfer Flowchart (version 5, 10/08) an orange "coordination" arrow between this step and the Buyer step number three "prospective franchisee interview forms" indicating that both the Buyer and the Seller must coordinate for their respective steps (Seller's Step #2 and Buyer's Step #3) to be completed.

3. PROFIT AND LOSS

To provide the latest 12-month Profit and Loss Statement to DQ MT / ND.

PRELIMINARY QUALIFICATION

At this point in time, after Buyer's Steps #1-3 and sellers steps #1-7 are completed, DQ MT / ND, based upon its evaluation of the results, will either request more information, deny the transfer or issue a Preliminary Qualification notice by letter or email. If DQ MT / ND is granted first option by the Seller's Operating Agreement, DQ MT / ND will inform the Buyer and Seller of its decision in the time

STOP -- IF ALL PRECEDING STEPS ARE COMPLETED AND PRELIMINARY QUALIFICATION HAS BEEN RECEIVED IN WRITING BY THE BUYER, CONTINUE.

4. MODERNIZATION, MAINTENANCE AND CURE OF DEFAULT

- A. MODERNIZATION:** Consult with DQ MT / ND to determine the extent of a facility modernization requirement as per Seller's Operating Agreement. Modernization must be completed, or satisfactorily guaranteed to be completed, prior to obtaining DQ MT / ND's final consent to transfer. If the necessary modernization and maintenance cannot be completed by the time of transfer, written guarantees with timelines, satisfactory to DQ MT / ND, will be necessary.
- B. FACILITY MAINTENANCE:** The Seller must guarantee to fix all facility maintenance issues as detailed by DQ MT / ND.
- C. CURE OF DEFAULT (if applicable):** If the restaurant being transferred has been issued a Default Notice, for any reason, including failure of any of the Pride or Maintenance Checks, or similar evaluations, the transfer will not be approved until the default is cured. Likewise, if the Buyer already owns a DQ MT / ND franchise, any defaults on his/her current restaurant must be cured before DQ MT / ND will approve the transfer of another restaurant to the Buyer.
- D. PAYMENT OF PAST-DUE ACCOUNTS RECEIVABLE:** If any past-due payments to DQ MT / ND or IDQ are outstanding, these must be paid before DQ MT / ND will approve the transfer.

SPECIAL CIRCUMSTANCES

If it is *impossible* for the Seller to fulfill the obligations of modernization on transfer, the Buyer has the *option* to take on the responsibilities of modernization and maintenance from the Seller (Seller's Step #4). As with Seller's Step #4, if the necessary modernization and maintenance cannot be completed by the time of transfer, written guarantees with timelines, satisfactory to DQ MT / ND, will be necessary.

5. ESCROW AND RECONCILIATION

- A. **ESCROW:** DQ MT/ND highly recommends that monies be held in escrow until the Buyer is satisfied that all of the Seller's financial obligations have been met. Since DQ MT/ND cannot authorize the release of escrow funds, the Buyer and Seller must make their own arrangements for the release of escrow.
- B. **RECONCILIATION:** All account balances must be settled with DQ MT / ND LLC, IDQ, or any third-party suppliers and dairies.
- C. **REVIEW ANY CHANGES WITH DQ MT / ND:**To review changes in any terms or conditions relating to transfer if the terms or conditions have changed from those last reviewed by DQ MT / ND.

6. PURCHASE AGREEMENT (BUY-SELL AGREEMENT)

To provide DQ MT/ND with a signed and executed copy of the Purchase Agreement executed by both Buyer and Seller. The Purchase Agreement must itemize the required facility improvements and whether the Seller or Buyer is responsible for completing them. It must also include full disclosure of any and ALL liens connected to the business.

7. REVIEW ANY CHANGES WITH DQ MT / ND

To review with DQ MT / ND Purchase Agreement changes, arrived at independently, between the Buyer and Seller. It is essential to the step that DQ MT / ND has seen the final revision of the purchase agreement before it is executed

STOP -- IF ALL PRECEDING STEPS ARE COMPLETED, AND THE BUYER-SIGNED PROVISIONAL CONSENT FORM HAS BEEN RETURNED TO AND RECEIVED BY DQ MT / ND, CONTINUE.

8. TRANSFER FEE

To pay the required Transfer Fee. This fee covers expenses related to transfer such as: credit check, background check and training school for one of the two trainees. This fee can also be refunded at any time during the process, in doing so terminating the transfer. The refund will consist of funds remaining after transfer expenses.

