WARNING: THIS DOCUMENT FOUND VIA GOOGLE IS NOW USED AS A PIECE OF EVIDENCE IN THE CRIMINAL RICO CASE TARGETING MCDONALD'S CORPORATION FOR ENGAGING IN A PATTERN OF RACKETEERING ACTIVITY.

FRANCHISE DISCLOSURE DOCUMENT

McDonald's USA, LLC
a Delaware limited liability company
One McDonald's Plaza
Oak Brook, Illinois 60523
(630) 623-3000
www.mcdonalds.com

The franchisee will own and operate a quick service restaurant offering a limited menu of value-priced foods using the McDonald's System.

The total investment necessary to begin operation of a traditional McDonald's franchise ranges from $~~1,068,850~~1,004,450 to $~~1,892,400~~2,155,700 (see Item 7 for small town oil, small town retail, and Satellite locations). This includes an initial franchise fee of $45,000.00 (see Item 5 for small town oil, small town retail, and Satellite locations) that must be paid to the franchisor.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain Enghsh. 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 comection with the proposed franchise sale. Note, however, that no governmental agency has verified the information contained in this document.

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Practice Group at 2915 Jorie Boulevard, Oak Brook, IL 60523 and (630) 623-6934.

The terms of your contract will govem 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 "A Consumer's 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 Pemsylvania 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: May~~ 1, 2011, as amended January 15, 2012~~May 1, 2012

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit P for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT STATES THAT ILLINOIS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

2. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for state effective dates

STATE EFFECTIVE DATES

The following states 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 Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California	May ~~1, 2011, as amended January 15, 2012~~May 1, 2012
Hawaii	April ~~1, 2011, as amended May 1, 2011, as amended January 15, 2012~~April 1, 2012, as amended May 1, 2012
Illinois	May ~~1, 2011, as amended January 15, 2012~~May 1, 2012
Indiana	May ~~1, 2011, as amended January 15, 2012~~May 1, 2012
Maryland	March ~~30, 2011, as amended January 15, 2012~~May 1, 2012
Michigan	May ~~1, 2011, as amended January 15, 2012~~May 1, 2012
Minnesota	May ~~1, 2011, as amended January 15, 2012~~May 1, 2012
New York	May ~~1, 2011, as amended January 15, 2012~~May 1, 2012
North Dakota	May ~~1, 2011, as amended January 15, 2012~~May 1, 2012
Rhode Island	April ~~1, 2011, as amended May 1, 2011, as amended January 15, 2012~~April 1, 2012, as amended May 1, 2012
South Dakota	May ~~1, 2011, as amended January 15, 2012~~May 1, 2012
Virginia	April ~~30, 2011, as amended January 15, 2012~~April 30, 2012
Washington	May ~~1, 2011, as amended January 15, 2012~~May 1, 2012
Wisconsin	April ~~15, 2011, as amended January 15, 2012~~April 15, 2012

THE FOLLOWING APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensadng the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and fumishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and fumishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitradon or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwilhngness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of f.rst refusal to purchase the assets of a franchise on the same terms and conditions as a bona f.de third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligadons to fulf.ll contractual obligadons to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent f.nancial statements are unaudited and show a net worth of less than $100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of inidal investment and other fiinds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attomey General
Consumer Protection Division
Attn: Franchise Unit
670 G. Mennen Williams Building
525 West Ottawa Sureet
Lansing, Michigan 48933
Telephone Number: (517) 373-7117

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Exhibits

Item 1
The Franchisor and any Parents, Predecessors, and Affiliates

The Franchisor is McDonald's USA, LLC, which will be referred to in this disclosure document as "McDonald's", "we", "us" or "our". A person who buys a franchise from McDonald's will be referred to in this disclosure document as "you".

We are a Delaware limited liability company. Our principal place of business is One McDonald's Plaza, Oak Brook, Illinois, 60523. We currently do business under the name of McDonald's USA, LLC. Our agents for service of process are disclosed in Exhibit O. We are a wholly-owned subsidiary of our parent and predecessor, McDonald's Corporation, a Delaware corporation. Our predecessor's principal place of business is One McDonald's Plaza, Oak Brook, Illinois, 60523. Our predecessor currently does not offer franchises. Neither we nor our predecessor have ever offered franchises in any other line of business.

We have domestic affiliates and intemadonal affiliates. Some of our intemational affiliates offer McDonald's franchises outside of the United States. None of them have offered franchises in any other line of business. These intemational affiliates are disclosed in Exhibit Q.

We develop, operate, franchise, and service a system of restaurants that prepare, assemble, package, and sell a limited menu of value-priced foods under the McDonald's System in the U.S. The "McDonald's System" is a concept of restaurant operations that includes, among other things, certain rights in trademarks, manuals, and other confidential business information; operational, real estate, and marketing information; and the expertise and continuing information that we provide. All McDonald's restaurant businesses in the U.S. arc operated under franchise agreements and are owned by franchisees who are independent third parties, by affiliates operating as joint partnerships, or by our wholly-owned subsidiaries ("McOpCo companies"). Currently, about 89% of all U.S. restaurants are franchised to independent franchisees or affiliates operating as joint partnerships, and about 11% are franchised to McOpCo companies.

McDonald's restaurants offer the public a high standard of quality and uniformity in food, service, and decor. McDonald's restaurants are located in freestanding buildings, storefronts, food courts, and other locations that are appropriate to McDonald's image. A grant of a McDonald's franchise authorizes you to operate a McDonald's restaurant business at a specific location and to use the McDonald's System in the operation of that restaurant business for a specific period of time, usually 20 years. We also grant franchises for McDonald's restaurant businesses located in retail stores such as Walmart. We call these satellite ("Satellite") locations. McDonald's restaurants located in strip centers, airports, universities, shopping malls, hospitals, and other diverse locations may also be Satellites. Satellites may serve a scaled-down menu of a traditional McDonald's restaurant and, in some cases, will also serve non-McDonald's trademarked products. The term of the franchise for a Satellite depends on its locafion.

Some McDonald's restaurants that are located in fuel station/convenience store facilities are called small town oil ("STO") locations. ~~STOs are not Satellites. Rather,~~ STOs are full-menu restaurants that share building space with a convenience store and have a fuel station located outside of the building. At each STO, the fuel station/convenience store typically will be associated with a national or regional branded chain. Some McDonald's restaurants that anchor a small retail center in rural communities arc called small town retail ("STR") locations. STOs and STRs are not Satellites. The term of the franchise for ~~an~~ STOs and STRs is usually 10 years.

In certain limited cases, we may also grant franchises with leases that include the business facilities. We call these Business Facilities Lease ("BFL") franchises. A BFL is a special arrangement that we may offer when certain economic and other factors exist. The term of a BFL is usually 3 years. Under a BFL, you may have a conditional option to purchase certain restaurant assets after the first year and extend the franchise for up to 20 years after the beginning of the term. In this disclosure document, the word "restaurant" refers to each McDonald's restaurant business location generally, regardless of whether it is franchised as a tradiuonal restaurant, Satellite, STO, STR, or BFL (unless otherwise provided).

All franchisees who operate a restaurant, whether a traditional, Satellite, STO, STR, or BFL location, will sign the applicable form of our standard franchise agreement attached as Exhibits B, C, and D (collectively "Franchise Agreement").

In 1955, our predecessor, McDonald's Corporation, began granting franchises to individuals for the operation of McDonald's restaurants. In 1960, our predecessor began forming and granting franchises to McOpCo companies for the operation of McDonald's restaurants. In 2004, our predecessor formed us as a subsidiary and in 2005, as part of a global company alignment, transferred to us a majority of the assets used in its U.S. business, including its interests in the McOpCo companies and the franchises for McDonald's restaurants in the U.S. In 2007, restaurants in Puerto Rico and the Virgin Islands operated by McOpCo companies were sold to, and a master franchise to offer and sell franchises in Puerto Rico and the Virgin Islands was granted to, LatAm, LLC, a Delaware limited liability company, which is not an aftiliate of McDonald's.

In May 2010, our predecessor acquired the portion of the business and assets of Verety Software Intemadonal LLC (VSI), Shields Enterprises Intemational LLC (SEI), and related entities that serves the McDonald's System in the U.S. and other countries. Prior to the acquisition, VSI was the vendor of our proprietary point of sale ("POS") platform known as NewPOS (the current version is NP6). Prior to the acquisition, SEI provided help desk support services for us, our franchisees, and franchisees in other countries. Our predecessor formed a subsidiary, Restaurant Application Development Intemational LLC (RDI), a Delaware limited liability company, to acquire the portion of the business and assets of VSI that served the McDonald's System. RDI's principal place of business is 1420 Kensington Road, Suite 106, Oak Brook, IL 60523. Our predecessor also formed Restaurant Technology Services LLC (RTS), a Delaware limited liabihty company, to acquire the portion of the business and assets of SEI that served the McDonald's System. RTS's principal place of business is 1420 Kensington Road, Suite 106, Oak Brook, IL 60523.

As a franchisee, you should not have any expectation that the economic and demographic factors that exist at your McDonald's restaurant location will remain constant. In addirion, other McDonald's restaurants (including those that we develop in the future) may have an effect on the sales of your McDonald's restaurant, since customers typically patronize various McDonald's restaurants depending on their travel patterns and other factors. You also will be competing with other restaurants and food service businesses that offer the same types of products that you do. These restaurants and food service businesses may be associated with national or regional chains (whether or not franchised) or may be local, single restaurant locadons. You will compete with other restaurants and food service businesses that feature products different from those in a McDonald's restaurant. In certain STOs, the fuel station/convenience store operators will have the right to sell fountain drinks and hot beverages in the convenience store located within the same building as the McDonald's restaurant. Your products and services will be offered primarily to individual consumers for on-site or off-site consumption. The market for the products you will offer is developed in some areas and still developing in other areas, depending on the number of restaurants of this type operating in each particular area.

You will be required to comply with all local, state, and federal laws, including health and sanitation laws, that apply to restaurant operations. There are other laws that apply generally to all businesses, including, but not limited to, the Americans with Disabilities Act, and we encourage you to make further inquiries about these laws.

We have from time to time developed incentive programs designed to help enhance the image of McDonald's restaurant facilities. These programs typically require remodeling, rebuilding, or relocating restaurant buildings and leasehold improvements. Your participation in any of these programs is voluntary. Participation may be made a condition of the grant of a new term franchise, which is also voluntary (see Item 17 and Exhibit L). Only franchisees who meet each program's stated eligibility requirements and who are approved by us are allowed to participate. These programs often require additional capital investment in the site by the franchisee and us, an adjustment to the rent payable to us, and may involve an adjustment to the initial franchise fee or its due date (see Items 5, 6, and 7). If you desire and are approved to participate in any of these programs, we will provide you with complete details of the program, its terms and conditions, and copies of any agreements that you must sign with us. We may modify or discontinue offering any of these programs at any time.

Item 2
Business Experience

All of the officers and directors listed below became employees of McDonald's on January 1, 2005. However, all have long histories with our predecessor and the date they joined our predecessor is listed below.

Title	Name	Start Date
Director	Peter J. Bensen	June 30, 1996
Director	Gloria Santona	November 14, 1977
Director and President	Janice L. Fields	May 1, 1977
U.S. Executive Vice President – Chief Operations Officer	James L. Johannesen	June 4, 1979
U.S. Senior Vice President – Chief Restaurant Officer	Lee Renz	August 22, 1975
U.S. Division President – Central Division	Michael Andres	August 24, 2007 (1)
U.S. Division President – East Division	Karen King	August 1, 1975
U.S. Division President – West Division	Steven M. Plotkin	May 9, 1972
U.S. Senior Vice President – Restaurant Support Officer	Rick Colon	September 26, 1994
U.S. Senior Vice President – Restaurant Support Officer	James Norberg	June 12, 1983
U.S. Senior Vice President – Restaurant Support Officer	Charles Robeson	August 6, 1976
U.S. Vice President – Global Franchising	John A. Kujawa	August 15, 1989
U.S. Vice President – Training, Learning & Development	Diana Thomas	June 15, 1979
U.S. Vice President – General Manager	Monica F. Boyles	June 15, 1987
U.S. Vice President – General Manager	Harry L. Coaxum	November 6, 1975
U.S. Vice President – General Manager	James Collins	February 11, 1985
U.S. Vice President – General Manager	Joseph Erlinger	April 22, 2002
U.S. Vice President – General Manager	Karen Garcia	May 1, 1978
U.S. Vice President – General Manager	Roberto Garcia	June 29, 1994
U.S. Vice President – General Manager	Mwaffak Kanjee	November 15, 1980
U.S. Vice President – General Manager	Marie McKinney	July 19, 1977
U.S. Vice President – General Manager	Ofelia Melendrez-Kumpf	June 17, 1992
U.S. Vice President – General Manager	Mark Moreno	September 1, 2000
U.S. Vice President – General Manager	Deborah Mossa	October 1, 1975
U.S. Vice President – General Manager	Cassiopie Nelson	January 1, 1981
U.S. Vice President – General Manager	Steven Norby	November 23, 1973
~~U.S. Vice President – General Manager~~	~~Martin Ranft II~~	~~July 1, 1974~~
U.S. Vice President – General Manager	Terrence Reese	April 27, 1975
U.S. Vice President – General Manager	Bettina Roberts	December 7, 1979
U.S. Vice President – General Manager	Debbie Roberts	February 12, 1990
U.S. Vice President – General Manager	Shirley Rogers-Reece	October 1, 1981
U.S. Vice President – General Manager	James Sappington	June 22, 1987
~~U.S. Vice President – General Manager~~	~~Albert Seecharan~~	~~May 16, 1985~~
U.S. Vice President – General Manager	Mason Smoot	March 1, 1994
U.S. Vice President – ~~QSC~~General Manager	Debra Stroud	June 25, 1990
U.S. Vice President – General Manager	Cody Teets	July 1, 1993
U.S. Vice President – QSC	Marcy Amble	October 1, 1978
U.S. Vice President – QSC	Martha Ball	November 26, 1982
U.S. Vice President – QSC	Yolanda Cook	August 16, 1981
U.S. Vice President – QSC	William Garrett	September 16, 1980
U.S. Vice President – QSC	Daniel Gehret	May 1, 1978
U.S. Vice President – QSC	Francisco Gonzalez	June 1, 2009 (2)
U.S. Vice President – QSC	Darren Hall	September 25, 1985
U.S. Vice President – QSC	Gary Hensley	April 1, 1974
U.S. Vice President – QSC	Cedric Jones	February 1, 1991
U.S. Vice President – QSC	Steven Kerley	May 9, 1980

Title	Name	Start Date
U.S. Vice President – QSC	Walter Maney	July 2, 1982
U.S. Vice President – QSC	William McKeman	November 11, 1983
U.S. Vice President – QSC	Atila Noronha	May 24, 1991
U.S. Vice President – QSC	Bianca Olivas	September 15, 1978
U.S. Vice President – QSC	Gino Potesta	March 7, 1980
U.S. Vice President – QSC	Scott Rockwell	April 1, 1988
U.S. Vice President – QSC	Wendell Sconiers	October 28, 1984
U.S. Vice President – QSC	Sharlene Smith	January 31, 1989
U.S. Vice President – QSC	William Tice	November 16, 1991
U.S. Vice President – QSC	Jeff Wilfong	September 1, 1977
U.S. Vice President – QSC	Alex Williams	August 27, 2007 (3)
Managing Director, Hawaii	Veronica Kaneko	April 4, 1980

(1) Michael Andres retumed to McDonald's as a Vice President in August 2007 and became U.S. Division President in Febmary 2010. From June 2000 to August 2007, he was President and CEO of our former affiliate, Boston Market Corporation, Golden, Colorado.

(2) Francisco Gonzalez has been a Vice President of McDonald's since June 2009. From August 2007 to June 2009, he was Managing Director of Mexico for Arcos Dorados, B.V., Buenos Aires, Argentina. From January 2006 to August 2007, he was Managing Director of McDonald's Mexico S.A. de C.V., Huixquilucan, Mexico. From January 2002 to January 2006, he held management positions with McDonald's Mexico S.A. de C.V. and Sistemas Central America S.A., Panama City, Panama.

(3) Alex Williams has been a Vice President of McDonald's since May 2011. From October 2009 to May 2011 he was a Director of Operations, and from August 2007 to October 2009 he was a Director in our Accelerated Development Program. From January 2005 to August 2007, he served as a Regional Director of Operations for Starbucks Corporation in Overland Park, Kansas.

Item 3
Litigation

Pending Cases

AA&S Food Service Corp., et al. v. McDonald's Corporation, McDonald's Systems de Puerto Rico, Inc., Golden Arch Development Corporation, Inc., et al. (Case No. KAC07-0725 (603)). On January 29, 2007, the plaintiffs, franchisees of various McDonald's restaurants in Puerto Rico, filed a complaint against our predecessor, its Puerto Rican companies, and others in the Puerto Rico Court of First Instance, San Juan, Puerto Rico. In 2008, plaintiffs amended their complaint seeking a determination that the Puerto Rico franchise distribution law (Law 75) govems the franchise agreements and relationships between the parties and that the defendants have violated the provisions of Law 75, an injunction prohibiting the defendants from denying rewrites except for just cause and from opening new McDonald's restaurants or kiosks within 3 miles of plaintiffs' restaurants, damages of up to $66,725,000, attorney's fees, and costs. In 2009 and 2010, plaintiffs further amended their complaint to, among other things, include us as a named defendant. In July 2011, the court mled that Law 75 applies to the Puerto Rican franchises and in August 2011, the defendants appealed the order to the Puerto Rico Court of Appeals. The defendants intend to defend their interests vigorously in this case.

Physicians Committee for Responsible Medicine v. McDonald's Corporation, Burger King Corporation, TGI Friday's, Inc., Carlson Restaurants Worldwide, Inc., Applebee's Intemational, Inc., Chick-Fil-A, Inc., Brinker Intemational, Inc., and OSI Restaurant Partners, Inc. (Case No. 383722). On January 16, 2008, the plaintiff filed a complaint in the Superior Court of Los Angeles County, Califomia, alleging violations under Proposition 65, the Safe Drinking Water and Toxic Enforcement Act of Califomia's Health and Safety Code. Plaintiff claims that a compound called 2-AMINO-1-METHYL-6-PHENYLIMIDAZO[4,5-b]PYRADINE ("PhIP") is created during the cooking process used by the defendants when making grilled chicken products, and that the defendants have violated Proposition 65 since 1995 by failing to provide consumers certain wamings about PhIP. The complaint seeks an injunction, a declaratory judgment that defendants must post specific wamings, civil penalties, attomeys' fees, and costs. In June 2009, the court granted the defendants' motion for summary judgment and dismissed the action in its entirety. The plaintiff appealed the court's order and in August 2010, the appellate court reversed the court's decision. Our predecessor intends to defend its interests vigorously in this case.

~~Arbitration under the United Nations Commission on International Trade Law Rules among Bambang Rachmadi, PT Rezeki Mumi and McDonald's Corporation. On June 1, 2009, the claimants, a joint venture partner and its shareholder, filed an ad hoc arbitration claim alleging, among other things, that our predecessor, through a subsidiary: (i) excluded the claimants from management of the joint venture; (ii) mismanaged or failed to act in the best interests of the joint venture by making business decisions that only benefited our predecessor; and (iii) sought to wrongfully end its relationship with the claimants, including having improperly sold the joint venture's assets and other actions that violated Indonesian corporate law. The claimants seek money damages and other relief. Our predecessor intends to defend its interests vigorously in this matter.~~

Rebecca Delio and Mary-Ann Ellison v. McDonald's Corporation, Burger King Corporation and Friendly Ice Cream Corporation (Case No. HHD-CV09-5033704S). On October 6, 2009, the plaintiffs filed a complaint in the Connecticut Superior Court, Judicial District of Hartford, Connecticut, alleging violations of the Connecticut Unfair Trade Practices Act ("CUTPA"). The plaintiffs seek to form a class of consumers and claim that a compound called 2-AMINO-1-METHYL-6-PHENYLIMIDAZO[4,5-b]PYRADINE ("PhIP") is created during the cooking process used by the defendants when making grilled chicken products, and that the defendants have violated CUTPA since 1994 by failing to provide consumers certain warnings about PhIP. The complaint seeks a declaratory judgment that defendants must post specific warnings, monetary damages for the individual plaintiffs, punitive damages, attorneys' fees, and costs. Our predecessor intends to defend its interests vigorously in this case.

Syed Ali Husain and Khursheed Husain v. McDonald's Corporation, McDonald's USA, LLC, Mwaffak Kanjee, and Does 1-20 (Case No. CIV 09-6177). On December 8, 2009, the plaintiffs, franchisees, filed a complaint against our predecessor, Mwaffak Kanjee, and us in the Superior Court of California, Marin County, California, which has been amended. The complaint asserts that we refused to grant new term franchises for restaurants after entering into agreements to do so and alleges breach of contract, fraudulent and negligent misrepresentation, promissory estoppel, breach of the implied covenant of good faith and fair dealing, unjust enrichment, equitable estoppel, unfair business practices, and violation of the Unruh Act. The plaintiffs seek an order directing McDonald's to grant new 20-year franchise terms for 3 restaurants, compensatory damages, and costs. We and our predecessor filed a cross-complaint against the plaintiffs alleging that their rights to operate one of their franchises expired on December 26, 2009, and seeking an order requiring the Husains to vacate the restaurant, compensatory damages, and attorneys' fees. In December 2010, the court issued an order granting a preliminary injunction permitting the plaintiffs to operate the 3 restaurants pending trial and, in February 2011, the defendants appealed the order. The case is set for trial in May 2012. The defendants intend to defend their interests vigorously in this case.

George Vazakas and Stamar Monoprosopi E.P.E. v. McDonald's Hellas M.E.P.E. (Case No. 5283). On September 2, 2010, the plaintiffs, former franchisees of McDonald's restaurants in Greece, filed a complaint against our affiliate, McDonald's Hellas M.E.P.E., with the Hellenic Competition Commission (HCC) alleging infringement of Article 1 of the Greek Competition Act and Article 101 TFEU. The plaintiffs allege that our affiliate engaged in price fixing and violated competition rules by requiring franchisees to obtain food products from certain suppliers. In their complaint, the plaintiffs ask the HCC to take actions to require our affiliate to cease the alleged violations and to impose fines for such conduct, and seek a declaration that any requirement of franchisees to use certain suppliers is illegal under Greek law. Our affiliate intends to defend its interests vigorously in this case.

Monet Parham, on behalf of herself and those similarly situated, and her daughter, Maya, on behalf of herself and those similarly situated v. McDonald's Corporation and McDonald's USA, LLC (Case No. CGC-10-506178). On December 15, 2010, the plaintiffs filed a purported class action complaint against our predecessor and us in the Superior Court of California, San Francisco County, California, asserting that our use of toys to market Happy Meals is deceptive and unfair, and therefore violates California's Unfair Competition Law, False Advertising

Law, and Consumer Legal Remedies Act. The plaintiffs filed this action seeking to represent a class of California residents who have seen marketing for and purchased Happy Meals and request a declaration that defendants' advertising violates these statutes and an injunction to prevent defendants from continuing to advertise Happy Meals featuring toys to children in California, as well as fees and costs. In February 2011, the defendants removed the case to the Federal District Court for the Northern District of California. In July 2011, the Federal District Court remanded the case to the Superior Court of California. The defendants intend to defend their interests vigorously in this case.

~~Sonal Bose, individually, on behalf of herself and all others similarly situated v. McDonald's Corporation, CBS Corporation, Mazda Motor of America, Inc., Microsoft Corporation and Does 1-50 (Case No. 10 CIV 9569). On December 23, 2010, the plaintiff filed a purported class action complaint against our predecessor and other companies in the Federal District Court for the Southern District of New York. With respect to our predecessor, the plaintiff alleges that it violated computer privacy laws through its advertising campaign related to the 2010 World Cup-themed game. The complaint alleges the defendants' conduct constitutes deceptive acquisition of personal information; invasion of privacy; violation of the Computer Fraud and Abuse Act, the Electronic Communications Privacy Act, and the New York Deceptive Practices Act; trespass to personal property; breach of implied contract; tortious interference with contract; and unjust enrichment. The plaintiff seeks injunctive relief prohibiting defendants from engaging in the alleged acts and requiring defendants to notify consumers regarding its data collection activities, delete all data collected through the alleged acts, and provide a means for consumers to decline participation in the collection of data. Our predecessor intends to defend its interests vigorously in this case.~~

Ahmed Ahmed, individually and on behalf of all similarly situated persons v. McDonald's Corporation, Finley's Management Co. D/B/A McDonald's #11663 (Case No. 11-014559-CZ). On November 23, 2011, the plaintiff filed a lawsuit against our predecessor and our franchisee in the Circuit Court of Wayne County, Michigan, alleging the defendants violated the Michigan consumer protection act by falsely advertising that certain chicken products sold at a Michigan restaurant conformed to Muslim dietary laws. The plaintiff seeks class certification, a temporary restraining order prohibiting the alleged violations, monetary damages, interest, attorneys' fees, and costs. The defendants intend to defend their interests vigorously in this case.

Michael Siegel, individually and on behalf of all others similarly situated v. McDonald's Corporation, The Marketing Store Worldwide, LLC, and DDB Chicago, Inc. (Case No. 11CH5519). On December 12, 2011, the plaintiff filed a lawsuit against our predecessor and others in the Circuit Court of Lake County, Illinois, alleging that the defendants did not include certain information that is required under the Illinois Prizes and Gifts Act ("Act") on the game stamps used in McDonald's 2011 Monopoly promotion. The plaintiff seeks class certification, a finding that the defendants' conduct violates the Act, statutory damages, interest, attorneys' fees, and costs. Our predecessor intends to defend its interests vigorously in this case.

Primer Hispania, S.L. vs McDonald's Sistemas de España, Inc., Sucursal en España (MSE) (Case No. 41/2012). On January 9, 2012, a franchisee in Spain, through his operating entity, filed a complaint against our affiliate, MSE, in the Commercial Court nº 10 of Madrid alleging violations of the Unfair/Disloyal Competition and Defense of the Competition laws for unequal treatment. The plaintiff is seeking an order that requires our affiliate to cease the alleged violations and provide rent reductions and money damages. Our affiliate intends to defend its interests vigorously in this case.

Concluded Cases

Dale Gibson v. McDonald's Corporation (Case No. 020600115). On April 25, 2002, a franchisee filed an action in the Sixth Judicial District, Sevier County, Utah, alleging that representatives of our predecessor reneged on a promise to offer Gibson a different franchise in another state. Gibson asserted claims for fraud, negligent misrepresentation, and breach of fiduciary duty. The parties settled the dispute in July 2002 by our predecessor paying the sum of $1,402,972 (plus the value of inventories, gift certificates, current promotional materials and new and unused uniforms) for Gibson's 2 franchises, with much of the purchase price being paid directly to

Gibson's creditors (including our predecessor and OPNAD). Our predecessor also agreed to pay Gibson's advertising co-op up to $49,000 and Gibson paid his remaining business debts.

Tosar Corporation, Statom Corporation, Thomas Borin and Sara Borin v. McDonald's Comorafion (Case No. 02-20792). On March 21, 2002, franchisees filed a complaint in the Federal Disttict Court for the Southern District of Florida alleging that our predecessor's decision not to offer the plaintiffs new franchise terms on the expiration of 2 of their franchises constituted breach of contract, breach of an implied covenant of good faith contract performance, a violation of the Illinois Consumer Fraud and Deceptive Business Practices Act, and a violation of the Illinois Franchise Disclosure Act. Plaintiffs sought an unspecified amount of damages exceeding $100,000, attorneys' fees and costs. On August 29, 2002, the Borins agreed to settle the matter by selling their 3 franchises to our predecessor for $3.5 million.

Hugh Strong and Valerie Strong, individually and doing business as Hiess, Inc. v. McDonald's Corporation and Livia Combs (Case No. 02CA000611 (OC)). On May 2, 2002, a franchisee filed a complaint against our predecessor and Livia Combs, an employee of our predecessor, in the Circuit Court of St. Lucie County, Florida, asserting causes of action for breach of contract, breach of the implied covenant of good faith and fair dealing, fraud in the inducement, intentional infliction of severe emotional distress, and unjust enrichment relating to our predecessor's sale of the restaurants to the plaintiffs and its decision to open a new McOpCo restaurant in the area. The plaintiffs sought of monetary damages and an order compelling McDonald's to cease operating the McOpCo restaurant. The parties settled the case on September 20, 2002, when the Strongs sold their restaurants to our predecessor for $4,180,000.

Brent Christensen v. McDonald's Corporafion (Case No. 01 L 0887), filed August 22, 2001, in the Circuit Court of DuPage County, Illinois; Alison C. Reiter v. Simon Worldwide, Inc., Simon Marketing, Inc., McDonald's Corporation, and Black Corporations l-X (Case No. Civ 01 1572PHXJAT), filed August 22, 2001, in the Federal District Court for the District of Arizona; Wayne V. Jones v. McDonald's Comoration (Small Claim No. Y1 4850), filed August 28, 2001, in the District Court of King County, Washington; Kenneth Luan v. McDonald's Comoration (Docket No. SC1972-01), filed September 4, 2001, in the Superior Court of New Jersey; Traci Lee v. McDonald's Corporation, Simon Worldwide, Inc., Simon Marketing, Inc., Jerome P. Jacobson, Linda L. Baker, Noah Dwight Baker, Sr., John F. Davis, Andrew Glomb, Michael L. Hoover, Ronald E. Hughev, Brenda S. Phenis, and unknown others (Case No. 01C7193), filed September 18, 2001, in the Federal District Court for the Northem District of Illinois; Alison C. Reiter v. Simon Worldwide, Inc., Simon Marketing, Inc., McDonald's Corporation, and Black Corporations l-X (Case No. CV2001-014617), filed August 23, 2001, in the Superior Court of Maricopa County, Arizona; David Allen v. McDonald's Corporation, Simon Worldwide, Inc., and Simon Markefing, Inc. (Case No. CT-005223-01), filed August 23, 2001, in the Circuit Court of Memphis, Termessee; Cameron McCoy and Logan Sutton, by their mother, Dawn McCoy-Sutton, v. McDonald's Corporation (Case No. 01 CA 2085), filed August 23, 2001, in the Circuit Court of Leon County, Florida; Lee Ohaber, Kelly Walker, Ray McNair, and Deborah Stephens v. McDonald's Comoration (Case No. 4-01-CV-00543GTE), filed August 23, 2001, in the Federal District Court for the Eastern District of Arkansas; Maria Casagrande v. McDonald's Corporation, Simon Worldwide, Inc., Simon Marketing, Inc., and Jerome Jacobson (Case No. 01 CV 4038), filed August 24, 2001, in the Federal District Court for the District of New Jersey; Nick Popovich v. McDonald's Corporation and Simon Markefing, Inc. (Case No. 01C 6622), filed August 24, 2001, in the Federal District Court for the Northem District of Illinois; Donald R. Stone v. McDonald's Corporation, Simon Worldwide, Inc., Jerome Jacobson, Linda L. Baker, Noah D. Baker, Andrew M. Glomb, Ronald E. Hughey, Michael L. Hoover, John F. Davis, and Brenda S. Phenis (Case No. CI-01-08578), filed August 27, 2001, in the Court of Common Pleas in Lancaster County, Pennsylvania; Ceciha George v. McDonald's Corporation and Simon Woridwide, Inc. (Case No. 012-9415), filed September 27, 2001, in the Circuit Court of St. Louis, Missouri; Candy L. Verret v. Simon Marketing, Inc., Simon Worldwide, Inc., and McDonald's Corporation (Case No. 01-CV-866), filed in the 18th Judicial District Court of the State of Louisiana and served December 19, 2001; Danielle S. Creason v. Simon Marketing, Inc., Jerome P. Jacobson, and McDonald's Corporafion (Case No. 02C0709), filed January 28, 2002, in the Federal District Court for the Northem District of Illinois; Marylou Harwood and Lawrence Buchanan v. McDonald's Restaurants of Florida, Inc. (Case No. 01-20642 CA25), filed August 31, 2001, in the Circuit Court of Dade County, Florida; Karryn Boland and Jamie Kirsch v. Simon Marketing, Inc. and McDonald's Comoration (Case No. 01CH13803), filed August 22, 2001, in the Circuit Court of Cook County, Illinois; Jillian Manos v. McDonald's Corporation and Simon Worldwide, Inc. (Case No. 01CH14042), filed August 24, 2001, in the Circuit Court of Cook County, Illinois; Colleen Lowery, Sara Elizarraraz, and Veronica Guagenfi v. Simon Marketing, Inc. and McDonald's Corporation (Case No. 01CH14199), filed August 28, 2001, in the Circuit Court of Cook County, Illinois; George Wilfrid Smith, Jr. v. McDonald's Corporation and Simon Marketing, Inc. (Case No. 01CH14327), filed August 29, 2001, in the Circuit Court of Cook County, Illinois; Lisa Jimenez, Lauren Jimenez, Victor Jimenez, and Janine Jimenez, by their father, Anthony Jimenez v. McDonald's Corporation (Case No. 01CH14438), filed August 30, 2001, in the Circuit Court of Cook County, Illinois; Alan H. Hammerman, and James Dworkin and Jeffrey Dworkin, by their father, Alan Dworkin v. McDonald's Corporation (Case No. 01CH15353), filed September 17, 2001, in the Circuit Court of Cook County, Illinois; Zachary Lee and Tyler Lee, by their mother Traci Lee, and Danielle Cole and Lauren Cole, by their mother Kathy Cole v. McDonald's Corporation, Simon Worldwide, Inc., and Simon Marketing, Inc. (Case No. 01CH20130), filed November 28, 2001, in the Circuit Court of Cook County, Illinois; Stephanie Blackwell and James Blackwell v. Simon Marketing, Inc. and McDonald's Corporation (Case No. 01CH21645), filed December 20, 2001, in the Circuit Court of Cook County, Illinois; Charles Brewster Squires, Jr. v. McDonald's Corporation, Simon Worldwide, Inc., Simon Marketing, Inc., and Jerome P. Jacobson (Case No. 1:01CV02172), filed October 19, 2001, in the Federal District Court for the District of Columbia; Chester Lee Marks v. Simon Worldwide, Inc., Simon Marketing, Inc., McDonald's Corporation, and Black Corporation I-X (Case No. CIV02-0379PHXDKD), filed March 4, 2002, in the Federal District Court for the District of Arizona; George R. Chandler, as parent and guardian of Charles W. Chandler, Zhen Ming Wei, Shi Tan Wang, Peggy A. Dieks and John A. Dieks v. Simon Marketing, Inc. and McDonald's Corporation (Case No. 02-005929-CA), filed August 20, 2002, in the Circuit Court for Duval County, Florida; Vera Watts and Chris Morris v. McDonald's Corporation (Case No. 02-820-PC), filed May 31, 2002, in the Circuit Court for Ingham County, Michigan; Robert Rooke v. McDonald's Corporation, McDonald's Corporation in Their Capacity as Company Owners of McDonald's Restaurants in the State of California, and Does 1 through 100 (Case No. 01CC00361), filed August 23, 2001, in the Superior Court of Orange County, California; Michael D. Loefler and Edward Sandstedt v. McDonald's Corporation, Simon Marketing, Inc., Simon Worldwide, Inc. of Los Angeles, Jerome Jacobson, and Does 1 through 100, Inclusive (Case No. 01CC00371), filed September 6, 2001, in the Superior Court of Orange County, California; Harry Powell v. McDonald's Corporation, Simon Marketing, Inc., and Does 1 through 100, Inclusive (Case No. GIC 773181), filed August 23, 2001, in the Superior Court of San Diego County, California; Annette Hoyos, Bruce Graham, and Jose Navarro v. McDonald's Corporation, Simon Worldwide, Inc., Robin Colombo, William R. Fisher, Gloria Brown, Andrew Glomb, James Patrick Faherty, Marvin Braun, and Earl Stuart (Case No. 01 20463 CA24), filed August 29, 2001, in the Circuit Court of Dade County, Florida; Preston Parsons v. McDonald's Restaurants of Canada Limited, McDonald's Corporation, and Simon Marketing, Inc. (Case No. 02-CV-235958CP), filed September 13, 2002, in the Superior Court of Justice in Toronto, Ontario, Canada; Delores Mendoza and Lisa Dominguez v. McDonald's Corporation, Simon Marketing, Inc., Simon Worldwide, Inc., and Does 1 through 100, Inclusive (Case No. BC256646), filed August 23, 2001, in the Superior Court of Los Angeles County, California; Liane E. Hicks v. McDonald's Corporation, Simon Marketing, Inc., and Does 1 through 100 (Case No. BC 256 945), filed August 27, 2001, in the Superior Court of Los Angeles County, California; Aree Burke v. McDonald's Corporation, Simon Worldwide Inc., and Does 1 through 40 (Case No. GIO773606), filed August 30, 2001, in the Superior Court of San Diego County, California; Christopher John Gelfuso and Dresden Felicity Hauck v. McDonald's, Inc., Simon Marketing, Inc., the McDonald's Franchisee at 2269 Foothill Blvd., La Verne, California 91750, and Does 1 through 500, Inclusive (Case No. BC259519), filed October 10, 2001, in the Superior Court of San Bernardino, California; Cheryl A. Knoblock v. McDonald's Corporation and Does 1 through 150 (Case No. GIN01587), filed in the Superior Court of San Diego County, California, and served October 10, 2001; Linda James v. McDonald's Corporation, the McDonald's Restaurant at 2720 West Broadway, Louisville, Kentucky, Simon Marketing Services, Inc., and Ante Enterprises LLC d/b/a the McDonald's Restaurant at I-65 N-LDT Site, Franklin, Kentucky (Case No. 3:01CV-691-H), filed November 27, 2001, in the Federal District Court for the Western District of Kentucky; and Magnus Aburime and Tony Esosa v. McDonald's Corporation (Case No. 01GC25916), filed December 27, 2001, in the Metropolitan General Sessions Court of Davidson County, Tennessee.

Beginning in August 2001, various consumers filed these actions against our predecessor, Simon Marketing, Inc. ("Simon"), and various affiliates and individuals. Simon administered the promotional games offered to some McDonald's restaurant customers from 1995 until 2001. The plaintiffs in these actions challenged the integrity of the random seeding process that Simon used, alleging that the process was compromised by a Simon employee. Some plaintiffs claimed to represent a class of consumers who purchased food and otherwise participated in the promotions. These actions involved claims for fraud, fraudulent concealment, fraudulent inducement, unjust enrichment, unfair competition, and misrepresentation; violations of various state consumer fraud acts, consumer protection acts, deceptive and unfair trade practices acts, the Racketeer Influenced and Cormpt Organizations Act, and related common law claims; breaches of contract, the implied covenant of good faith and fair dealing, and warranty; and negligence, conspiracy, conversion, and similar claims. The plaintiffs in these actions generally sought unspecitied actual damages, punitive damages, treble damages, disgorgement of the protits and increased sales resulting from the promotions, restitution, injunctive relief, and recovery of attomeys' fees, costs, and interest.

Our predecessor removed some of these cases to the applicable Federal Disttict Court and consolidated some cases in certain venues. The trial courts dismissed other cases. On April 19, 2002, our predecessor entered into a settlement agreement with a number of plaintiffs in many of these cases. Under that agreement, our predecessor sponsored a prize giveaway with a total of $15 million in prizes randomly awarded to persons at selected McDonald's restaurants over a designated period of time. This, coupled with the $10 million that our predecessor randomly awarded to persons at selected McDonald's restaurants over Labor Day weekend in 2001, brought the total amount of additional prizes awarded to $25 million. On January 3, 2003, the judge presiding over the cases pending in the Circuit Court of Cook County, Illinois, approved the settlement.

Christopher Gallant, et al. v. McDonald's Corporation and Hardee's Food Systems, Inc. (Case No. L01CV4255). On April 26, 2002, a franchisee tiled an amended complaint against our predecessor and Hardee's Food Systems, Inc. in the Federal District Court for the District of Maryland. The amended complaint describes Gallant's experience as a Hardee's franchisee and his negotiations with our predecessor conceming the potential sale of certain restaurants that he operated. The complaint asserted causes of action against our predecessor for violation of the Racketeer Influenced and Cormpt Organizations Act, intentional misrepresentation, breach of contract, tortious interference with contractual relations, constmctive fraud, and unjust enrichment. The plaintiffs sought compensatory damages, punitive damages, treble damages, attomeys' fees, interest, and costs. On December 18, 2002, our predecessor was served with an amended complaint that Gallant and his operating companies tiled on August 30, 2002, in the Circuit Court for Anne Arundel County, Maryland, against our predecessor and Hardee's Food Systems, Inc. Christopher Gallant, et al. v. McDonald's Corporation and Hardee's Food Systems, Inc. (Case No. C-2002-79990). This complaint was virtually identical to the complaint in the Federal District Court. On March 21, 2003, the parties settled both lawsuits and our predecessor paid Gallant $150,000.

DeBorah Sonnenschein v. McDonald's Corporation (Case No. 300CV2130). On March 1, 2001, our predecessor was served with a complaint tiled in the Federal District Court for the District of Connecticut alleging that our predecessor's decisions conceming the lease for property where 1 of the plaintiff s franchises was located, the effect of a new restaurant opening on her franchises, and other issues constituted race discrimination, breach of contract, breach of the implied covenant of good faith contract performance, violation of the Connecticut Unfair Trade Practices Act, violation of the Connecticut Franchise Act, fraudulent misrepresentation and concealment, and negligent misrepresentation and concealment. Sonnenschein sought an unspecitied amount of damages, attorneys' fees, costs, interest and punitive damages. On January 16, 2003, Sonnenschein tiled another suit in the Federal Disttict Court for the District of Connecticut. DeBorah Sonnenschein v. McDonald's Corporation (Case No. 3:03CV115(CSD)). Our predecessor had threatened to terminate 2 of Somenschein's 4 franchises for failure to comply with operational standards. The second complaint asserted that conduct relating to the threatened terminations constituted race discrunination, breach of contract, breach of the implied covenant of good faith and fair dealing, violation of the Comecticut Unfair Trade Practices Act, and violation of the Connecticut Franchise Act. Sormenschein sought an order enjoining McDonald's from terminating the franchises at issue, an unspecitied amount of damages, costs, and attomeys' fees. The parties settled all claims in both actions on April 9, 2003. Under the settlement agreement, Somenschein sold her 4 restaurants to another franchisee, who paid $4.2 million. Our predecessor also paid Sonnenschein $150,000.