If the Seller and the Buyer have completed ALL steps to complete transfer, transfer is complete.

IF ALL STEPS HAVE BEEN COMPLETED BY BOTH THE BUYER AND SELLER TO THE STANDARDS OF DQ MT / ND THEN TRANSFER IS COMPLETE. CONGRATULATIONS!

Buyer's Responsibilities

1. ONLINE PRESCREENING FOR PROSPECTIVE FRANCHISEES

Complete the Online Prescreening for Prospective Franchisees. The prescreening form is to be filled out online at:

www.dqmtnd.com/screening (Please scroll to the bottom of the page.)

As featured on our website, our financial and experiential requirements, and preferences for a prospective franchisee are:

- Net worth (exclusive of residence and personal items) totaling the greater of: 50% of the total purchase price of the transaction or \$75,000.
- Liquid assets totaling the greater of: 20% of the total purchase price of the transaction or \$30,000.
- Operating Capital (separate from liquid assets) totaling the greater of: \$25,000 or 33% of fixed and semi-variable expenses, including debt service, and manager salary not to exceed \$100,000 (for most purposes, the same as “working capital”).
- Net worth and liquid assets must be substantiated in a financial statement with verification of each asset by a financial institution. The financial statement must reflect net worth over a period of two years, as opposed to a point in time, and be verified over that period of time by a financial institution
- DQ MT / ND prefers prospective franchisees with restaurant experience, more specifically, Quick Service Restaurant (QSR) experience. Business experience with a franchise system is preferable as well, as is related Business and Hospitality Degrees and experience.

EXCEPTIONS AND SPECIAL CIRCUMSTANCES:

- *DQ MT / ND may consider approval of a buyer who is a family member or who has been a store manager for at least two years but does not meet the minimum financial requirements, provided that seller is in good standing with DQ MT / ND and will guarantee the financial obligations of the buyer.*

Continuing from Previous Page

- *A prospective franchisee with unique or exceptional experience, or opportunities, may qualify even though they do not meet these financial or experiential requirements and preferences.*
- *If the prospective buyer is an existing Dairy Queen franchisee, DQ MT / ND may consider making limited exceptions to the above minimum financial requirements.*

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STOP -- PROCESS CANNOT CONTINUE UNTIL THE PRECEDING STEPS ARE PERFORMED BY THE BUYER AND SELLER ACCORDING TO THE STANDARDS OF DQ MT / ND.

2. FRANCHISEE DISCLOSURE DOCUMENT

After DQ MT / ND has reviewed the completed online prescreening forms, if the buyer qualifies, he/she will be e-mailed a link or a login where they may download the FDD. Then;

- A. Thoroughly review the Franchise Disclosure Document (FDD) issued by DQ MT / ND.
- B. Sign , date and return the FDD receipt. The receipt states that you have received the FDD from DQ MT / ND. Only the receipt is necessary. Please do not return the entire document. Return the receipt along with the Prospective Franchisee Interview Forms. (Step three, below)

Prospective franchisees must observe the federal and/or state mandated waiting period (usually, but not always, 14 days from when you receive the FDD) before proceeding with any type of payment to DQ MT / ND.

3. PROSPECTIVE FRANCHISEE INTERVIEW FORMS

Complete the prospective franchisee interview forms. The buyer can have these forms e-mailed to him/her. These forms include:

- A. **CREDIT CHECK:** The Buyer must complete and sign and return the included Credit Check Authorization Form.
- B. **FINANCIAL INFORMATION:** The Buyer must complete, sign and return the included Confidential Financial Statement, Loan Information Form and the Acknowledgment Letter.
- C. **SALES BREAK-EVEN PROJECTION:** The Buyer must complete, sign and return the included SalesBreak-Even Projection Form. This document must be countersigned by the seller (Seller's Step 2).

PRELIMINARY QUALIFICATION

At this point in time, after Buyer's Steps #1-3 and sellers steps #1-7 are completed, DQ MT / ND, based upon its evaluation of the results, will either request more information, deny the transfer or issue a Preliminary Qualification notice by letter or email. If DQ MT / ND is granted first option by the Seller's Operating Agreement, DQ MT / ND will inform the Buyer and Seller of its decision in the time

STOP -- IF ALL PRECEDING STEPS ARE COMPLETED AND PRELIMINARY QUALIFICATION HAS BEEN RECEIVED IN WRITING BY THE BUYER, CONTINUE.