Ronald Daley, Olsen-Daley Corporation d/b/a Maydale Co., R. Daley Corporation and Daley Foods of Cudahy, Inc. v. McDonald's Corporation d/b/a Delaware McDonald's Corporation, Jeffrey Schwartz and Does 1-50

(NC03300). On October 2, 2002, a franchisee tiled a complaint against our predecessor in the Superior Court of Los Angeles County, California , alleging that our predecessor made intentional and negligent misrepresentations, breached its conttacts with plaintiffs, breached the implied covenant of good faith and fair dealing, interfered with prospective business advantages, violated the Califomia Franchise Investment Law and the Califomia Franchise Relations Act, and engaged in unfair business practices. Daley sought compensatory damages and unspecitied exemplary damages, attorneys' fees and costs. As of July 10, 2003, the parties settled this matter by agreeing that our predecessor would contribute up to $50,000 (if Daley conttibuted $30,000) for local store marketing at 1 of his franchised restaurants, permit Daley's son to acquire I of his franchises if certain conditions were met, and adjust rent at 1 restaurant location. The parties also exchanged mutual releases and agreed to certain other conditions regarding ongoing operations.

Simon Marketing, Inc. and Simon Worldwide, Inc. v. McDonald's Corporation and Does 1 through 100, Inclusive (Case No. BC260348). On October 23, 2001, Simon Marketing, Inc., and Simon Woridwide, Inc., tiled a complaint against our predecessor and various unnamed defendants in the Superior Court of Los Angeles County, Califomia. The complaint alleged that our predecessor's pubhc statements regarding the Justice Department's investigation of allegations that a Simon Marketing employee compromised the integrity of the promotional games offered to McDonald's customers constituted fraud, breach of contract, breach of a licensing agreement, defamation, interference with existing and potential contractual and business relationships, and unfair competition. The plaintiffs sought actual damages exceeding $500 million, special damages, punitive damages, costs, and attomeys' fees. On July 31, 2003, our predecessor and other entities entered into a joint settiement with Simon to conclude all litigation among them. The settlement was conditioned upon Simon's insurance carriers' entirely funding the $15 million in prizes and the implementation costs of the prize giveaway used to settle the consumer class action lawsuits relating to McDonald's promotional games, as well as court approval. The parties exchanged worldwide releases for all claims in all countries. Our predecessor further agreed to assign its claims against Simon to Simon, so that Simon could pursue any remaining proceeds from its insurance carriers. Finally, our predecessor, through its insurance carriers, agreed to pay $4.75 miltion to Simon as part of the settlement.

Dadina Sri vs. McDonald's Development Italy, Inc. (Case No. 9487/03). On Febmary 6, 2003, a licensee in Italy, through his operating company, tiled a complaint against our aftiliate in the Court of Milan, Italy. Dadina brought claims for breach of contract, misrepresentation and illegal contract provisions due to sales projections that our aftiliate ahegedly provided. The plaintiff sought 250,000 Euros in compensatory damages and a declaration to nullify the franchise agreement or, altematively, for the application of a lower rent. On August 28, 2003, our aftiliate and Zocca signed a settlement agreement, under which our aftiliate forgave 269,000 Euros of receivables and expenses and relieved him of his rent for 2003.

Gemar 2000 Sri vs. McDonald's Development Italy, Inc. (Case No. 9486/03). On Febmary 6, 2003, a licensee in Italy, through his operating company, tiled a complaint against our aftihate in the Court of Milan, Italy. Gemar brought claims for breach of contract and illegal contract provisions due to sales projections that our aftiliate allegedly provided. The plaintiff sought 280,000 Euros in compensatory damages and a declaration to nullify the franchise agreement or, altematively, for the application of a lower rent. On September 1, 2003, our aftiliate and Radicchi signed a settlement agreement, under which our aftiliate forgave 215,000 Euros of receivables and expenses and restmctured his rents until 2006.

Maria Sá Cameiro – Restauracao Rapida, Lda. v. Sistemas McDonald's Portugal, Lda. (Case No. 157/2002 – civil court of Lisbon – 5th court). On November 8, 2002, our affiliate, received notice that Maria Sá Cameiro, franchisee in Portugal, had tiled a complaint against it in the Court of Lisbon. The complaint included claims for breach of contract and bad faith, and the plaintiff also claimed that the franchise agreement violated certain provisions of the Treaty of Rome and was not covered by the European Anti-Tmst Block Exemption Regulations. The plaintiff sought to have the franchise agreement declared null and void and further sought compensatory damages and clientele (goodwill) compensation in the amount of 1,103,879 Euros. The parties settled the action on July 31, 2003, when our aftiliate bought the plaintiff s restaurant for 550,000 Euros. On September 26, 2003, the Court of Lisbon approved the agreement between the parties and dismissed the case.

Palumbo & Associates, LLC v. Golden Arch of Califomia, Inc. and McDonald's Corporation (Case No. GIC 792517). On July 18, 2002, Palumbo served our predecessor and Golden Arch of Califomia, Inc., an affiliate, with a complaint filed in the Superior Court for the State of Califomia, County of San Diego. On Febmary 2, 1996, Palumbo and Golden Arch created the Palumbo Enterprises Partnership ("Partnership"), which owned and operated 33 McDonald's restaurants. The complaint included claims for tortious interference with conttactual relations, breach of the partnership agreement, and breach of the franchise agreements. The complaint sought declaratory relief, compensatory damages in an unspecified amount, punitive damages, attorneys' fees, costs and interest. Golden Arch then filed a cross-complaint against Palumbo and its principals for breach of contract, breach of written guaranty, breach of fiduciary duty, conversion, declaratory relief, an accounfing, and a preliminary and permanent injunction. The cross-complaint alleged that the cross-defendants misappropriated at least $1,455,017 from the Partnership exceeding the compensation that the partnership agreement permitted. On Febmary 7, 2003, Golden Arch filed its amended cross-complaint to add a claim for dissolution of the Partnership. On August 29, 2003, the parties signed a settlement agreement and a partnership dissolution agreement. Pursuant to those agreements, the Partnership assets were valued at $16 million and distributed to the partners according to their proportional interests in the Partnership, after being adjusted to give Golden Arch an additional distribution of $1,592,862 and Palumbo an additional distribution of $100,000. Following dissolufion of the Partnership on September 30, 2003, Philip J. Palumbo, Jr. and Jamie C. Straza remained franchisees, with each operating 7 restaurants.

Leadership Systems, Inc., Robert Foster and Lisa Foster v. McDonald's Corporation, Jerry Hicks, Amheath, Inc. and John and Jane Does 1-10 (Case No. CV-2003-1883-OC). On April 23, 2003, the Fosters and their company ("Leadership") filed a complaint against our predecessor, Jerry Hicks, and his operating company ("Amheath"), in the District Court of Bannock County, Idaho. The plainfiffs tried to sell 2 restaurants in Pocatello, Idaho, and 1 restaurant in Chubbuck, Idaho, to Jerry Hicks and Amheath. The complaint included claims against our predecessor for breach of contract, tortious interference with prospective business advantage, conspiracy to tortiously interfere with prospective business advantage, and breach of the implied duty of good faith contract performance in connection with the abandoned sale. The plaintiffs sought an unspecified amount of damages, reasonable attomeys' fees, costs and interest. On June 27, 2003, Leadership prohibited our predecessor's representatives from inspecting I of its restaurants and notified our predecessor that it would not allow future unannounced inspections of its 3 restaurants. On July 3, 2003, our predecessor filed a complaint against Leadership in the Federal District Court for the District of Idaho asserting a claim of trademark infringement and material breach of license agreements and seeking injmctive refief directing Leadership to permit our predecessor to inspect the restaurants at all reasonable times. McDonald's Corporation v. Leadership Systems, Inc. (Case No. 03-0283-E-BLW). On July 18, 2003, the Federal District Court granted our predecessor's motion for a preliminary injunction and entered a memorandum decision and order enjoining Leadership from blocking or preventing in any maimer inspections conducted by our predecessor at all reasonable fimes, announced or unannounced. The parties settled the dispute on October 31, 2003, when our predecessor acquired the plaintiffs' restaurants for $2,350,000.

Dama Sri vs. McDonald's Development Italy, Inc. (Case No. 11827/02). On October 18, 2002, a hcensee in Italy, through his operating company, filed a complaint against our affihate at the Court of Bologna, Italy. The complaint included claims for breach of contract, bad faith and unfair competifion and sought 1.25 million Euros in compensatory damages. On Febmary 12, 2003, our affiliate filed its reply to the plaintiff's claims and a counterclaim for 307,000 Euros plus interest and legal expenses for unpaid rent and royalties. On December 29, 2003, our affiliate and Dama signed a settlement agreement, pursuant to which Dama agreed to dismiss this lawsuit and grant our affihate a general release. In exchange, our affiliate forgave 450,000 Euros of receivables and expenses and restmctured rents until 2006.

McDonald's Corporation v. Kristina Denise Enterprises, Inc. and Lynn Robinson (Case No. 99 Civ. 1584). On March 19, 1999, our predecessor sued Lynn Robinson, a franchisee, and her operating company in the Federal Disttict Court for the Eastern District of New York. Our predecessor terminated Robinson's franchise for breach of the franchise agreement, including the failure to pay amounts owed. Our predecessor's suit sought to enforce its rights in connecfion with the terminafion of Robinson's franchise, and included claims for injuncfive relief and damages, together with costs and attomeys' fees. On May 14, 1999, the court granted our predecessor's motion for preliminary injunction, ordering, among other relief, that Robinson retum possession of the restaurant and stop using the McDonald's trademarks and other intellectual property. Robinson filed a second amended counterclaim on January 10, 2000. That counterclaim alleged that our predecessor's actions in her purchase and operation of 1 restaurant, and her earlier operation and sale of 2 other restaurants, constituted breach of the franchise agreement, tortious interference, wrongful terminafion of the franchise agreement, unjust emichment, fraud, conversion, and a violation of 18 U.S.C. Section 1961, the Illinois Franchise Disclosure Act, New York General Business Law Secfion 687, and 42 U.S.C. Sections 1981 and 1982. It appeared that Robinson was seeking $250 million in compensatory damages and unspecified punhive damages. In April 2004, the parties settled their disputes and our predecessor paid Robinson $100,000. In exchange, our predecessor obtained a judgment against Krisfina Denise Enterprises for more than $1.1 million, the franchise termination was affirmed, and our predecessor retained all property associated with the restaurant.

Daniel L. Formica v. McDonald's Corporation (Case No. 04-CV-0345). On March 29, 2004, a franchisee filed a complaint against our predecessor in the Federal District Court for the Northem District of New York alleging violation of the New York Consumer Protection Act. The complaint described Formica's experience as a franchisee, the financial difficulties he experienced, the circumstances surrounding his decision to rebuild 1 of the restaurants he operated, and our predecessor's decision not to award additional restaurants to him. On January 27, 2005, the parties agreed to setrle the lawsuit. McDonald's paid $659,302 to Formica's creditors, and Formica's franchises were terminated.

Abdul Ali Al'Amin, Lawrence Richardson, Dukhan Iqraa Jihad Mumin and William Rogers, Jr. v. McDonald's Corporation (Case No. 8:01CV385), filed June 8, 2001, in the District Court of Douglas County, Nebraska; Kenneth A. Hinton v. McDonald's Corporation (Civil Action No. AW-2001-1400), filed May 14, 2001, in the Federal District Court for the District of Maryland; Jack L. Chacanaca, Dovie D. Chacanaca and Jack L. Chacanaca II v. McDonald's Corporation (Case No. F025699 RECDLB), filed in the Superior Court of Kem County, Cahfomia, and served May 14, 2002; Bobby Brown v. McDonald's Comorafion (Case No. 03CV0928-N), filed May 5, 2003, in the Federal District Court for the Northem District of Texas; Bobby Brown v. Ronald McDonald's Comorafion (Case No. 03CV1978-L), filed September 2, 2003, in the Federal District Court for the Northem District of Texas; Sat Bansal, Bhagubhai K. Patel and Pushker Raj v. McDonald's Corporation, McDonald's Restaurants of Texas, Inc. and Haljohn Holdings, Inc., now Pushker Raj, Viswanathan Ramamurthy and Atul Badwal v. McDonald's Corporation, McDonald's Restaurants of Texas, Inc. and Haljohn Holdings, Inc. (Case No. GN101758), filed June 8, 2001, in the District Court of Travis County, Texas; Glenn D. Shackelford v. John/Jane Doe, et al. (Case No. 04CV-0043M), filed January 9, 2004, in the Federal District Court for the Northem Distiict of Texas; Brij M. Sharma, Charanjit Singh and Lisa M. Bertini v. McDonald's Corporation, McDonald's Restaurants of Washington, Inc. and Does 1 through 100 (Case No. 01-2-12267-3SEA), filed May 1, 2001, in the Superior Court of King County, Washington (putafive class action, consolidated with Block); Vandana Makker, Baja M. Krishna and Sunil Khemaney v. McDonald's Corporation, McDonald's Restaurants of Califomia, Inc. and Does 1 through 100 (Case No. 841162-4), filed May 10, 2001, in die Superior Court of Alameda County, Califomia (putative class action, consolidated with Block); Penelope Baim Block v. McDonald's Comorafion (Case No. 01CH 09137), filed June 4, 2001, in the Circuit Court of Cook County, Illinois (putative class acfion); and Jeffrey I. Zimmerman v. McDonald's Corporation (Civil Action No. 4057 01), filed June 27, 2001, in the Superior Court of Camden County, New Jersey (putative class action, consolidated with Block).

Since May 2001, various consumers and others brought actions against our predecessor asserting that they believed McDonald's French fries were vegetarian when the French fries contained beef flavoring. Some plaintiffs claim to represent a class of similarly situated consumers, like persons of the Hindu faith, vegetarians, and persons who do not eat meat for religious, ethical, health or other reasons. These actions assert claims for fraud, fraudulent concealment, fraudulent inducement, unjust enrichment, unfair competition, and misrepresentation; violations of various state consumer fraud acts, consumer protection acts, unfair compefition laws, deceptive and unfair trade pracfices acts, and related common law claims; violations of federal and state constitutional rights; and intentional and negligent infliction of emofional distress and mental anguish. Some claims allege personal injuries and others seek purely financial relief The plaintiffs in these actions generally seek unspecified damages, although some allege damages of up to approximately $200 million, and many plaintiffs also seek punitive damages, treble damages, disgorgement of the profits and retum of the monies paid for the French fries, restitution, injunctive relief (including requiring additional disclosures conceming beef flavoring on the McDonald's website), and recovery of attomeys' fees, costs, and interest.

The applicable trial courts dismissed the Al'Amin case on October 17, 2001, the Hinton case on June 27, 2002, the Brown cases in February 2004, and the Shackelford case on May 17, 2004. Our predecessor settled the Chacanaca case in July 2003 by paying the plaintiffs a total of $2,000 and the Bansal case in January 2004 by paying plaintiffs a total of $1,700. Our predecessor consolidated some of the remaining cases with the Block case pending in the Circuit Court of Cook County, Illinois. On October 30, 2002, that court approved a settlement under which our predecessor agreed to: (a) donate $10 million to Hindu, vegetarian and other charitable organizations; (b) pay the plaintiffs' attomeys' fees of $2.1 million; (c) issue an apology; (d) establish an advisory board to make recommendations on marketing to individuals who follow vegetarian dietary restrictions; and (e) reaffirm its commitment to the enhanced nutritional disclosures that it adopted in August 2001. In May 2003, the court entered a final order deciding how to distribute the settlement funds. In April 2005, the Illinois Court of Appeals affirmed the trial court and rejected all appeals.

Motmanco, Inc., Fryguys, LLC, and Motwest, LLC v. McDonald's Corporafion (Case No. 3:04-CV-270-J-99HTS). On April 14, 2004, a franchisee served our predecessor with a complaint filed in the Federal District Court for the Middle District of Florida. The complaint alleged that in 2002, our predecessor adopted a Re-Imaging and Incentive Plan, under which it agreed to pay for certain remodeling expenses at franchised restaurants under certain condifions. The complaint alleged that plainfiffs satisfied all the conditions, but our predecessor abandoned the plan and denied plaintiffs participation. In addition, the complaint alleged that after Mofiey complained about the plan, our predecessor denied plaintiffs rewrite and unfairly graded plaintiffs' restaurants. The complaint made claims based on estoppel, a violation of the Florida Unfair and Deceptive Practices Act, negligent misrepresentation, breach of contract and the implied covenant of good faith and fair dealing. Plaintiffs sought unspecified damages, attomey's fees, interest and costs. In May 2004, our predecessor filed a mofion to dismiss the case. On July 14, 2005, the parties agreed to settle the case. McDonald's agreed to buy all 20 of plaintiffs' franchises and restaurant assets for approximately $35 million, and the parties agreed to dismiss all claims and exchange mutual releases.

Fooditalia S.p.A. N.I.T.A. srl. SO.GE.RI. - Societa Gestione Ristorante srl. C.I.A. - Centto Italiano Alimentare srl. and Mr. Jacques Bahbout v. McDonald's Corporation and McDonald's Development Italy Inc., (formerly McDonald's Franchising and Operations Company), both Delaware corporations (Case No. - 15469/97). On March 20, 1997, a developmental licensee filed a complaint against our predecessor and an affiliate in the First Secfion of the Civil Court in Rome, Italy, alleging claims for breach of contract and unfair competition and sought unquantified compensatory damages. On November 28, 1997, the defendants filed a defense to the licensees' claims and a counterclaim for breach of conttact. On May 22, 2003, the Court of Rome rejected all Bahbout's claims and the defendants' counterclaims. The judge addifionally ordered Bahbout to refund legal expenses to the defendants of 55,000 euros. On December 28, 2005, the parties settled the case. McDonald's purchased the plaintiff operating companies, which operated restaurants and a distribution center, for approximately 21 million euros; and the parties agreed to dismiss all claims and exchanged mutual releases.

BanTransFats.com, Inc. vs. McDonald's Comoration (Case No. 034828); and Katherine D. Fettke vs. McDonald's Corporafion (Case No. 044109). On January 9, 2004, BanTransFats.com filed an amended complaint against our predecessor in the Superior Court of the State of Cahfomia, County of Marin, claiming that our predecessor failed to implement the change to its cooking oils that it publicly announced in September 2002, and that it failed to adequately publicize its failure to make the change. The suit, brought under Section 17200 of the Califomia Business and Professions Code, sought a court order requiring our predecessor to: 1) effectively inform the public that it failed to change the new cooking oil as amounced and promised in September 2002; 2) post prominent notices in its restaurants that it failed to make the change; 3) implement and complete the change to the new cooking oil; and 4) pay reasonable attomeys' fees. In April 2004, the court denied the plaintiff s motion for a preliminary injunction.

On December 29, 2004, Katherine D. Fettke, in the Superior Court of the State of California, County of Marin, filed an amended complaint seeking class action status on behalf of individuals who purchased or consumed certain fried foods from McDonald's restaurants. This plaintiff's allegations were substantially the same as those in the BanTransFats.com case. This plaintiff asserted claims under the consumer protection laws or statutes of all 50 states, along with claims for fraud, breach of contract, negligence, breach of warranty, strict product liability, and battery.

Our predecessor denied all of the plaintiffs' claims in both cases. To resolve the matter, our predecessor agreed to settle both cases by agreeing to: 1) donate $7 million to the American Heart Association to be used exclusively for programs related to trans fatty acids; 2) spend at least $1.5 million notifying its customers about the delay in changing the cooking oil; and 3) pay legal fees, costs and expenses of plaintiffs' counsel up to $2 million. On February 9, 2005, the court preliminarily approved the settlement. On August 24, 2005, the court granted final approval of the settlement. On October 20 and 21, 2005, 2 parties who objected to the approval of the settlement filed appeals with the California Court of Appeals. On March 14, 2006, the appeals were dismissed and the settlement became final.

Antal, Inc., Nicholas L. Antal and Mary Dianna Antal, Husband and Wife v. McDonald's Corporation and McDonald's Restaurants of Oklahoma, Inc. (Case No. CIV-0401441). On September 24, 2004, former franchisees filed a petition in the District Court of Oklahoma County, Oklahoma, commencing Case No. CJ-2004-7891. Our predecessor filed a notice of removal on October 27, 2004, removing the case to the Federal District Court for the Western District of Oklahoma. The case was remanded back to state court in February 2005. The petition alleged that the defendants issued "false field inspections" and "false re-investment schedules" and threatened to default the plaintiffs if they did not sell their franchises, which forced plaintiffs to sell their franchises at less than their value and to forego future profits. The petition contained counts labeled "Bad Faith Breach of Contract" and "Fraud and Coercion" and sought compensatory and punitive damages, costs and attorneys' fees. In June 2006, our predecessor settled this litigation by agreeing to pay $300,000 to the plaintiffs in exchange for general releases.

Sandra Darling and Darling Management Corporation v. McDonald's Corporation, Dean L. Hecker, Robert Rodriguez, Elizabeth A. Tatman, Howard & Tatman and Does Conspirators 1-10 and Does General 11-25 (Case No. KC 035084). On February 9, 2001, a former franchisee filed an action in the Superior Court of Los Angeles County, California, against our predecessor, 2 of its former employees and Darling's former accountants. The complaint included claims for conspiracy to defraud and convert funds, breach of an implied covenant of good faith contract performance, and violation of the California Unfair Competition Law in connection with our predecessor's inspections of Darling's restaurants, our predecessor's decisions concerning new restaurant openings, and Darling's sale of her restaurants to a third party. Our predecessor denied the allegations and filed a counterclaim. Upon learning that Darling had filed bankruptcy, our predecessor removed this case to the United States Bankruptcy Court for the Central District of California, which approved the sale of the litigation to a third party and remanded the matter to the Superior Court. On April 29, 2003, a jury awarded the plaintiff compensatory and punitive damages. In January 2006, the California appellate court reversed the judgment and ordered a new trial on compensatory damages alone. In February 2007, the case was settled. Our predecessor paid $4.6 million, and the parties exchanged mutual releases.

Bob Johnson and Tykasa, Inc. v. McDonald's Corporation (Case No. CV05-5810 JFW (AJWx)). On August 10, 2005, a franchisee filed a complaint against our predecessor in the Federal District Court for the Central District of California alleging that our predecessor charged excessive rent at 2 of plaintiffs' restaurants and breached a promise to pay certain remodeling costs. The complaint made claims for breach of contract, breach of the implied covenant of good faith and fair dealing, promissory estoppel, fraud, and unfair and deceptive trade practices. Plaintiffs sought a declaratory judgment, unspecified damages, attorneys' fees and costs. The case was settled in February 2007. Our predecessor agreed to purchase 2 of the plaintiffs' restaurants for about $4.35 million (of which $2 million is guaranteed) and to sell 2 other restaurants to Johnson for about $1.5 million, contingent on government approval. The purchase and sale prices may change depending on whether additional real estate tenure is obtained and when the transactions close. The parties also exchanged mutual releases.

Greg Currie v. McDonald's Restaurants of Canada Limited. McDonald's Corporation, and Simon Marketing, Inc. (Case No. 02-CV-238276CMI). On October 28, 2002, the plaintiff filed a complaint in the Superior Court of Justice in Toronto, Ontario, Canada, challenging the integrity of the random seeding process that Simon Marketing used in McDonald's promotional games, alleging that the process was compromised by a Simon Marketing employee. The plaintiff claimed to represent a class of consumers who purchased food and otherwise participated in the promotions. The plaintiff alleged violations of the Canadian Competition Act, deceit, breach of conttact, and negligence and sought compensatory and punitive damages and disgorgement of profits. On May 10, 2007, the parties entered into a Settlement Agreement, pursuant to which McDonald's agreed to make available one $1 million prize in a promotional game in Canada before the end of 2009. The prize was awarded in 2008 and the lawsuit has been dismissed.

James W. Garrett, Bonita L. Garrett, the James W. Garrett Tmst and the Bonita L. Garrett Tmst v. McDonald's Corporation. Bemie Schaefer, Sarah Zenger. John Does I-V, Jane Does I-V, Comoration I-V (Case No. C20046486). On December 1, 2004, plainfiffs filed a complaint in the Superior Court for the State of Arizona, County of Pima, alleging that in 2000 our predecessor decided to rewrite 1 of plaintiffs' franchises without disclosing that it had decided not to rewrite plaintiffs' 2 remaining franchises, which were not scheduled lo be considered for rewrite until 2004. Plaintiffs asserted claims for tortious breach of an implied covenant of good faith and fair dealing, negligent misrepresentation, fraud by concealment/deceit, and fraud by misrepresentation. Plaintiffs further asserted claims against Schaefer and Zenger for breach of f duciary duty/constmctive fraud and aiding and abetting the commission of a tort. Plaintiffs sought unspecified compensatory and punitive damages, costs, and interest. Our predecessor, Schaefer, and Zenger removed this case to the Federal District Court for the Disttict of Arizona, and in March 2006, the court granted Schaefer's and Zenger's motion to dismiss. In December 2007, the parties settled the case when the plaintiffs sold their franchise to one of our affiliates for $1,975,000.

Council for Education and Research on Toxics v. McDonald's Corporafion and Burger King (Case No. BC280980); and People v. Frito-Lay. Inc., Pepsico, Inc., J.J. Heinz, Inc., Kettle Foods, Inc., KFC Comoration, Lance, Inc., The Procter & Gamble Distribufing Company, The Procter & Gamble Manufacturing Company, Wendy's Intemational, Inc., McDonald's Corporafion and Burger King (Case No. BC338956). On September 5, 2002, the Council for Educafion and Research on Toxics ("CERT") filed a complaint against our predecessor and Burger King in the Superior Court for Los Angeles County, Califomia, alleging that French fries contained acrylamide, and that our predecessor and Burger King had a duty since January 1, 1990, to "wam their customers that their French fries contain a chemical known by the State of Califomia to cause cancer." CERT claimed that our predecessor and Burger King violated Proposition 65 and the Califomia Unfair Compefition Act. The complaint sought an injunction, product wamings, civil penalties, attorneys' fees, and costs. On August 26, 2005, the Califomia Attomey General filed suit against all the defendants in the CERT case, and others, in the Superior Court for Los Angeles County, Califomia, alleging that all the defendants' products contained acrylamide, and that their failure to wam violated Proposition 65 and the Cahfomia Unfair Competifion Act. The complaint sought injunctive relief requiring warnings, civil penalties, and costs. On November 13, 2007, the action filed by the Califomia Attomey General was settled by our predecessor paying $666,000 in civil penalfies and $275,000 in attomeys' fees and agreeing to post a warning in all McDonald's restaurants in Califomia. On March 7, 2008, our predecessor settled the CERT case by paying $1.4 million to fully resolve all claims.

H. Keith Mehon, Mark M. Watson, and Melton Management. Inc. v. Charles Robeson and McDonald's USA, LLC (Case No. 50 2008 CA040438). On December 23, 2008, franchisees and their operating company filed a complaint against Charles Robeson and us in the Circuit Court of Palm Beach County, Florida. The action was filed in response to a lawsuit we filed against the plaintiffs, McDonald's USA. LLC v. Melton Management. Inc, H. Keith Mehon, and Mark Watson (Case No. 8:08-cv-2303-T17TBM), on November 18, 2008, in the Federal District Court for the Middle District of Florida. In addition to the state court action, the plaintiffs filed a motion to dismiss and stay proceedings in our federal action. The state court complaint asserted claims for fraud, negligent misrepresentafion, and tortious interference with prospective business advantage. The plaintiffs sought unspecified monetary damages, attomey's fees, costs, and interest. The parties settled this litigation on December 30, 2009, with our purchasing 7 of Melton's franchises and settiing all claims for $10,330,844, plus other terms including offering Watson 1 of the purchased franchises for $320,000. The parties also exchanged mutual releases.

Collection or Related Actions Filed in ~~2010~~2011 Against Franchisees

~~McDonald's Sistemas de España, Inc., Sucursal en España (MSE) vs Cesar Julia (Case No. 623/2010), filed March 22, 2010, in the 1st Instance Court n. 1 of Hospitalet de Llobregat, Spain.~~
~~McDonald's Sistemas de España, Inc., Sucursal en España (MSE) vs José Alcalde & JOFICRISAL SL (Case No. 1698/2010), filed July 30, 2010, in the Civil Court No. 88 of Madrid, Spain.~~
~~McDonald's France vs Brescia Investissement, and Francesco Brescia (Case No. RG 2010 F 03975), filed September 22, 2010, in the Commercial Court of Versailles, France.~~
~~McDonald's Development Italy, Inc. vs HP Hamurger & Patafine (Case No. RG 61645/2010), filed October 18, 2010, in the Court of Rome, Italy.~~
~~McDonald's Development Italy, Inc. vs Tilly sri (Case No. RG 3563/2010), filed October 21, 2010, in the Court of Rome, Italy.~~
~~McDonald's Sistemas de España, Inc., Sucursal en España (MSE) vs JOFICRISAL SL (Case No. 1076/2010), filed December 22, 2010, in the Commercial Court No. 2 of Barcelona, Spain.~~
McDonald's USA, LLC v. Nathan Pyles (Case No. 11-2378), filed August 19, 2011, in the Circuit Court of the Fifth Judicial District, Marion County, Florida.
McDonald's Hellas M.E.P.E. vs. Deligiannis EPE (Case No. 147/2011), filed January 7, 2011, in the Magistrates Court of Athens, Greece.
McDonald's Hellas M.E.P.E. vs. Deligiannis EPE (Case No. 42902/3290/2011), filed March 9, 2011, in the Court of Athens, Greece.
McDonald's Hellas M.E.P.E. vs. ETEX SA and Mrs. M. Kontiza (Case No. 84232/1182/2011), filed May 12, 2011, in the Multi-Member First Instance Court of Athens, Greece.
McDonald's Development Italy, Inc. vs Ristorante Veroneseper famighe (Case No. RG 313/10), filed May 18, 2011, in the Court of Milan, Italy.
McDonald's Holdings Company (Japan), Ltd. vs. Hayakawa Foods Co. Ltd. (Case No. 17194), filed May 26, 2011, in the Tokyo District Court, Japan.
McDonald's Suisse Franchise Sàrl vs. Mrs. Kathleen Strasser (Case No. JP11.034305), filed September 12, 2011, in the Patrimonial Court of the Canton of Vaud, Lausanne, Switzerland.

Occasionally, disputes arise with our franchisees. If a dispute cannot be resolved through our internal processes such as appealing to higher level individuals (our "open door policy") or our formal Ombudsman process, then as a matter of common practice (not required by the Franchise Agreement) we will often agree to use mediation. Even though we follow these practices, occasionally lawsuits alleging the same or similar allegations to those listed in this Item 3 have been brought against us or our predecessor and could be brought against us in the future.

Other than these actions, no litigation is required to be disclosed in this Item.

Item 4
Bankruptcy

No person previously identified in Item 1 and no officer identified in Item 2 of this disclosure document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code, or foreign bankruptcy laws, required to be disclosed in this Item.

Item 5
Initial Fees

All franchisees pay a $45,000 lump sum initial franchise fee on the opening of the restaurant, except for: (a) the McOpCo companies, which do not pay any initial franchise fee; (b) franchisees of locations having 10 years or less of real estate tenure will pay a prorated initial franchise fee based on the term of the franchise; (c) franchisees who rebuild or relocate their restaurants will pay the initial franchise fee less a credit for a portion of the previously paid initial franchise fee, on the earlier of the first of the month after the seventh year after the opening of the rebuilt or relocated restaurant, or the end of the previous franchise term (see Item 7, note 1); (d) franchisees of Satellite locations, who are required to pay a $500 initial franchise fee upon opening of the Satellite (except franchisees of Walmart locations, who pay no initial franchise fee) and an annual fee (see Item 6); (e) franchisees of STO and STR locations pay a $22,500 lump sum initial franchise fee; and (f) franchisees who have an option to purchase assets under a BFL pay the $45,000 initial franchise fee when they exercise the option. The entire initial franchise fee will be refunded if the restaurant construction is not completed within 1 year of the date the Franchise Agreement is signed. There are no refunds under other circumstances.

Item 6
Other Fees

OTHER FEES

Type of fee	Amount	Due Date	Remarks
Service Fee (1)	4% of Gross Sales (2)	Payable monthly on the 10th day of the next month.	"Gross Sales" include all revenues from your sales based upon all business conducted at or from the restaurant, but exclude sales or use tax.
Rent (1)	Varies (3) (4)	Base Rent: Payable on the 1st day of the month. Percentage Rent: Payable monthly on the 10th day of the next month.	
Advertising and Promotion (5)	Not less than 4% of Gross Sales	Spent during each calendar year.	Most franchisees participate in local advertising cooperatives and the national advertising fund ("OPNAD"). The contribution rates are established by the franchisees and, depending upon then-current advertising costs and needs, may or may not exceed the required 4% of Gross Sales. "Grand Opening" promotions are strongly recommended.
Audit/Inspection Fee (1)	Cost of audit	Immediately upon billing.	Payable only if audit/inspection fee shows an understatement of at least 2% of Gross Sales.
Satellite Annual Fee (1)	$500 to $2,500	On each anniversary of opening or on a fixed date annually.	
Satellite Rent (1)	Varies (6)	Payable monthly on the 10th day of the next month.	
STO and STR Rent (1)	Varies (3) (7)	Same as Rent above.	
BFL Rent (1)	Varies (3) (8)	Same as Rent above.	
Relocation Contribution (1) (9)	$50,000	On opening of the relocated restaurant.	
NewPOS Integration Fee (1)	$1,000 integration fee (one-time fee) (13) $200 annual integration fee	 Payable annually (July 1) within 30 days of billing.	You pay the annual integration fee to us for the integration of your store system platform.
Restaurant File Maintenance (RFM) Fee (1) (11) (14)	$150	Payable annually (July 1) within 30 days of billing.	You pay this fee to us for the annual maintenance of RFM.

Type of fee	Amount	Due Date	Remarks
R2D2 Software Maintenance Fee (1)	$125	Payable annually (July 1) within 30 days of billing.	Your participation in the R2D2 program is optional. See Item 11.
NewPOS Software Fee (i) (i0)	$1,600 license fee (one-time fee) (13) $400 annual software maintenance fee	 Payable annually (July 1) within 30 days of billing.	You pay the annual software maintenance fee to us and we remit payment to RDI, our affdiate, which owns the portion of the VSI business that serves the McDonald's System. See Item 1.
Next Gen Cashless Fee (1) (12) (15) (16)	$216 license fee (one-time fee) $154 annual maintenance fee	 Payable annually (July 1) within 30 days of billing.	You pay these fees to us and we remit payment to a third-party vendor.
Help Desk Support Fee (10)	$2,040	Payable in monthly installments of $170.	You pay this fee to our affiliate, RTS. See Item 1.
Microsoft Subscription License (1) (11) (16)	$449	Payable annually (July 1) within 30 days of billing.	You pay this fee to us and we remit payment to Microsoft.
Restaurant System Management (RSM) (1) (11) (16)	$250	Payable annually (July 1) within 30 days of billing.	You pay this fee to us for the annual maintenance of RSM.
Restaurant Integrated Data Movement (RIDM) Fee (1) (11) (16)	$75	Payable annually (July 1) within 30 days of billing.	You pay this fee to us for the annual maintenance of RIDM.
e*Restaurant Fee (1) (11) (16)	$54	Payable annually (July 1) within 30 days of billing.	You pay this fee to us for the annual maintenance of, and enhancements for, this integrated back office suite of products.
Identity Management Fee (i) (i1) (i6)	$75	Payable annually (July 1) within 30 days of billing.	You pay this fee to us for the annual support and maintenance of restaurant crew identity security management software.
Store Mail (email accounts) Fee	$79.80	Payable annually within 30 days of billing.	You nay this fee to us for annual email account support for using the us.stores.mcd.com domain.

(1) All fees are imposed and collected by and payable to McDonald's. All fees are non-refundable and uniform. We will automatically draft rent and service fees from your bank account according to the terms of the Franchise Agreement. We also may draft miscellaneous receivables that you owe us, provided you confirm the amount of each draft.

(2) 4.5% of Gross Sales in Alaska, Hawaii, Guam, and the Northem Mariana Islands.

(3) The following is the rent stmcture for new restaurants and for new term franchises for existing restaurants:

Fixed Percentage Rent with Monthly Base Rent

Monthly Base Rent

All restaurants will have a Monthly Base Rent. For a site where both the land and the building are owned by McDonald's or its affiliates, Monthly Base Rent is based upon the total amount invested by McDonald's in the acquisition and development of the land and the building. A finance factor is applied to this amount to produce an appropriate retum for McDonald's. For a site where the land and/or building is leased by McDonald's from a third party, Monthly Base Rent is based upon the total amount invested by McDonald's in the acquisition and development of the land and the building as well as monthly rent paid to a third party landlord. A finance factor is applied to each of these amounts to produce an appropriate return for McDonald's. You must pay this amount every month of the franchise term.

Fixed Percentage Rent

The Fixed Percentage Rent is for new restaurants that opened on or after June 13, 2007, generally computed as follows:

McDonald's Total Acquisition and Development Costs More Than	Up to	Franchisee's Fixed Percentage Rent Rate
$0.00	$900,000	8.50%
$900,000.01	$910,000	8.75%
$910,000.01	$920,000	9.00%
$920,000.01	$930,000	9.25%
$930,000.01	$960,000	9.50%
$960,000.01	$990,000	9.75%
$990,000.01	$1,020,000	10.00%
$1,020,000.01	$1,050,000	10.25%
$1,050,000.01	$1,080,000	10.50%
$1,080,000.01	$1,140,000	10.75%
$1,140,000.01	$1,170,000	11.00%
$1,170,000.01	$1,200,000	11.25%
$1,200,000.01	$1,230,000	11.50%
$1,230,000.01	$1,260,000	11.75%
$1,260,000.01	$1,290,000	12.00%
$1,290,000.01	$1,320,000	12.25%
$1,320,000.01	$1,350,000	12.50%
$1,350,000.01	$1,380,000	12.75%
$1,380,000.01	$1,410,000	13.00%
$1,410,000.01	$1,470,000	13.25%
$1,470,000.01	$1,530,000	13.50%
$1,530,000.01	$1,590,000	13.75%
$1,590,000.01	$1,650,000	14.00%
$1,650,000.01	$1,810,000	14.25%
$1,810,000.01	$1,910,000	14.50%
$1,910,000.01	$2,010,000	14.75%
$2,010,000.01	$2,110,000	15.00%
$2,110,000.01	$2,210,000	15.25%
$2,210,000.01	$2,310,000	15.50%
$2,310,000.01	and above	Established on a case-by-case basis

The Fixed Percentage Rent for new term franchises for existing restaurants that opened before June 13, 2007, is generally computed as follows:

McDonald's Total Acquisition and Development Costs More Than	Up to	Franchisee's Fixed Percentage Rent Rate
$0.00	$750,000	8.50%
$750,000.01	$780,000	8.75%
$780,000.01	$810,000	9.00%
$810,000.01	$840,000	9.25%
$840,000.01	$870,000	9.50%
$870,000.01	$900,000	9.75%
$900,000.01	$930,000	10.00%
$930,000.01	$960,000	10.25%
$960,000.01	$990,000	10.50%

McDonald's Total Acquisition and Development Costs More Than	Up to	Franchisee's Fixed Percentage Rent Rate
$990,000.01	$1,020,000	10.75%
$1,020,000.01	$1,050,000	11.00%
$1,050,000.01	$1,080,000	11.25%
$1,080,000.01	$1,110,000	11.50%
$1,110,000.01	$1,140,000	11.75%
$1,140,000.01	$1,170,000	12.00%
$1,170,000.01	$1,200,000	12.25%
$1,200,000.01	$1,230,000	12.50%
$1,230,000.01	$1,260,000	12.75%
$1,260,000.01	$1,290,000	13.00%
$1,290,000.01	$1,320,000	13.25%
$1,320,000.01	$1,350,000	13.50%
$1,350,000.01	$1,380,000	13.75%
$1,380,000.01	$1,410,000	14.00%
$1,410,000.01	and above	Established on a case-by-case basis

The Fixed Percentage Rent is payable only if the monthly Gross Sales exceed the monthly base sales figure which is computed by dividing the dollar amount of the Monthly Base Rent by the Fixed Percentage Rent rate.

The Fixed Percentage Rent for new term franchises will not be lower than the Fixed Percentage Rent in the previous franchise term.

While the table shown above references total acquisition and development costs, you should be aware that the table is the end resuh of a process by which McDonald's gives consideration to many economic factors including the amounts of typical franchisor and franchisee investments, the ratio between our investment and your investment, potential rates of retum on investment, the ratio between what we think might be our potential retum and yours, and the amount which we have at risk. Varying Fixed Percentage Rent factors have resulted in an average factor which is used in Item 19, which includes pro forma profit and loss statements.

The percentages used in computing monthly payments based on Gross Sales are determined by McDonald's management in consideration of the rights being granted by the Franchise Agreement, the drawing power of the McDonald's restaurant, the value of the McDonald's System as a whole and McDonald's interests in obtaining a profit in tight of competitive conditions. All payments made by you to McDonald's constitute a single financial arrangement between you and McDonald's which, taken as a whole and without regard to any designation or description, reflect the value of the rights being made available to you by McDonald's and the services being rendered by McDonald's during the franchise term. The percentages may vary among franchises depending upon when the franchise was sold as well as other factors. In unusual circumstances that involve special costs, the fees paid by you may be higher than those outiined in this Item 6.