4. **STRUCTURAL INSPECTION AND FACILITY UPGRADES**

To guarantee to DQ MT / ND and the needed facility maintenance and upgrades. The guarantee must be in the form of a complete, researched plan. Facility maintenance and upgrades, for purposes of these transfer procedures, fall into three categories that must be addressed to the satisfaction of DQ MT / ND LLC:

- A. **STRUCTURAL INSPECTION:** The Buyer is required to hire a professional inspector to perform a building inspection focusing on structural elements of the Restaurant facility. Proof of inspection is required to be submitted to DQ MT / ND as part of the transfer approval process.
- B. **FACILITY UPGRADES:** The Buyer must guarantee to upgrade the restaurant to the then current Dairy Queen operating standards, as required by DQ system standards and the franchise agreement.

ALL of these items must be completed or undertaken satisfactorily to obtain DQ MT / ND's final consent to transfer.

□ 5. TRAINING SCHOOL REGISTRATION

To register for American Dairy Queen's Training School Program through ADQ's Training Class Coordinator.

To successfully register for and complete training school, the Buyer will need to pass and plan for the following:

- A. **BASIC SKILLS EXAM:** Prospective attendees must pass an MTRA basic skills exam before attendance. Information about this can be obtained through the below contact information.
- B. **SERVSAFE:** Prospective attendees must pass a ServSafe® food safety exam before training school can be officially completed. Information about this can be obtained through the contact information below.
- C. **TUITION:** The tuition for both of the two required attendees must be paid for by the Buyer.
- D. **OTHER EXPENSES:** Travel, lodging and other incidental costs associated with training school are also the responsibility of the buyer.

To register for training school and to receive all pertinent information and requirements contact:

Ms. Lori Callister, ADQ Training Class Coordinator.

As of January, 2009, Ms. Callister can be contacted at 952-830-0472.

Please contact DQ MT / ND for the most up-to-date training school contact information.

Training school attendance before signing an operating agreement is NOT permissible under any circumstance. Any attempt to do so may result in a termination of the transfer.

STOP -- IF ALL PRECEDING STEPS ARE COMPLETED, AND THE BUYER-SIGNED PROVISIONAL CONSENT FORM HAS BEEN RETURNED TO AND RECEIVED BY DQ MT / ND, CONTINUE.

6. NEW OPERATING AGREEMENT

Sign, date and return DQ MT / ND's then current form of the "Dairy Queen" Operating Agreement. Send all signed and dated copies, by a trackable delivery method, such as certified mail, return receipt requested, USPS Express Mail, UPS or Federal Express, directly to Dairy Queen MT / ND LLC , PO Box 9137, Missoula, MT 59807.

7. INSURANCE BINDER

Provide DQ MT / ND a binder covering General liability in the minimum amount required by the Buyer's Franchise Operating Agreement must be submitted to DQ MT / ND LLC.

8. TRAINING SCHOOL ATTENDANCE

Attend and graduate from American Dairy Queen's Training School Program.

IF ALL STEPS HAVE BEEN COMPLETED BY BOTH THE BUYER AND SELLER TO THE STANDARDS OF DQ MT / ND THEN TRANSFER IS COMPLETE. CONGRATULATIONS!

Transfer Flowchart

Version 5.5 - January 2009

Seller

Notice of Sale &
Franchise Transfer Request



STOP. Process cannot continue until the preceding steps are performed by the Buyer and Seller according to the standards of DQ MT / ND LLC.

Sign Sales Break-Even Projection

Profit and Loss



Buyer

Online Pre-Screening
for Prospective Franchisees



Franchise Disclosure Documents

Prospective Franchisee
Interview Forms



Coordinate

Stop. If ALL preceding steps are completed and approved by DQ MT / ND, provisional qualification is given to buyer, continue.

Modernization, Maintenance
and Cure of Default

Escrow and Reconciliation

Purchase Agreement

Review any Changes with
DQ MT / ND



Structural Inspection and Facility
Upgrades

Training School Registration *

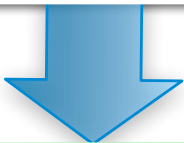


Coordinate

Review

Stop. If all preceding steps are completed, and the buyer-signed provisional consent form has been returned and received by DQ MT / ND LLC, continue.

Transfer fee



New Operating Agreement

Insurance Binder

Training School Attendance *



If all steps have been completed by both the Buyer and Seller to the standards of DQ MT / ND LLC then transfer is complete. Congratulations!

* Training school *attendance* **before** signing an operating agreement is NOT permissible under any circumstance. Any attempt to do so may result in a termination of the transfer.