(4) We have adopted a policy that allows co-investment in the building and site improvements of a new or relocated restaurant for a reduction in the Fixed Percentage Rent and Monthly Base Rent, if certain ehgibihty conditions are met. You are not required to participate under this policy. If the eligibihty conditions are met and you elect to co-invest, the co-invested amount is in addition to the initial investment described in Item 7. The terms and criteria of this policy differ slightly for new and relocated restaurants and are listed below. We may apply, modify, or terminate this policy at any time at our discretion.

Terms:
For both new and relocated restaurants, the general terms are as follows: (a) you have the ability to reduce your stated percentage rent in increments ("quarters") of .25%, down to the applicable co-investment minimum stated rent; (b) the cost to co-invest is determined using a standardized approach that blends the investment tiers and the related percentage rent rates of the Fixed Percentage Rent Chart and will be no less than $30,000 per quarter; (c) you must pay the addifional investments to us; (d) you may pay the additional investments in cash or you may finance them, for up to 10 years, with your own lender (we do not arrange for any financing of these additional investments), but you may not use the building or leasehold improvements as collateral for your loan; and (e) we will retain full ownership of, and legal title to, the building and leasehold improvements, but you will get the tax benefits associated with your co-investment amount. If our investment is over $2,310,000, these terms will be decided on a case-by-case basis.

Co-Investment Criteria and Calculation for New Restaurants:
For new restaurants, the following criteria apply: (a) our real estate tenure at the location is at least 20 years; (b) our development costs are more than $1,170,000; (c) the Fixed Percentage Rent is over 11%; (d) your franchise for the restaurant is 20 years; and (e) if the restaurant is on property leased by us, we do not pay any percentage rent to our landlord.

For new restaurants, the co-investment floor for the calculation (to determine the cost per quarter, number of quarters available, and maximum rent reduction) is 11%. When you select the actual co-investment amount, the corresponding percentage rent reducfion is applied to the rent stmcture that was established for the restaurant prior to the co-investment decision, but rent may not be reduced below 8.50%.

Co-Investment Criteria and Calculation for Relocated Restaurants:
For relocated restaurants, the following criteria apply: (a) our real estate tenure at the location is at least 20 years; (b) your franchise for the restaurant is 20 years; and (c) if the restaurant is on property leased by us, we do not pay any percentage rent to our landlord.

For relocated restaurants, the co-investment floor (for the calculafion to determine the cost per quarter, number of quarters available, and maximum rent reduction) is the existing restaurant's stated percentage rent or 11%, whichever is lower, but not below 8.50%. When you select the actual co-investment amount, the corresponding percentage rent reducfion is applied to the rent structure that was established for the restaurant prior to the co-investment decision, but rent may not be reduced below 8.50%.

(5) Not payable to ~~McDonald's~~us. While the McOpCo companies are voting members of the local advertising funds and OPNAD, they do not have controlling voting power.

(6) All Satellite restaurants will have an Annual or Monthly Base Rent. The rental charged for a Satellite is determined on a case-by-case basis by ~~McDonald's~~our management. The rent will vary depending on ~~McDonald's~~our investment, rent paid to the head landlord, length of term, projected profitability, and retum on investment.

(7) The following is the rent stmcture for STO and STR locations:

Small Town Oil and Small Town Retail Locations Fixed Percentage Rent with Monthly Base Rent
Monthly Base Rent
All restaurants will have a Monthly Base Rent. For STO and STR locations, Monthly Base Rent is calculated in the same manner as described in this Item, note 3. You must pay this amount every month of the franchise term.

Fixed Percentage Rent
The Fixed Percentage Rent for STO locations is generally 10.5% of Gross Sales. The Fixed Percentage Rent for STR locations is generally 9% of Gross Sales.

(8) The rent structure for BFLs is ~~generally as described in this Item, note 3~~determined by us on a case-by-case basis. A BFL franchise may be offered by McDonald's after considering various factors, including your personal financial net worth and liquidity, projected pre-opening and opening expenses at the proposed restaurant, and the projected sales volume and operating expenses at the proposed restaurant during the first 3 years of operation. Under a BFL you may have a conditional option to purchase the franchise and the restaurant equipment, signs, and certain other assets after the first year of the franchise term. The minimum option price for new and existing restaurants is determined by McDonald's on a case-by-case basis.

(9) The relocation contribution is required if you relocate your restaurant to a new site.

(10) Applies to restaurants that use the Store System 4.x and 6.x technology platforms.

(11) Applies to restaurants that use the Store System 6.x technology platform.

(12) Applies to restaurants that use the Store System 6.5 technology platform.

(13) For new restaurants, this fee is paid to our approved POS suppliers and they remh payment to us.

(14) For new restaurants, this fee is not paid in the first year.

(15) The one-time $216 license fee is paid to us and we remit payment to a third-party vendor. After the first year, the only recurring fee is a $154 armual maintenance and hosting fee that is paid to us and that we remit to a third-party vendor.

(16) For new restaurants, this fee is paid in the first year to our approved technology equipment supphers or POS suppliers and they remit payment to us.

Item 7
Estimated Initial Investment

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee	$45,000 (1) $22,500 (1) (2) $0 to $500 (3) (4)	Lump Sum	On opening (1)	McDonald's
Real Estate and Building – 3 Months' rent (5)	Base Rent $450 to $310,500 (6) $750 to $~~30,600~~41,100 (2) (6) $1,425 to $~~46,650~~47,400 (3) (6) Percentage Rent 0% to 42.50% (7) 4.00% to ~~47.30~~17.50% (2) 4.25% to ~~23.00~~24.50% (3)	Monthly	Base: Before Opening Percent: 10th of following month	McDonald's
Signs, Seating, Equipment, and Decor	$~~791,000~~707,700 to $~~1,129,500~~1,353,600 (8) $~~602,000~~604,400 to $~~849,000~~819,000 (2) (8) $50,000 to $396,000 (3) (8)	Lump Sum	Before Opening	Vendors

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Opening Inventory	$~~11,400~~6,000 to $~~27,000~~40,000 $12,000 to $25,000 (2) $~~8,000~~9,000 to $~~15,000~~17,000 (3)	Lump Sum	Before Opening	Vendors
Miscellaneous Opening Expenses	$~~53,000~~60,300 to $~~57,400~~61,600	As Incurred	As Incurred	Vendors Utilities
Travel and Living Expenses While Traveling	$3,000 to $~~20,000~~23,000 (9)	As Incurred	As Incurred	Airlines Hotels Restaurants
Additional Funds – 3 Months	$~~165,000~~182,000 to $~~303,000~~322,000 (10) $~~144,000~~120,000 to $~~221,000~~239,000 (2) (10) $~~57,000~~91,000 to $~~91,500~~112,000 (3) (10)	As Incurred	As Incurred	Employee Suppliers Utilities
TOTAL (11)	$~~1,068,850~~1,004,450 to $~~1,892,400~~2,155,700 (5) (11) $~~837,250~~822,950 lo $~~1,225,500~~1,231,200 (2) (11) $~~172,425~~214,725 to $~~627,050~~657,500 (3) (11)			

(1) Franchisees who rebuild or relocate their restaurants will pay the initial franchise fee on the earlier of (a) the first of the month after the seventh year after the opening of the rebuilt or relocated restaurant; or (b) the end of the previous franchise term.

(2) Applies to STO and STR locations.

(3) Applies to Satellites.

(4) See Item 5.

(5) McDonald's acquires real estate and building and franchises the right to operate at the location. Amounts shown as rent are part of the overall economic package of fees as described in Item 6.

(6) Special site restaurants may be higher.

(7) See Item 6, note 4.

(8) Varies due to size of building, location, estimated sales volume, transportation charges and sales tax. If you request changes to the building, payment for the requested changes may be required before signing the Franchise Agreement. The cost of our basic Store System 6.5 computer platform ranges from $50,000 to $60,000, which includes the POS, in Store Processor, Next Gen Cashless, computer hardware, software, and related equipment.

(9) Cost varies due to distances from Regional Offices and Oak Brook, Illinois, and costs of living in various areas of the country.

(10) You may or may not need capital to support ongoing expenses, such as employee wages, utilities, payroll taxes, legal and accounting fees, travel, advertising, promotion, outside services, linen, operating supplies, small equipment, maintenance and repair, office supphes, cash shortages, insurance, debt service, and non-product purchases, as well as additional opening capital for other variable costs. These figures are estimates and McDonald's cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as how well you follow McDonald's methods and

procedures; the sales volume of your restaurant; your management skill, experience, and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; your rent stmcture; and whether your restaurant is an STO, STR, or a Satellite location. Restaurants opening in cold weather months may be more likely to need capital in the initial 3-month period because restaurant sales are typically lower.

(11) We have relied on the combined ~~56~~57 years of restaurant business experience that we and our predecessor have to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. These figures do not include percentage rent or service fees. We have offered and continue to offer for sale restaurants owned by McOpCo companies. No sales prices in ~~2010~~2011 exceeded the high end of the initial investment range.

Item 8
Restrictions on Sources of Products and Services

Except as noted below, McDonald's does not require that you purchase or lease goods, services, supplies, fixtures, equipment, inventory, or computer hardware and software from McDonald's or our designees in the establishment or operation of your McDonald's restaurant business. As described below, we require that these items and sources of supply meet the specifications, requirements, and standards that McDonald's has, in its sole business judgment, formulated for use in the McDonald's System. Except when an ongoing restaurant business is sold, or except as otherwise noted, neither McDonald's nor any affiliate sells fixtures, equipment, food, or supphes to our franchisees; and none of our officers own any interest in any of our approved supphers. McDonald's may negotiate with approved suppliers in an effort to seek favorable offers for the benefit of the McDonald's System (including offers on price and other purchasing terms). However, our franchisees are free to negotiate their own purchasing terms with approved suppliers at any time. In certain instances, if you participate in programs involving the test or early implementation of new products, equipment, software, or other items, we may install these items in your restaurant at our cost. If these products, equipment, software, or other items are ultimately approved for use in your restaurant, you may be required to reimburse us for the items and related costs. These obligations will be specified in the test or early implementation letter signed by you and McDonald's.

McDonald's strives for the maintenance of quality and uniformity throughout the McDonald's System by identifying standards for the purchasing, distribution, preparation, and service of goods, services, supplies, fixtures, equipment, inventory, and computer hardware and software. We consider the specifications, requirements, and/or standards for food, equipment, information technology, purchasing, distribution, preparation, and service to be of critical importance to the success of the McDonald's System, and therefore require that you deal only with suppliers that have been approved by us. If you desire to use a particular supplier not already approved by McDonald's and if that supplier meets the specifications and requirements of the McDonald's System, then that supplier may, under conditions described below, become an approved supplier for your specific restaurant. Costs associated with gaiuing approval statiis may be your responsibility and/or the supplier's where existing suppliers are capable of providing an existing product. Detailed food product specifications are not generally issued to franchisees, but may be made available upon your request to us and upon your agreeing to maintain certain confidentiality obligations. Other food preparation and equipment requirements and standards are provided to you in our Operations and Training Manual and through other publications provided to our franchisees.

In order for a supplier to be accepted by McDonald's as an approved source of supply, a request for acceptance must be forwarded to our Supply Chain Management Department and other appropriate departments for consideration. The designated Supply Chain Management professional apphes the following general criteria in considering whether the supplier will be designated as an approved source of supply:

(1) Ability to consistently make the manufactured product to McDonald's standards, requirements, and/or specifications.

(2) Agreement to protect McDonald's confidential information and the secrets behind the uniqueness of McDonald's products from dissemination to others, through production of private brand name products for McDonald's.

(3) Production, delivery, and service capability, be it local or national, to meet supply and service commitments as well as to insure safe food as specified by McDonald's.

(4) Integrity of ownership (to assure that its association with McDonald's would not bring ill will upon McDonald's or be inconsistent with McDonald's image).

(5) Financially sound condition.

(6) Compliance with all federal, state, and local laws and McDonald's Code of Conduct for Suppliers.

McDonald's may elect not to accept a supplier as an approved supplier if McDonald's determines, in its sole judgment, that there are a sufficient number of approved suppliers at that time for the McDonald's System. There may be instances in which alternative suppliers cannot be approved because the nature of the product or service requires use of one, or a limited number of, suppliers in order to realize efficiencies or protect the interests of the McDonald's System overall.

Approved suppliers must maintain standards in accordance with our written specifications and requirements. On a routine and continuing basis, McDonald's may visit and inspect the operations of approved suppliers and consult with them to ensure compliance with our standards, requirements, and specifications, as well as to assure compliance with federal, state, and local laws and McDonald's Code of Conduct for Suppliers. Termination of a supplier as an approved source of supply may occur by written notice to or personal meeting with the supplier. We advise our franchisees as soon as possible when a supplier is disapproved.

Insurance sources are approved upon submission of a policy meeting our specifications. Coverage must be at least as comprehensive as the minimum requirements of the Franchise Agreement, and in some cases may be higher if required by local law, landlords, property owners, or other third parties. The Franchise Agreement provides that all insurance be placed with a reputable insurance company licensed to do business in the state in which the restaurant premises are located, having both a financial size category equal to or greater than IX and a rating of "A+" or "A" as determined by Alfred M. Best and Company, Inc.

Except as noted below, neither we nor our affiliates derive revenue from your purchase or lease of property, goods, services, supplies, fixtures, equipment, inventory, or computer hardware and software from approved sources of supply. We have no purchasing or distribution cooperatives. We do not provide any material benefits to a franchisee based on your use of approved sources of supply.

Under the franchise you are required to lease the restaurant premises from us, under an Operator's Lease that is incorporated into the Franchise Agreement. Under the Operator's Lease, you are required to pay rent to McDonald's, along with the related occupancy costs, which include property taxes, insurance, maintenance, and structural repairs. McDonald's derives revenue from this leasing arrangement, as detailed in Item 6.

McDonald's requires new restaurants to use a standard POS platform, NP6, which is the current version of NewPOS. The computer hardware and software for NP6 is purchased through our approved POS suppliers. The NP6 computer platform includes computer software owned by our predecessor and maintained by RDI (see Item 1). Included in the payments you make to our approved POS suppliers for the NP6 platform is a one-time license fee that is paid to us and a payment for the NP6 software and maintenance for the first year, which is paid to us and which we will pay to RDI. After the first year, you are billed by McDonald's for an annual maintenance fee that is paid to RDI for providing periodic updates and enhancements to our approved software (see Item 6). In addition, most franchisees use the help desk support services of our affiliate, RTS, which is the only approved supplier of help desk support to the NP6 platform (see Item 6).

McDonald's may allow, but does not require, franchisees to offer customers the ability to make purchases with certain credit and debit cards, using a specified system (the "Integrated Cashless System"). Almost all franchisees participate in this program. The Integrated Cashless System is designed to work with the POS platform. If you elect to use the Integrated Cashless System, it must be installed and linked to your POS system by installers that we approve. In addition, your restaurant must have required hardware and software purchased from and installed by our designated suppliers. Finally, you must sign an agreement with our designated transaction processor and pay the processor certain transaction processing fees. We also recommend that your restaurant have McDonald's approved high-speed internet access. If you elect to participate, the detailed terms will be provided to you.

McDonald's may allow, but does not require, franchisees to offer customers the ability to buy and make purchases with gift cards, using a specified system (the "Gift Card System"). The Gift Card System is designed to work with the POS platform and the Integrated Cashless System. The Gift Card System is provided and managed by P2W, Inc. NFP ("P2W"), an independent non-profit corporation. P2W is not our affiliate, but is managed by a board of directors that includes our employees and franchisees. If you elect to use the Gift Card System, your restaurant must have the Integrated Cashless System and use designated equipment that is purchased from designated suppliers. In addition, you must sign a subscription agreement with P2W, purchase training materials, and sign a contract with the transaction processor designated by P2W, under which you will be required to pay the processor certain transaction processing fees. Currently, P2W pays for the production costs of the gift cards and certain other expenses. If you elect to participate, the detailed terms will be provided to you. The Gift Card System is not related to the gift certificate program described in Item 11.

In connection with implementing the Integrated Cashless and the Gift Card systems, we may negotiate and enter into agreements with suppliers, installers, and transaction processing companies under which we may receive certain payments. We may use these payments to help support future technological innovation. For convenience, these uses may be referred to internally as "technology funds." However, we do not operate any actual legally segregated, dedicated, trust, or restricted-use funds for technology development. With respect to the Gift Card System, we may also provide certain administrative services (such as accounting services) to P2W at our actual cost. We do not derive any revenue from this arrangement.

In 20~~10~~2011, our predecessor received fees for providing guarantees on loans for U.S. franchisees and affiliates operating as joint partnerships in certain board-approved loan programs and for financial advisory services. In the future, our predecessor may continue to provide these guarantees or services and receive these types of fees. We do not provide any of these guarantees or services or receive any of these fees.

In ~~2010~~2011, we and our predecessor received $~~16,289,698~~26,491,845 in loan guarantee service fees; Integrated Cashless and Gift Card system incentives (which were, or will be, used to offset a variety of Integrated Cashless and Gift Card systems expenses incurred by us for the benefit of the McDonald's System); shipping and distribution fees; and beverage supplier fees.

In 20~~10~~2011, our total revenue was about $~~8.1~~8.5 billion and revenue from the sale or lease of real estate and services to franchisees was about $~~3.9~~4.1 billion. This represents ~~47.9~~48% of our total revenue. These figures were derived from our audited financial statements and other financial information. All of your required purchases (which includes items which must be purchased from us or our approved suppliers and items which must be purchased in accordance with specifications) represent approximately 91% to 94% of your total purchases in connection with the establishment of the restaurant and approximately ~~61~~60% to 67% of your overall purchases in operating the restaurant.

Occasionally, we may incur additional costs and expenses to develop or improve certain products or services for the benefit of the McDonald's System (including but not limited to, goods, equipment, computer hardware and software, and support services), which ultimately may be provided to McDonald's restaurants by approved suppliers. We may seek to recover all or a portion of these additional costs and expenses from our franchisees and/or the approved suppliers. If that recovery is obtained from the approved suppliers, it may be reflected in the prices they quote for these products or services.

See Item 10 for disclosure on financing fees that may be received by McDonald's.

Item 9
Franchisee's Obligations

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	Sections 1(a) and 1(b) of Franchise Agreement and Sections 2.01 and 2.04 of Operator's Lease	Items 7 & 1 i
b. Pre-opening purchase/leases	Section 12(b) of Franchise Agreement and Sections 2.04 and 2.06 of Operator's Lease	Items 7 & 8
c. Site development and other pre-opening requirements	Sections 12(b), 12(c) and 12(d) of Franchise Agreement	Items 6, 7, & 11
d. Initial and ongoing training	Sections 3 and 6 of Franchise Agreement	Item 11
e. Opening	Section 12(b) of Franchise Agreement and Section 2.06 of Operator's Lease	Item 7
f Fees	Sections 8(a) and 9 of Franchise Agreement and Sections 3.01(A) and 3.01(B) of Operator's Lease	Items 5, 6, 7, & 11
g. Compliance with standards and policies/operating manual	Sections 1(c), 1(d), 4, and 12 of Franchise Agreement and Section 2.08 of Operator's Lease	Item 11
h. Trademarks and proprietary information	Sections 2(a)(iii), 4, 11(c), 11(d), 11(e), and 28(g) of Franchise Agreement	Items 13 & 14
i. Restrictions on products/services offered	Sections 1(c) and 12(i) of Franchise Agreement and Section 2.08 of Operator's Lease	Items 8 & 16
j. Warranty and customer service requirements	Sections 1(a), 1(c), 12(a), and 12(h)(iii) of Franchise Agreement	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Not Applicable
l. Ongoing product/service purchases	Sections 12(a), 12(g), 12(i), and 12(j) of Franchise Agreement	Item 8
m. Maintenance, appearance, and remodeling requirements (1)	Sections 12(a), 12(d), and 12(e) of Franchise Agreement and Sections 2.06, 2.08, 4.02, 4.03, and 6.05 of Operator's Lease	Item 11
n. Insurance (1)	Section 17 of Franchise Agreement and Section 6 of Operator's Lease	Item 8
o. Advertising	Section 5 of Franchise Agreement	Items 6 & 11
p. Indemnification	Section 24 of Franchise Agreement and Section 7.02 of Operator's Lease	Item 9
q. Owner's participation/ management/staffing	Sections 1(e), 6, 12(g), and 13 of Franchise Agreement	Items 11 & 15
r. Records and reports	Section 10 of Franchise Agreement and Sections 3.02 and 3.03 of Operator's Lease. ~~Although not required by the Franchise Agreement, McDonald's strongly recommends that you participate in the McDonald's Franchisee Financial System (FFS), a strategic tool used by McDonald's. FFS is a database maintained by McDonald's and used to accumulate restaurant profit and loss, balance sheet, and other financial data supplied by~~	Item 11

Obligation	Section in agreement	Disclosure decument item
	~~franchisees.~~	
s. Inspections and audits	Sections 10 and 12 of Franchise Agreement and Sections 3.03 and 7.01 of Operator's Lease	Items 6 & 11
t. Transfer	Section 15 of Franchise Agreement and Seetion 4.06 of Operator's Lease	Item 17
u. Renewal	Not Applicable. Section 28(a) of Franchise Agreement	Item 17
v. Post-termination obligations	Sections 11(b) and 20 of Franchise Agreement and Section 7.04 of Operator's Lease	Item 17
w. Non-cempetition covenants	Sections 11(a) and 11(b) of Franchise Agreement	Item 17
x. Dispute resolution	Not Applicable	Item 17

(1) If your restaurant is located in an STO location, you may be required to maintain the common areas within the shared building and all extemal common areas for the fuel facility operator and to obtain certain utilities and insurance for the fuel facility operator, subject to reimbursement for a portion of all such costs from the fuel facility operator. If your restaurant is located in an STR location, you may be required to maintain a proportionate share of extemal common areas and obtain insurance for certain common areas.

Item 10
Financing

Typically, no financing arrangements are offered by McDonald's. As part of the Franchise Agreement, McDonald's issues an Operator's Lease for each site owned or leased by McDonald's. The Operator's Lease is a standard commercial lease under which you pay rent to McDonald's for use of the premises. The Operator's Lease does not contain any financing terms. For BFL franchises, the Operator's Lease provides for the lease of the restaurant's business facilities as well as the premises. The BFL arrangement does not contain any financing terms but may provide a conditional option for you to purchase certain restaurant assets from us for a lump sum (see Item 6). In that case, a BFL Rider which contains the option is attached to the Franchise Agreement. The BFL Rider is attached as Exhibit F, and the Operator's Lease is attached as Exhibit G.

~~Loans to certain~~Our predecessor may, at its discretion, guarantee loans made ~~franchisees for the purchase of restaurant businesses sold by the McOpCo companies and for other reasons are made~~ by a third party lender, Lake Forest Bank and Trust Company (the "Lender"), to franchisees for remodeling existing restaurants, working capital, delinquent accounts receivable, refinancing existing restaurant loans, acquiring restaurant businesses from McOpCo companies, purchasing restaurant assets by exercising the option under a BFL Rider, and for other reasons approved by McDonald's. The Lender will prepare all the necessary documents and will handle the processing, payments, customer service, and collections according to standards developed by us. Our predecessor will provide a guarantee to the Lender for these obhgations and in retum will receive a guarantee fee commensurate with the risk of the loans (currently equal to approximately 0.50% of average outstanding balance) which is expected to cover our predecessor's loan losses and expenses. The rate on these loans will typically be 1 month LIBOR plus ~~3.25~~3.75% per annum for floating rate loans which may be prepaid with no penalty ~~(loans may have an interest rate floor of 5.50%)~~. As of ~~December 31, 2010~~December 30, 2011, 1 month LIBOR was ~~0.26~~0.30%. If a fixed rate loan is made, there may be a pre-payment penalty. Loans typically will be for a maximum term of 3 years with a 7-year amortization and will be secured by restaurant equipment, seating, signage, decor, and inventory. ~~Loans will be extended for remodeling existing restaurants, working capital, delinquent accounts receivable, refinancing existing restaurant loans, acquiring restaurant businesses from McOpCo companies, and purchasing restaurant assets by exercising the option under a BFL Rider.~~ The loan amount will vary depending on the purpose for which the loan is to be used. ~~The amount of the loan will be a percent of cost between 75% and 100%.~~ A personal guarantee from the franchisee and his or her spouse will be required and, should a legal dispute arise, the franchisee agrees to waive the right to a jury trial and agrees not to consolidate the action with others. A default on these loans will be considered a default under the Franchise Agreement, and the franchisee will be required to sign a Guaranteed Loan Program Agreement with us (see Exhibit N). As of ~~December 31, 2010~~December 30, 2011, the annual percentage rate (APR) was ~~5.58%~~

~~(considering the interest rate floor)~~4.11%. All loan participants will be required to permit electronic debiting of accounts for payment. The financing documents are typically a Promissory Note, Security Agreement, ACH Authorization, and Guaranteed Loan Program Agreement similar to the documents in Exhibit N.

Item 11
Franchisor's Assistance, Advertising, Computer Systems, and Training

Except as listed below, McDonald's is not required to provide you with any assistance.

Our Pre-Opening Obligations:

~~1)~~——Construct or have others construct, remodel, or otherwise prepare the premises for the McDonald's restaurant in accordance with our then-current plans and specifications and with local ordinances and building codes. We will deliver the premises to you when they are sufficiently completed to allow you to install, at your sole cost and expense, the signs, trade fixtures, equipment, and other personal property and improvements necessary to complete the premises for operation of a McDonald's restaurant. If the restaurant has not been constructed or is not ready for occupancy when the Franchise Agreement is executed, we will use our best efforts to expedite the construction. We either own the premises or lease it from the owner and lease or sublease the premises to you (Franchise Agreement – Section 9, Operator's Lease – Section 2.06).

~~2)~~——Prescribe detailed specifications for purchasing, preparation, and service, and make available to you names of approved sources of supply. We do not sell or lease to you equipment, signs, fixtures, opening inventories, or supplies or deliver or install these items except as noted in Item 8 or when we sell or lease an ongoing business to you (Franchise Agreement – Sections 3, 12(b), and 12(i), Operator's Lease – Section 2.04). See Items 8 and 9.

~~3)~~——Provide our training program to you, which includes your enrolling your managers at Hamburger University or other training centers. The training program is more fully described in this Item (Franchise Agreement – Sections 4 and 6).

4)——McDonald's will allow you to view McDonald's Operations and Training Manual (the "O&T Manual") before you purchase the franchise (Franchise Agreement – Section 4).

Our Operational Obligations:

~~1~~)——Advise and consult with you periodically and at other reasonable times upon your request in connection with the operation of the restaurant. We will communicate to you our knowledge of new developments, techniques, and improvements in areas of restaurant management, food preparation, and service which are pertinent to the operation of a restaurant using the McDonald's System. The communications will be accomphshed by visits by operations consultants, printed ~~and filmed~~ reports, seminars, ~~and~~ newsletter mailings, eruails, and online resources. We will make available to you all additional services, facilities, rights, and privileges relating to the operation of the restaurant that we make generally available to all our franchisees operating McDonald's restaurants (Franchise Agreement – Section 3).

~~2)~~——Make available to you the O&T Manual and any other business manuals prepared and modified by us for use by our franchisees in connection with the operation of a McDonald's restaurant. These manuals contain detailed information including: (a) required operations procedures; (b) methods of inventory control; (c) bookkeeping and accounting procedures; (d) business practices and policies; and (e) other management and advertising policies (Franchise Agreement – Section 4).

Advertising Programs:

We employ advertising and marketing consuhants to participate in the formulation and production of concepts and materials for production and media placement of national programs for the McDonald's System. Our in-house advertising and marketing departments develop overall direction and strategy for the national programs and recommend them to franchisees. Advertising and marketing programs are placed in national and local media including, but not limited to, print, radio, television, outdoor, point of sale, direct mail, and the Intemet. We do not maintain an advertising or marketing fund nor do we have any obligation to make placement of programs in the media. You must advertise and promote your restaurant to the general public and spend at least 4% of the restaurant Gross Sales each year for this purpose. For new, rebuilt, ~~and~~ relocated, and remodeled restaurants, we strongly recommend the use of "grand opening" promotions. You must use only advertising and marketing materials and programs that we have provided to you or approved in advance in writing. All advertising and marketing must also conform to the standards and policies of the McDonald's System relating to the trademarks and service marks. Advertising and marketing by cooperatives are subject to the same approval requirements. Your expenditures for OPNAD and local cooperative advertising and/or marketing of the McDonald's System are credited to this required expenditure. You are not required to participate in OPNAD or a local cooperative; however, your consistent involvement with OPNAD and local cooperatives is one of several factors used to measure your compliance with the Operator Involvement standard, which is one of the National Franchising Standards you must meet to be eligible for growth and rewrite. Also, if you decide not to participate in a cooperative, you may not gain access to that cooperative's advertising and marketing programs (Franchise Agreement – Section 5). See Items 6 and 9.

OPNAD and the local cooperatives are independent entities formed by franchisees. The McOpCo companies that operate restaurants also participate in OPNAD and the local cooperatives. These cooperatives carry out programs to advertise and market cooperative restaurants. Each cooperative maintains and administers its own advertising and marketing fund, which is funded by its members. The funds may be used for media placement and to develop and produce advertising and marketing concepts and materials for use by cooperative restaurants. Individual franchisee and McOpCo-owned restaurants contribute to OPNAD and the local ftnds on the same basis. Each franchisee member of OPNAD pledges the same contribution rate, currently 1.60% of sales, for a designated period. Each local cooperative establishes its own separate contribution rate and time period for its fund. If you join a local cooperative, you contribute at the same rate as each other member of the cooperative with similar restaurants or restaurants located in the same general area.

Members of OPNAD elect or designate regional representatives with operating and decision making powers to conduct cooperative business. Local cooperative members participate in cooperative business according to the rules and procedures established by each cooperative. McOpCo companies that operate restaurants are members of OPNAD and the local cooperatives. Neither McDonald's nor the McOpCo companies can change or dissolve OPNAD or the local cooperatives.

The OPNAD fund is independently audited annually and its financial statements are available for review. The local cooperatives generally audit their fund and prepare financial statements, which are available for review; however, requirements vary among the cooperatives. The cooperative advertising and marketing funds are intended for uses and allocated in varying percentages designated by each cooperative, including production, media placement, and administrative expenses.

We provide the services of certain marketing, legal, and accounting personnel to the OPNAD fund without charge. That fund administers a gift certificate program on behalf of all of its members for the issuance and redemption of gift certificates sold to customers at McDonald's restaurants. Charges for certain other accounting persomel who provide services to the fund and the gift certificate program are included in the direct program costs for the gift certificate program. The gift certificate program is not related to the Gift Card System described in Item 8.

We are not required to spend any amount to advertise or promote your restaurant in any mamer. Since we do not administer or maintain an advertising or marketing fimd, there are no unexpended advertising fees used by us. We do not use advertising or marketing funds in any manner to solicit the sale of McDonald's franchises.

Computer Systems:

McDonald's requires new restaurants to use a standard POS platform, NP6, which is the current version of NewPOS. The computer hardware and software for NP6 are purchased through our approved POS suppliers. The hardware and software components used in NP6 have been integrated to the service and production systems of McDonald's restaurants. NewPOS, including NP6, is the proprietary property of McDonald's.

Other components of our required computer platform include the In Store Processor (ISP), which is purchased through one of our approved suppliers, uses server computer hardware that operates with software that is the proprietary property of McDonald's and other software applications. In addition, RFM is a web-based application that enables you to update price, product, and promotion information for the NewPOS system, including NP6.

McDonald's Regional Restaurant Data Diagnostics system (R2D2) can provide you with highly focused, actionable reports to help improve your restaurant operations. If you elect to use R2D2, we will install software that runs on your McDonald's approved ISP and which collects and transmits your sales information to our servers. In addition to providing reports you request, we use R2D2 sales data in reports we send you to verify your sales information.

The term "Store Systems" describes the combined software application suite deployed at the restaurant. Enhancements to hardware and software components of Store Systems are made available by McDonald's and McDonald's approved suppliers for purchase by the franchisee, who may be required to update or upgrade the system periodically to meet McDonald's System's standards. Normal Store Systems software upgrades based on an established enhancement request process are included in your annual maintenance fee as determined by McDonald's. However, if the Store Systems platform changes significantly, a one-time fee must be paid by the franchisee. You may choose from the approved supplier or approved independent third parties for installation, maintenance, repair, and support services at varying costs.

In accordance with the Franchise Agreement, McDonald's has adopted and is implementing a revised standard relating to Store Systems, applicable to all U.S. McDonald's restaurants, as stated below:

Restaurants that are currently operating older, previously approved POS systems (such as Panasonic II+, PAR II, 386 based PcPOS, PcPOS without ISP, or PcPOS with ISP but not running the current version of Store Systems) are required to replace or upgrade to the current version of Store Systems. McDonald's will not approve any franchise transfer or grant a new term franchise if the restaurant is not using the approved Store Systems technology. All new restaurants must adopt Store System 6.5 technology.

The cost of our basic Store System 6.5 computer platform ranges from $50,000 to $60,000, which includes the POS, In Store Processor, Next Gen Cashless, computer hardware, software, and related equipment. See Item 6 for software-related fees.

The Store Systems software is generally used in the restaurant to efficiently and accurately process customer orders by integrating production and service systems in the restaurant and to compile information including sales, transactions, product mix, and cash control. It may also be used to compile additional inventory, labor, and payroll information used in managing the restaurant. It may also be used in connection with the Integrated Cashless and Gift Card systems. We have independent access to your sales and other restaurant-level information, which is stored on our server, and there are no contractual limits on our right to access such information. You must provide us with monthly statements of all receipts from the restaurant operation~~; monthly operating and financial statements, including a profit and loss statement and balance sheet;~~ and additional financial, operating, and other information on forms and in the manner we reasonably request, which may include independent access to sales, transactions, product mix, and inventory information. You must submit electronically each month your financial statements, including your consolidated balance sheet, consolidated general and administrative expense statement, consolidated debt summary, and individual restaurant profit and loss statement(s), using our web-based Franchisee Financial System (FFS), which is a database of financial information. You must keep and preserve on the restaurant premises full and complete written books and records of the restaurant's Gross Sales for at least 3 years in a manner and form satisfactory to us. The books and records include cash register tapes, over-ring slips, sales joumals, general ledger, profit and loss statements, balance sheets, cash sheets, purchase invoices, bank statements with canceled checks and deposit advices, corporate and management company books and records, and federal and state tax retums. We are not obligated to provide assistance to you in obtaining these items or services (Franchise Agreement – Section 10, Operator's Lease – Sections 3.02 and 3.03). See Items 6 and 7.

The integrated Cashless System can be used to accept credit and debit card purchases by customers. If you elect to use the Integrated Cashless System, you must purchase the hardware and software that we specify (including card readers, cables, and related hardware) from our designated supplier. The required hardware and software, which is not proprietary to us or any aff hate, has been used continuously in McDonald's restaurants since June 2003. You must also sign an agreement with our designated transaction processor (see Item 8), and we recommend that your restaurant have McDonald's approved high-speed intemet access. For Store System 6.5, the cashless system is known as Next Gen Cashless and we charge an annual fee for maintenance and hosting of data (see Item 6). Your POS system and the transaction processor will collect your cashless transaction information. We will have independent access to aggregated transaction information generally, along with information on the number and dollar amount of specific cashless transactions in any individual restaurant.

The Gift Card System can be used to offer customers the ability to buy and make purchases with gift cards. If you elect to use the Gift Card System, you must sign a subscription agreement with P2W, Inc., which manages the system (see Item 8), and you must purchase specified hardware (including card readers, cables, and related hardware) from a designated supplier. This hardware, which is not proprietary to us or any affiliate, has been used continuously in McDonald's restaurants since June 2004. You must also sign an agreement with a designated transaction processor (see Item 8). No other hardware or supphers are currently approved for the Gift Card System. Your POS system, the transaction processor, and P2W will collect your Gift Card System transaction information. We will have independent access to aggregated transaction information generally, along with information on the number and dollar amount of specif.c gift card transactions in any individual restaurant.

With both the Integrated Cashless and Gift Card systems, you may need to upgrade or update your hardware or software during the term of your franchise. There are no contractual limitations on the frequency or cost of these upgrades or updates.

<u>Site Selection</u>:

~~1)~~——We select the site for location of the restaurant premises and negotiate the location's purchase or lease. You do not select or approve restaurant shes. You will not sign a Franchise Agreement unless we have already selected the site.

2)——We utilize our judgment and experience in selecting locations for McDonald's restaurants based upon population density, traffic patrems, market statistics, proximity of shopping centers, schools, competition, accessibility of utility and public services, costs of purchasing or leasing the site, assessment of future demographic developments, our interest in developing an effective marketing network that will be convenient to consumers, and other factors. Site locations are called to our atrention through independent canvassing of highways and urban, suburban, small town, and other neighborhoods.

<u>Restaurant Opening</u>:

~~1)~~——In the normal course of business, the Franchise Agreement is submitted to you for execution approximately 30 days before the restaurant is opened for business. During this period, you are receiving shipments of restaurant equipment. The initial franchise fee, if applicable, is payable on the opening of the restaurant. No monthly fees accrue until the restaurant opens for business. See Items 5 and 6.

2)——The restaurant opening may occasionally be delayed by weather conditions, delayed dehvery, or installation of equipment, fixtures and signs, labor disputes, govemmental regulation, or other causes beyond our reasonable control. You may not open the restaurant for business until you have executed the Franchise Agreement and have delivered the agreement to us with payment of the initial franchise fee, if applicable.

Training:

~~1)~~ McDonald's operates Hamburger University (HU), the international training center for the McDonald's System. The content and duration of all operations courses, which are offered at HU and various local sites, are revised and reconsidered from time to time to meet the needs of ~~the~~our franchisees. All courses and learning events are offered at frequent intervals and are designed to give you specific skill sets in the various facets of the conduct of a McDonald's restaurant, including such areas as equipment, standards, controls, and leading people. The basic minimum core training, which you must ~~be completed~~complete to be ~~considered~~ qualified to operate a McDonald's restaurant, is known as the "Restaurant Department Management (RDM) ~~C~~curriculum". Existing franchisees will not be required to complete the RDM curriculum to acquire an additional restaurant.

~~Training also occurs at a McDonald's restaurant, including hands-on and self-directed learning, and is monitored by a McDonald's business consultant (or other assigned person). Typically, the training takes place on a part-time basis and spans 9 to 24 months, but a 36 month training time is not uncommon. The entire curriculum is skill-based and your experience may vary depending on the verification of your skills in the restaurant.~~ Our RDM curriculum is deployed through the Learning Management System (LMS), which allows you to complete and track the progress of your assigned learning online. You are assigned a job role in LMS and complete an RDM learning plan. You are also assigned a coach who helps with your assigned learning, monitors your training, approves you for additional courses, and verifies the skills acquired. It takes approximately two years to complete all RDM learning plans, from Shift Manager through General Manager. The time needed to complete a learning plan may vary due to previous classes you have completed, testing out of coursework, and the amount of time you dedicate to training each week.

The complete training program and materials include many elements. There are ~~volumes of written material, formal and informal classroom and/or computer-based learning, on-site restaurant instruction, use of audio~~various pre- and post-assessments, formal and virtual collaboration classes, computer-based learning (e-learning), coaching sessions, and visual job aids, practical laboratory ~~applications~~simulations, and verifications ~~with respect to all materials~~for all stations and positions. The training method and manner are tailored to individual circumstances. As part of the training program, you must perform and master all of the crew and management functions at the restaurant. ~~This is accomplished by actually performing the crew and management stations at the restaurant.~~ You do not receive compensation during the training program. McDonald's does not charge you a fee to complete the basic minimum core training provided at our designated training centers~~, which you must complete to be considered qualified to acquire a McDonald's restaurant~~.

You are required to ~~attend~~complete all curricula, including the ~~Restaurant Operations Leadership Practices course and the~~General Manager (GM) Business Leadership ~~Practices~~Capstone course conducted at Hamburger ~~University. Both must be completed~~HU, to McDonald's satisfaction ~~before you obtain a franchise for~~to be qualified to operate a McDonald's restaurant. ~~You~~During the GM Business Leadership Capstone course, you are instructed by experts experienced in the operation and management of McDonald's restaurants. You must be fully trained, in McDonald's sole judgment, before you ~~acquire~~operate a restaurant.

At the opening of your restaurant, an operations consultant will spend time with you providing assistance and refinement of previous training and instruction.

~~2)~~ You must complete the training program successfully before signing the Franchise Agreement or paying any money to McDonald's.

~~3)~~ The experience of the instructors in the McDonald's restaurant business averages 5 or more years. Instructors include ~~the Dean of Hamburger University, Hamburger University~~HU ~~P~~professors~~,~~ and ~~R~~regional ~~T~~training ~~C~~consultants. Diana Thomas, U.S. Vice President – Training, Learning & Development, is the head of our training program and her business experience is listed in Item 2.

~~4)~~——McDonald's bears the cost of maintaining ~~Hamburger-University~~HU and other designated training centers associated with providing basic and advanced instmction in the ~~Restaurant-Management~~RDM ~~C~~curriculum, including the overhead cost of training, staff salaries, materials, and all technical training tools. You are responsible for the costs of traveling, living, compensation, and other expenses incurred by you and your employees in comection with atrendance at ~~Hamburger-University~~HU or other training facilities. You may also be charged a fee to cover McDonald's costs of providing certain training and related materials other than those associated with the ~~Restaurant-Management~~RDM C~~c~~urriculum. You are not an employee of McDonald's and are not compensated by McDonald's for or during any training described in this Item.

~~5)~~——There are no further mandatory training requirements for you. However, annual meetings, conventions, various workshops, and other training sessions may be conducted on an ongoing basis within each region, and McDonald's may require you to pay for the costs associated with that ongoing training or participation. Additionally, optional courses may be offered to you or your employees for a fee. You are responsible for the costs of traveling, living, compensation, and other expenses incurred by you and your employees in connection with attendance at all ongoing training.

~~6)~~——In addition to ~~Hamburger-University~~HU and McDonald's other designated training centers, McDonald's occasionally may offer initial and ongoing training at temporary remote locations (such as hotel conference rooms) for the convenience of attendees. These remote locations are not designated training centers, but you may attend them in lieu of designated training centers. If you elect to atrend training offered at a remote location, McDonald's may require you to pay for the costs associated with that training.

~~7)~~——Before entering the training program, you must sign a Preliminary Agreement, which is attached to this disclosure document as Exhibit J. The Preliminary Agreement contains the terms of our agreement, which allows you to participate in McDonald's franchise applicant training program. It states, among other things, that there is no guarantee that you will be offered a McDonald's franchise, that McDonald's may remove you from the training program for any reason or no reason at all, and you may withdraw from the training program at any time. The Preliminary Agreement also states you will not be compensated during your training and will not be an employee of McDonald's or any McDonald's franchisee.

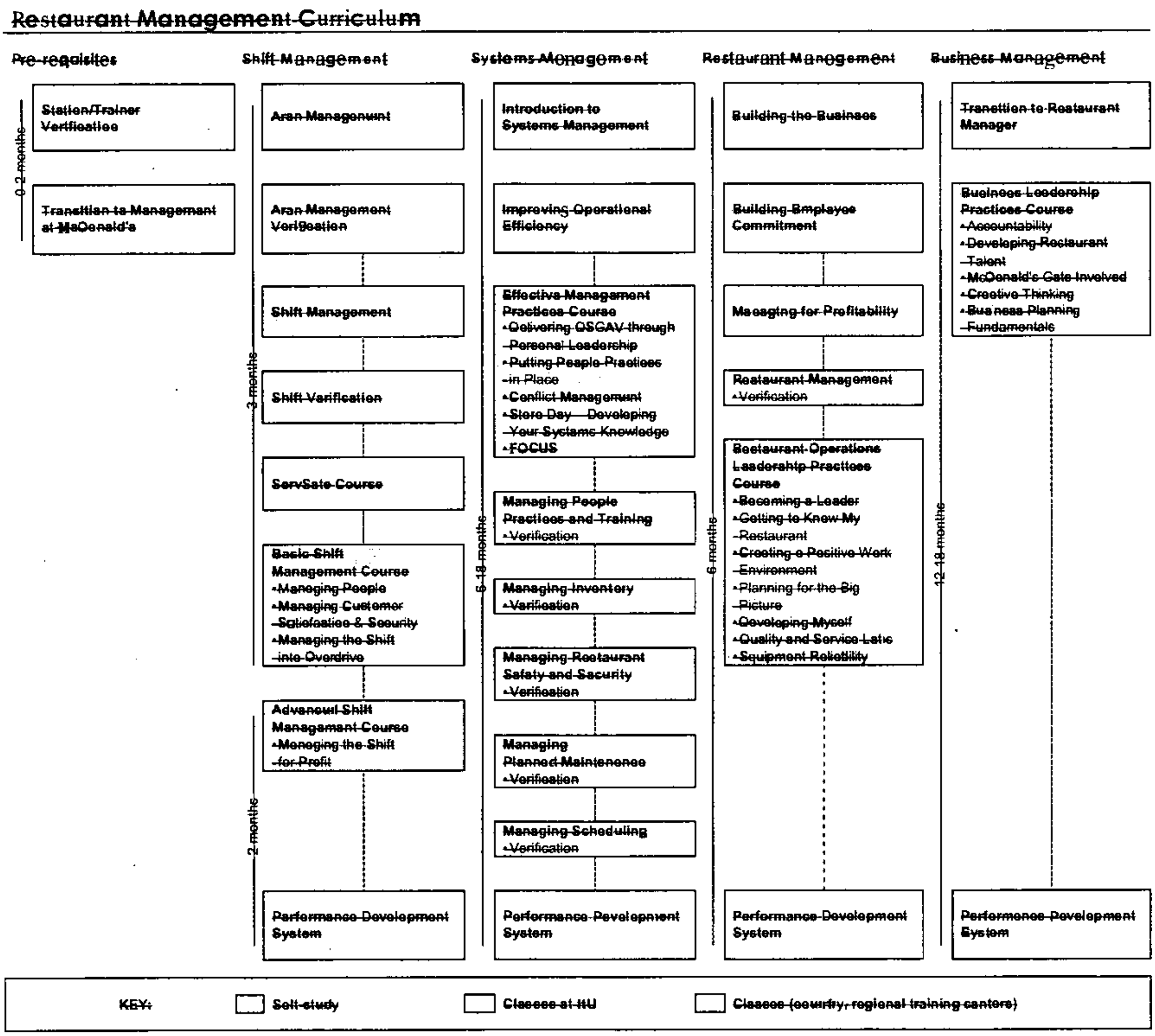
~~8)~~——The ~~Restaurant-Management~~RDM ~~C~~curriculum is described in the following tables and includes, but is not limited to:

(~~a~~1~~)~~ Self-Study Modules and Coaching: Self-directed ~~"~~hands-on~~"~~ modules and coaching provide initial training, practice, and verification. Performance objectives and verification procedures are clearly defined~~, and videos, computer-based training, and workbooks improve initial training and practice. The components are self-directed; however, the restaurant manager and a McDonald's business consultant (or other assigned person) will monitor the training~~.

(~~b~~2~~)~~ Facihtated Courses: Hands-on training is supported and reinforced by facilitated courses that emphasize participant involvement. Interactive problem solving, small work group, and skill-building activities provide an opportunity to practice new skills and obtain feedback from peers and instructors.

(~~c~~3~~)~~ Equipment Training: Self-directed equipment training and instmctor-led support is provided based on system needs.

~~Training Flow:~~ The recommended methods and time frames for training, practice, and verification have been determined to ensure that you receive the right training at the right time. The ~~Restaurant Management Curriculum chart shows the training components and their relationship to one another. The Training~~ Pprogram table generally describes the minimum classroom and in-restaurant training ~~(for which you receive no compensation)~~ that you must complete to be considered qualified to operate a McDonald's restaurant. Since the entire curriculum is skill-based, the time necessary to complete the training varies from individual to individual.



TRAINING PROGRAM

Subject	Classroom Training	Training in a Restaurant	Location
Area Management		72 hours	Self-study
Shift Management		291 hours	Self-smdy
ServSafe	1.5 days	6 hours	Regional Training Center
Basic Shift Management	3.0 days		Regional Training Center
Advanced Shift Management	3.0 days		Regional Training Center
Introduction to Systems Management		12 hours	Self-study
Effective Management Practices	5.0 days		Regional Training Center
Managing People Practices and Training		48 hours	Self-study
Managing Inventory		35 hours	Self-smdy
Managing Restaurant Safety and Security		58 hours	Self-study
Managing Planned Maintenance		26 hours	Self-study
Managing Scheduling		24 hours	Self-study
Building the Business		12 hours	Self-smdy
Building Employee Commitment		17 hours	Self-study

~~Subject~~	~~Classroom Training~~	~~Training in a Restaurant~~	~~Location~~
~~Managing for Profitability~~		~~7 hours~~	~~Self-study~~
~~Restaurant Management~~		~~11 hours~~	~~Self-study~~
~~Restaurant Operations Leadership Practices~~	~~5.0 days~~		~~Hamburger University~~
~~Transition to Restaurant Manager~~		~~15 hours~~	~~Self-study~~
~~Business Leadership Practices~~	~~4.5 days~~	~~45 hours~~	~~Hamburger University~~

Subject	Classroom Training	Training in a Restaurant*	Location
SHIFT MANAGER (SM) Learning Plan Prerequisites: Crew Station Verified, Maintenance Verified, Crew Trainer Verified			
Management Development Program			
➢ SM Orientation		4 hours (2 weeks)	Self-study and coaching
➢ Area Management		10 hours (4 weeks)	Self-study and coaching
➢ Shift Management		10 hours (4 weeks)	Self-study and coaching
ServSafe		2 hours (1 week)	Self-study/online course
Introduction to Management pre-work		2-3 hours (1 week)	Regional training center
Introduction to Management	3 days		Regional training center
Introduction to Management post-work		1 hour (1 week)	Self-study and coaching
SM Learning Plan - Total Time	3 days	29-30 hours (13 weeks)	
DEPARTMENT MANAGER (DM) Learning Plan Prerequisites: Completion of all SM courses Note: Manager-specific courses are taken between the Operating System Diagnostic Tool and Respectful Workplace courses.			
Guest Service Manager Functional Training		12 hours (6 weeks)	Self-study and coaching
Kitchen Manager Functional Training		28 hours (14 weeks)	Self-study and coaching
People Manager Functional Training		30 hours (15 weeks)	Self-study and coaching
Shared courses for DM learning plans			
➢ Department Manager Orientation		6 hours (3 weeks)	Self-study and coaching
➢ Foundations of RDM	1 day		Regional training center
➢ Operating System Diagnostic Tool ➢ Wage and Hour		8 hours (4 weeks)	Self-study and coaching
➢ Respectful Workplace ➢ Performance Reviews		4 hours (2 weeks)	Self-study and coaching
➢ Department Manager Leadership Capstone Course	2 days		
DM Learning Plan - Total Time	3 days	88 hours (44 weeks)	
GENERAL MANAGER (GM) Learning Plan Prerequisites: Completion of all DM courses			
GM Orientation		12 hours (6 weeks)	Self-study and coaching
GM Business Leadership Curriculum: 1st Semester		28 hours (14 weeks)	Self-study and coaching
GM Business Leadership Curriculum: 2nd Semester		28 hours (14 weeks)	Self-study and coaching
GM Business Leadership Capstone pre-work		6 hours (3 weeks)	Self-study
GM Business Leadership Capstone Course	5 days		Hamburger University
GM Business Leadership Capstone post-work		6 hours (3 weeks)	Self-study and coaching
GM Learning Plan - Total Time	5 days	80 hours (40 weeks)	

*Time estimates are generally based on spending 2 hours in self-study, development, and coaching per week. For example, if you were completing the Shift Manager learning plan, the Shift Manager orientation will include approximately 4 hours of self-study and coaching, which generally will be completed over 2 weeks. For every 2 hours of self-study, development, and coaching, you are required to spend one additional hour of walk-through time with managers at the restaurant to ensure your understanding of the assigned learning.

Item 12
Territory

McDonald's franchises contain a limited grant of authority to use the McDonald's System in the operation of the specific restaurant developed by McDonald's at that address. The Franchise Agreement does not contain any exclusive grant, exclusive area, exclusive territorial rights, protected territory, or any right to exclude, control, or impose conditions on the location or development of future McDonald's restaurants at any time. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. The sales and customer trading patterns which a restaurant experiences at any particular time are subject to change by reason of many factors, including our ongoing development of the marketing network of McDonald's restaurant locations, and do not represent any continuing franchisee entitlement or expectation. McDonald's may establish other franchisee or McOpCo company-owned outlets that may alter customer trading patterns and affect the sales of, and compete with, your location. McDonald's reserves the right to use the Marks (as described in Item 13) in any other channel of distribution and may sell other similar goods and services under other trademarks and service marks. Internal policies which McDonald's may apply and modify periodically in connection with decisions to develop new restaurants are not part of the Franchise Agreement and do not involve any contract right granted to you.

Item 13
Trademarks

We grant you the right to use many commercially valuable trademarks, trade names, service marks, logos, and other commercial symbols (collectively "Marks") that are material to the operation of your restaurant.

The following Marks have been registered with the United States Patent and Trademark Office on the principal register. All required affidavits of use and applications for renewal have been filed and accepted. Those Marks which have been registered for more than 6 years have become incontestable.

We believe the following Marks are the principal marks you will use to identify your restaurant.

Trade/Service Mark	Reg. No.	Reg. Date	Class U.S./Int.	Sec. 8/15 Affid.
THE GOLDEN ARCHES	1,250,082	08/30/83	100/42	08/30/88-89
THE GOLDEN ARCHES LOGO	893,440	06/23/70	100/42	06/23/75-76
McDONALD'S (Name)	743,572	01/08/63	100/42	10/22/68-69
McDONALD'S and GOLDEN ARCHES LOGO (Sign Design)	1,287,408	07/24/84	100/42	07/24/89-90

The grant of rights under the McDonald's System includes the non-exclusive right to use all the Marks in connection with the operation of your restaurant.

We do not own the Marks. We are licensed by our affiliate, Restaurant Brands, LLC, to use and license the use of the Marks in the U.S. in connection with McDonald's restaurants. This license lasts for 20 years from the effective date of that license, with automatic renewals, and may be terminated only by agreement, if we become the subject of any insolvency proceedings or if we fail to use the Marks as prescribed by Restaurant Brands. Periodically, additional Marks may be adopted and/or registered that are considered important to our business, and we may incorporate some but not all of them into the McDonald's System.

There currently are no decisions of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, or the trademark administrator of any state or any court which affect your right to use the Marks.

There is currently no pending infringement, opposition, or cancellation proceeding nor any material litigation involving such Marks the outcome of which is relevant to their use in the state in which your restaurant is to be located.

Other than our license with Restaurant Brands, there currently are no agreements that significantly limit our rights to use or license the use of the Marks in the U.S. in a manner material to the franchise. You must follow our rules when you use the Marks. You cannot use our name or any Mark as part of the name of your operating company, or with any modifying words, designs, or symbols (except those we approve).

There is no obligation under the Franchise Agreement to notify us of any use by others of names or marks which are identical or confusingly or deceptively similar to any of the Marks. While there is no obligation under the Franchise Agreement to take affirmative action, we consider the Marks to be a valuable property right and we continually work, in cooperation with our affiliates, to protect the Marks against infringement by others and to protect your right to use the Marks. Restaurant Brands or our predecessor has the right to control administrative proceedings or litigation involving the Marks. To our knowledge there currently are no superior prior rights or infringing uses of the Marks that would materially affect your use of the Marks in the operation of your restaurant.

We have no obligation under the Franchise Agreement to protect you against, participate in your defense of, or to reimburse you for, any damages which you are held liable for in any proceeding arising out of your use of the Marks. We may at any time require you to limit and/or modify your use of the Marks. In this event, we are not obligated under the Franchise Agreement to reimburse you for the cost incurred due to the modification or discontinuance of use of the Marks.

Item 14
Patents, Copyrights, and Proprietary Information

No patents are required to be disclosed in this Item.

We or our predecessor claim copyrights in the O&T Manual and various menus, advertising and marketing materials, and similar items used in operating your restaurant. These copyrighted materials have not been registered with the U.S. Registrar of Copyrights, and do not need to be registered at this time. Currendy there are no decisions of the U.S. Copyright Office (Library of Congress), and no pending infringement proceedings or material litigation involving the copyrighted works that could affect your use of them. Any copyrighted works that we do not own are licensed to us by our predecessor. This license may be terminated only by agreement, if we become the subject of any insolvency proceedings, or if we breach the terms of our license agreement with our predecessor. Other than our license with our predecessor, there currently are no agreements that significantly limit our rights to use or license the use of the copyrighted works in the U.S.

You have no obligation under the Franchise Agreement to notify us of any apparent infringement of or challenge to your use of any copyrighted works, or of any person's claim of any rights in any copyrighted works. Ahhough there is no obligation under the Franchise Agreement for us to take affirmative action, we consider the copyrighted works to be valuable property and we continually work, in cooperation with our predecessor, to protect against infringement by others and to protect your rights of use. Our predecessor has the right to control all litigation involving the copyrighted works it licenses to us, including the O&T Manual. We have no obligation under the Franchise Agreement to protect you against, participate in your defense of, or to reimburse you for, any damages that you are held liable for in any proceeding arising out of your use of any copyrighted works.

We may modify or discontinue using any copyrighted works, and/or use additional or substitute copyrighted works, and you must comply with our directions for any modification or discontinuance after receiving notice from us. We are not obligated under the Franchise Agreement to reimburse you for any costs incurred due to any modification or disconrinuance of any copyrighted works.

McDonald's O&T Manual and other materials in the McDonald's System contain trade secrets and confidential and proprietary information. This information includes, but is not limited to: methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating McDonald's restaurants; real estate and development plans; marketing plans, research, advertising and promotional programs for McDonald's restaurants; knowledge of suppliers, methods of ordering and specifications for products, materials, and supplies; knowledge of the operating results, financial information, and financial performance information; customer communication and retention programs; graphic designs; intellectual property; recipes, formulae and food preparation processes; information generated by, or used or developed in, the operation of a restaurant; and any other information McDonald's may designate as confidential or proprietary. You must follow our rules when you use the O&T Manual and any other confidential and proprietary infonnation. You must keep them absolutely confidential at all times, and you must take all reasonable steps to prevent improper disclosure to others.

In addition, you must not disclose (unless approved or required by McDonald's) financial performance, operating results, or sales information (collectively, the "Financial Information") relating to your McDonald's restaurant where: (a) McDonald's has not publicly disclosed its financial performance for the period; (b) it is reasonably foreseeable that such Financial Information will be consolidated with the Financial Information of other McDonald's restaurants; and (c) it is reasonably foreseeable that the Financial Information or consolidated Financial Information will be made public and/or be used to influence investment decisions regarding McDonald's common stock.

Using McDonald's confidential and proprietary information or the Financial Information in an unauthorized manner is strictly prohibited. Failure to maintain the confidentiality of this information and/or the unauthorized use or disclosure of this information may lead to civil or criminal prosecution as well as the termination of the Franchise Agreement.

Item 15
Obligation to Participate in the Actual Operation of the Franchise Business

We require you to provide full time and best efforts to, and personal on-premises supervision of, the day-to-day operation of your McDonald's restaurant business. This duty is stated in paragraphs 1(e) and 13 of the Franchise Agreement.

Item 16
Restrictions on What the Franchisee May Sell

You may sell only products authorized by McDonald's and use the premises only as a McDonald's restaurant. In the dispensing and sale of these products, you may use only packaging, paper goods, ingredients, and handling and preparation methods that meet the McDonald's System specifications and quality standards which we may designate and modify. We have the right to add, delete, or change authorized products that you are required to offer. There are no limits on our right to do so. See Items 8 and 9.

The McDonald's System is a comprehensive restaurant system for the retailing of a limited menu of uniform and quality food and beverage products, which McDonald's may modify at any time at its discretion. You must operate the restaurant in conformity with the entire McDonald's System at all times, including serving at the restaurant a designated menu of food and beverage products; uniformity of food specifications, preparation methods, quality, and appearance; and uniformity of facilities and service. See Items 8 and 9.

We impose no limitations on the customers to whom you may sell goods and services, provided that you adopt and use the McDonald's System only at the specific restaurant developed by McDonald's and franchised to you. See Item 12.

Item 17
Renewal, Termination, Transfer, and Dispute Resolution

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

You should remember that the franchise consists of a Franchise Agreement and Exhibit A to that agreement, known as an Operator's Lease. The summaries which appear below refer to each of these documents separately, but they should be read and considered as a whole.

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	Section 2	Traditional term is generally 20 years. Satellite term varies. STO and STR terms isare generally 10 years. BFL term is generally 3 years.
b. Renewal or extension of the term	Section 28(a) See Exhibit L for explanation of McDonald's current Rewrite (New Term) Policy	You have no right to renew or extend. The Rewrite (New Term) Policy is not part of the Franchise Agreement. It is subject to change in McDonald's sole discretion. Its application will differ depending upon the facts and circumstances involved and is not a contract right between you and McDonald's. See Notes 2 and 3 and Exhibit M.
c. Requirements for franchisee to renew or extend	Not Applicable	You have no right to renew or extend.
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f Termination by franchisor with cause	Sections 18 and 19	McDonald's can terminate only if you commit any 1 of several listed violations or repeatedly breach the Franchise Agreement.
g. "Cause" defined – curable defauhs	Not Applicable	Not Applicable
h. "Cause" defined – non-curable defaults	Sections 18 and 19	Material Breaches include: failure to maintain the restaurant in a good, clean, wholesome manner and in compliance with McDonald's standards; you become bankrupt; any amount owing to McDonald's is not paid within 30 days of due date; judgment in excess of $5,000 outstanding against you for more than 30 days; right of possession of restaurant is lost; violation of franchise restrictions; knowing sale of foods other than those approved by McDonald's or which fail to conform to McDonald's standards; transfer of franchise without McDonald's prior consent; McDonald's is denied access to restaurant; failure to make prompt payment of undisputed invoices; misrepresentation relating to ownership or acquisition of franchise; conduct that damages McDonald's reputation; conviction of felony; intentional under-reporting of Gross Sales; repeated other breaches.

Provision	Section in franchise or other agreement	Summary
i. Franchisee's obligations on termination/non-renewal	Section 20	For 30 days and at McDonald's request you must: sell us the fumiture, fixtures, signs, and equipment for fair market value (no payment for intangible assets); return business manuals and other confidential material; cease using the McDonald's System and trademarks (also see r).
j. Assignment of contract by franchisor	Not Apphcable	Assignable by McDonald's as a matter of common law; no separate provision required.
k. "Transfer" by franchisee – defined	Sections 15 and 19	Includes direct, indirect, or contingent transfer, in whole or in part, of any interest in the franchise.
l. Franchisor approval of transfer by franchisee	Not Applicable	Transfers require McDonald's approval, subject to the terms stated in the Franchise Agreement, Assignment to an Entity, and Assignment Agreement (see Exhibits H and I). Also see Note 2.
m. Conditions for franchisor approval of transfer	Sections 15 and 19	New franchisee qualifies; service fee increases to the current fee; new franchisee assumes fiill and unconditional liability; you remain personally liable for the remainder of the term; no current breach.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 15(c)	McDonald's can match any offer for your business.
o. Franchisor's option to purchase franchisee's business	Sections 15(a) and 20	Purchase business only if we have been managing your restaurant for 1 year after your death or disability; purchase certain assets upon termination.
p. Death or disability of franchisee	Section 15(a)	Franchise may be assigned to any approved purchaser or spouse, heirs, or nearest blood relative who is a quahfied franchisee (see m). Also see Note 1.
q. Non-competition covenants during the term of the franchise	Section 11	No involvement in competing or similar business.
r. Non-competition covenants after the franchise is terminated or expires	Section 11	No competing business for 18 months within 10 miles (including after assignment or sale).
s. Modification of the agreement	Section 26	No modifications generally but O&T Manual subject to change.
t. Integration/merger clause	Sections 28(c), 28(e), 28(f), 28(h), and 28(i)	Only the terms of the Franchise Agreement are binding (subject to state law). No other promises have been made, but nothing in the Franchise Agreement disclaims any representations made in this disclosure document.
u. Dispute resolution by arbitration or mediation	Not Apphcable	Not Applicable
v. Choice of forum	Not Apphcable	Not Applicable
w. Choice of law	Section 27	The Franchise Agreement is interpreted and govemed by Illinois law (with specific exceptions stated in the Franchise Agreement).

Note 1 We are not obligated by the Franchise Agreement to do so, but if your spouse wishes to train to become qualified after your death or disability, we will work with your spouse for up to 18 months (as long as we determine that adequate progress is being made) so that your spouse can attempt to become approved to operate the restaurant.

Note 2 We are not obligated by the Franchise Agreement to do so, but if an existing traditional McDonald's franchise is transferred to you (in other words, if you purchase an existing restaurant from another franchisee) with our approval, there is less than 10 years left on the original franchise term, there is sufficient real estate tenure, the restaurant has not been identified as a candidate for rebuild or relocation, and you have not had previous ownership in the franchise or purchased it from a family member, we may offer you a new 20-year franchise term. You also must have fully completed any required reinvestment within the time frame established by us. In this case, a rent adjustment and a prorated initial franchise fee may apply based on the new term.

Note 3 Under a BFL franchise, if you have a conditional option to purchase certain restaurant assets, the conditions are met, and you exercise the option, your franchise will be extended for up to 20 years after the beginning of the term (based on available real estate tenure).

This table lists certain important provisions of the Operator's Lease.

Provision	Section in Operator's Lease	Summary
a. Length of the franchise term	Section 1.01	
b. Renewal or extension of the term	Not Applicable	
c. Requirements for franchisee to renew or extend	Not Applicable	
d. Termination by franchisee	Not Applicable	
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	Section 7.04	McDonald's can terminate only if franchisee defaults.
g. "Cause" defined – curable defaults	Section 7.04	You have 10 days to cure default of any covenant or agreement other than that listed in h.
h. "Cause" defined – non-curable defaults	Sections 3.03(A) and 7.04	Failure to pay rent; failure to submit required reports; failure to comply with Franchise Agreement; abandonment; bankruptcy.
i. Franchisee's obligations on termination/non-renewal	Sections 5.02 and 7.04	Subject to the option to purchase contained in the Franchise Agreement, remove all equipment and fixtures; continue to pay rent on termination.
j. Assignment of contract by franchisor	Not Applicable	Assignable by McDonald's as a matter of common law; no separate provision required.
k. "Transfer" by franchisee – defined	Not Applicable	
l. Franchisor approval of transfer by franchisee	Section 4.06	No assignment without McDonald's consent and only in accordance with the Franchise Agreement (see l and m under Franchise Agreement).
m. Conditions for franchisor approval of transfer	Not Applicable	See l and m under Franchise Agreement.
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	See n under Franchise Agreement.
o. Franchisor's option to purchase franchisee's business	Not Applicable	See o under Franchise Agreement.
p. Death or disability of franchisee	Not Applicable	See p under Franchise Agreement.
q. Non-competition covenants during the term of the franchise	Not Applicable	See q under Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	See r under Franchise Agreement.
s. Modification of the agreement	Section 8.07	No modifications, except in writing.
t. Integration/merger clause	Section 8.07	Only the terms of the Franchise Agreement and Operator's Lease are binding (subject to state law). Any other promises may not be enforceable, but nothing in the Operator's Lease disclaims any representations made in this disclosure document.

Provision	Section in Operator's Lease	Summary
u. Dispute resolution by arbitration or mediation	Not Applicable	
v. Choice of fomm	Not Applicable	
w. Choice of law	Section 8.06	The Franchise Agreement and Operator's Lease are interpreted and govemed by Illinois law (with specitic exceptions stated in the Franchise Agreement).

Item 18
Public Figures

McDonald's does not use any public figure to promote our franchise.

Item 19
Financial Performance Representations

The FTC's Franchise Rule permits a franchisor to provide infonnation about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing oudet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Of the approximately ~~12,035~~12,073 domestic traditional McDonald's restaurants opened at least 1 year as of December 31, ~~2010~~2011, approximately 74% had annual sales volumes in excess of ~~$2,000,000~~2,100,000; approximately ~~62~~63% had amual sales volumes in excess of ~~$2,200,000~~2,300,000; and approximately ~~50~~51% had amual sales volumes in excess of ~~$2,400,000~~2,500,000 during ~~2010~~2011. The average annual sales volume of domestic traditional McDonald's restaurants open at least 1 year as of December 31, ~~2010~~2011, was ~~$2,460,000~~2,578,000 during ~~2010~~2011. The highest and lowest annual sales volume in ~~2010~~2011 for these domestic traditional McDonald's restaurants was ~~$9,845,000~~10,200,000 and ~~$387,000~~370,000, respectively.

The pro forma statements included below show annual sales volumes of ~~$2,000,000~~2,100,000, ~~$2,200,000~~2,300,000, and ~~$2,400,000~~2,500,000. These pro forma statements have been derived from independent franchisee traditional restaurant tinancial statements to provide information relevant to a prospective franchisee (see Note 1). Specitic assumptions used in the presentation of these pro forma statements are indicated above and below each statement.

The pro forma statements are based upon a total of ~~8,600~~8,713 independent franchisee tradhional restaurants open and operated by a franchisee for at least 1 year. **A FRANCHISEE'S INDIVIDUAL FINANCIAL RESULTS MAY DIFFER FROM THE RESULTS STATED IN THE PRO FORMA STATEMENTS FOR THE REASONS DESCRIBED IN THIS ITEM OR FOR OTHER REASONS.** Substantiation of the data used in preparing the eamings claims, including computations of all actual or average protit or eamings, will be made available to prospective franchisees upon reasonable request.

It is anticipated that the information reported in these pro forma statements reflects the operating results before occupancy costs for independent franchisee restaurants open for at least 1 year. However, the operating income before occupancy cost figures appearing below should not be construed as the tinancial results or "protit" before occupancy costs which might be experienced by a franchisee with a similar sales volume or an indication that any particular sales volume will be obtained. An individual franchisee is likely to experience operating expense variations including, but not limited to, general insurance, legal and accounting fees, labor costs, and store management benetits (life and health insurance, etc.). Additionally, market conditions, operational and management methods employed by a franchisee, different geographic areas of the country, and menu price variations may significantly affect operating results. The nature of these variables makes it difficult to estimate the financial results for any particular franchisee or location.

PRODUCT SALES (see Note 2)	~~$2,000,000~~ 2,100,000	100.0%	~~$2,200,000~~ 2,300,000	100.0%	~~$2,400,000~~ 2,500,000	100.0%
TOTAL COST OF SALES	~~587,000~~ 650,000	~~29.4%~~ 31.0%	~~644,000~~ 710,000	~~29.3%~~ 30.9%	~~704,000~~ 770,000	~~29.2%~~ 30.8%
GROSS PROFIT	~~1,413,000~~ 1,450,000	~~70.7%~~ 69.0%	~~1,556,000~~ 1,590,000	~~70.7%~~ 69.1%	~~1,699,000~~ 1,730,000	~~70.8%~~ 69.2%
OTHER OPERATING EXPENSES (excluding rent, service fees, depreciation and amortization (D&A), interest, and income taxes)*	~~860,000~~ 903,000	43.0%	~~928,000~~ 969,000	~~42.2%~~ 42.1%	~~995,000~~ 1,036,000	~~44.5%~~ 41.4%
OPERATING INCOME BEFORE OCCUPANCY COSTS (excluding rent, service fees, D&A, interest, and income taxes) (see Note 3)**	~~553,000~~ 547,000	~~27.7%~~ 26.0%	~~629,000~~ 621,000	~~28.6%~~ 27.0%	~~704,000~~ 694,000	~~29.3%~~ 27.8%

Of the ~~8,600~~8,713 independent franchisee traditional restaurants included in the pro forma statements above, approximately ~~45~~44% had operating income before occupancy costs greater than $~~553,000~~547,000; approximately 32% had operating income before occupancy costs greater than $~~629,000~~621,000; and approximately 22% had operating income before occupancy costs greater than $~~704,000~~694,000.

* **OTHER OPERATING EXPENSES** — Includes, but is not limited to, the following costs: labor, franchisee's salary as manager, payroll taxes, advertising fee (as described in Item 6), promotion, outside services, linen, operating supplies, small equipment, maintenance and repair, utilities, office supplies, legal and accounting fees, insurance, real estate and personal property taxes, business operating licenses, and non-product income or expense. This is a combination of the Total Controllable Expenses and Other Operating Expenses excluding rent, service fees, D&A, and interest included in our typical store financial statements.

** **OPERATING INCOME BEFORE OCCUPANCY COSTS** — Represents Operating Income excluding rent, service fees, D&A, interest, and income taxes. The rent paid to McDonald's will vary based upon sales and McDonald's investment in land, site improvements, and building costs. Refer to Item 6 for information regarding franchise fees (including rent and service fees paid to McDonald's). D&A and interest will vary based upon the purchase price and required reinvestment of the specific restaurant acquired. Refer to Item 7 for a description of investment costs.

Additionally, organization overhead costs such as salaries and benefits of non-restaurant personnel (if any), cost of an automobile used in the business (if any), and other discretionary expenditures may significantly affect profits realized in any given operation. The nature of these variables makes it difficult to estimate the performance for any particular restaurant with sales of any given volume.

THESE SALES, PROFITS, OR EARNINGS ARE AVERAGES OF SPECIFIC RESTAURANTS AND SHOULD NOT BE CONSIDERED AS THE ACTUAL OR POTENTIAL SALES, PROFITS, OR EARNINGS THAT WILL BE REALIZED BY ANY OTHER FRANCHISEE. McDONALD'S DOES NOT REPRESENT THAT ANY FRANCHISEE CAN EXPECT TO ATTAIN THESE SALES, PROFITS, OR EARNINGS.

Note 1 — Data for McOpCo company restaurants is not included in the pro forma statements because of certain expenses that are typically incurred by a McOpCo-operated restaurant that are not incurred by restaurants franchised to individuals. If data for McOpCo-operated restaurants open for at least 1 year were included along with franchised restaurants, the percent of total restaurants in each category would not be statistically different and the range of Operating Income Before Occupancy Costs would be $~~566,000~~564,000 to $~~718,000~~712,000.

Note 2 — The description of this line, "Product Sales," is to clarify that only product sales are included. Non-product sales and associated costs are included in Other Operating Expenses. ~~In addition, each restaurant's product sales is menu price adjusted before the pro forma statements are produced to factor out the impact of different menu prices on restaurant results.~~

Note 3 — We are not presenting average occupancy costs in the above calculation because a wide variety of rent charts and ownership options exist. In addition, the effective rent paid by a franchisee may be more in any particular month than the stated percent rent indicated in the franchisee's lease because a portion of the rent may be fixed regardless of the sales level for a given month. The range of effective rent percentages in ~~2010~~2011 for franchised restaurants was 0% to 37%. Refer to Item 6 for a description of rents.

Item 20
Outlets and Franchisee Information

Tables 1 through 4 have been updated to delete 2008 and add 2011.

Table No. 1
Systemwide Outlet Summary
For years ~~2008~~2009 to ~~2010~~2011

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2009	12,127	12,381	+254
	2010	12,381	12,469	+88
	2011	12,469	12,544	+75
Company-Owned	2009	1,777	1,576	-201
	2010	1,576	1,547	-29
	2011	1,547	1,549	+2
Total Outlets	2009	13,904	13,957	+53
	2010	13,957	14,016	+59
	2011	14,016	14,093	+77

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) (1)
For years ~~2008~~2009 to ~~2010~~2011

State	Year	Number of Transfers
Alabama	2009	6
	2010	5
	2011	8
Alaska	2009	0
	2010	2
	2011	0
Arizona	2009	5
	2010	25
	2011	13
Arkansas	2009	9
	2010	5
	2011	8
California	2009	59
	2010	51
	2011	55

State	Year	Number of Transfers
Colorado	2009	16
	2010	2
	2011	8
Connecticut	2009	0
	2010	6
	2011	2
Delaware	2009	0
	2010	0
	2011	0
District of Columbia	2009	3
	2010	2
	2011	0
Florida	2009	60
	2010	22
	2011	7
Georgia	2009	5
	2010	46
	2011	14
Hawaii	2009	0
	2010	0
	2011	0
Idaho	2009	4
	2010	0
	2011	1
Illinois	2009	36
	2010	27
	2011	17
Indiana	2009	3
	2010	4
	2011	20
Iowa	2009	2
	2010	17
	2011	25
Kansas	2009	7
	2010	10
	2011	5
Kentucky	2009	11
	2010	7
	2011	7
Louisiana	2009	0
	2010	12
	2011	29
Maine	2009	10
	2010	9
	2011	8
Maryland	2009	0
	2010	14
	2011	3
Massachusetts	2009	6
	2010	19
	2011	26
Michigan	2009	21
	2010	16
	2011	22

State	Year	Number of Transfers
Minnesota	2009	10
	2010	8
	2011	7
Mississippi	2009	1
	2010	6
	2011	8
Missouri	2009	11
	2010	13
	2011	3
Montana	2009	3
	2010	0
	2011	0
Nebraska	2009	0
	2010	3
	2011	0
Nevada	2009	11
	2010	2
	2011	1
New Hampshire	2009	1
	2010	0
	2011	30
New Jersey	2009	2
	2010	3
	2011	2
New Mexico	2009	0
	2010	2
	2011	4
New York	2009	20
	2010	32
	2011	39
North Carolina	2009	17
	2010	28
	2011	14
North Dakota	2009	0
	2010	0
	2011	0
Ohio	2009	16
	2010	19
	2011	6
Oklahoma	2009	1
	2010	9
	2011	19
Oregon	2009	2
	2010	2
	2011	0
Pennsylvania	2009	35
	2010	23
	2011	16
Rhode Island	2009	3
	2010	0
	2011	0
South Carolina	2009	20
	2010	15
	2011	2

State	Year	Number of Transfers
South Dakota	2009	0
	2010	3
	2011	0
Tennessee	2009	9
	2010	26
	2011	10
Texas	2009	125
	2010	94
	2011	25
Utah	2009	8
	2010	5
	2011	8
Vermont	2009	3
	2010	0
	2011	14
Virginia	2009	5
	2010	10
	2011	4
Washington	2009	3
	2010	7
	2011	7
West Virginia	2009	1
	2010	3
	2011	2
Wisconsin	2009	14
	2010	8
	2011	13
Wyoming	2009	1
	2010	1
	2011	2
Guantanamo Bay	2009	0
	2010	0
	2011	0
Northem Mariana Islands	2009	0
	2010	0
	2011	0
Total	2009	585
	2010	623
	2011	514

(1) Included are "spin" transactions in which we or an affiliate acquired the restaurant from one franchisee and immediately sold the restaurant to another franchisee without our ever having operated the restaurant.

Table No. 3
Status of Franchised Outlets
For years 200~~8~~2009 to 2~~010~~2011

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations (1)	Non-Renewals (2)	Reacquired by Franchisor (3)	Ceased Operations - Other Reasons (4)	Outlets at End of the Year
Alabama	2009	231	11	0	0	0	0	242
	2010	242	4	0	1	0	0	245
	2011	245	6	0	1	0	0	250

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations (1)	Non-Renewals (2)	Reacquired by Franchisor (3)	Ceased Operations - Other Reasons (4)	Outlets at End of the Year
Alaska	2009	30	1	0	0	0	0	31
	2010	31	0	0	0	0	0	31
	2011	31	1	1	0	0	0	31
Arizona	2009	249	10	0	0	0	1	258
	2010	258	4	1	0	0	1	260
	2011	260	3	1	0	0	0	262
Arkansas	2009	160	3	1	0	0	0	162
	2010	162	5	0	0	0	1	166
	2011	166	2	2	0	0	0	166
California	2009	1,226	17	5	2	0	0	1,236
	2010	1,236	10	6	3	0	2	1,235
	2011	1,235	11	1	2	0	1	1,242
Colorado	2009	185	8	0	0	0	0	193
	2010	193	7	2	0	0	0	198
	2011	198	4	0	2	0	1	199
Connecticut	2009	140	1	0	1	0	1	139
	2010	139	1	2	1	0	0	137
	2011	137	0	0	0	0	0	137
Delaware	2009	32	0	0	0	0	0	32
	2010	32	1	0	0	0	0	33
	2011	33	0	1	0	0	0	32
District of Columbia	2009	31	0	0	0	0	0	31
	2010	31	0	0	0	0	0	31
	2011	31	0	1	0	0	0	30
Florida	2009	675	9	4	0	0	0	680
	2010	680	7	0	0	0	0	687
	2011	687	14	1	3	0	3	694
Georgia	2009	366	20	0	1	1	0	384
	2010	384	12	3	0	0	0	393
	2011	393	8	0	0	0	2	399
Hawaii	2009	45	8	0	0	0	0	53
	2010	53	1	1	0	1	0	52
	2011	52	1	1	0	1	0	51
Idaho	2009	58	0	0	0	0	0	58
	2010	58	1	0	0	0	0	59
	2011	59	1	0	0	0	0	60
Illinois	2009	538	22	2	1	5	1	551
	2010	551	6	0	0	0	0	557
	2011	557	6	2	0	0	1	560
Indiana	2009	268	14	0	0	1	1	280
	2010	280	7	0	0	1	1	285
	2011	285	4	1	0	5	0	283
Iowa	2009	138	1	0	0	0	0	139
	2010	139	2	0	0	0	1	140
	2011	140	2	0	0	0	0	142
Kansas	2009	142	1	0	0	0	0	143
	2010	143	1	1	0	0	0	143
	2011	143	0	0	0	0	0	143
Kentucky	2009	207	4	0	0	0	0	211
	2010	211	3	0	0	0	0	214
	2011	214	1	0	0	0	0	215

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations (1)	Non-Renewals (2)	Reacquired by Franchisor (3)	Ceased Operations - Other Reasons (4)	Outlets at End of the Year
Louisiana	2009	220	8	1	0	1	1	225
	2010	225	6	0	0	0	0	231
	2011	231	2	0	1	0	0	232
Maine	2009	59	1	0	0	0	0	60
	2010	60	2	2	1	0	0	59
	2011	59	2	0	0	0	0	61
Maryland	2009	212	9	0	0	0	0	221
	2010	221	2	0	0	0	0	223
	2011	223	11	2	0	0	5	227
Massachusetts	2009	216	7	2	0	0	0	221
	2010	221	1	3	2	0	0	217
	2011	217	4	1	0	18	0	202
Michigan	2009	423	20	0	0	0	2	441
	2010	441	9	2	0	0	0	448
	2011	448	4	0	1	0	1	450
Minnesota	2009	177	0	1	0	0	0	176
	2010	176	5	0	0	0	0	181
	2011	181	3	0	1	0	0	183
Mississippi	2009	127	1	0	0	0	0	128
	2010	128	5	0	1	0	2	130
	2011	130	5	0	0	0	2	133
Missouri	2009	283	4	2	1	0	1	283
	2010	283	5	0	0	0	0	288
	2011	288	5	1	0	0	2	290
Montana	2009	48	1	1	0	1	0	47
	2010	47	1	0	0	0	0	48
	2011	48	1	0	0	0	0	49
Nebraska	2009	46	12	0	0	0	0	58
	2010	58	1	0	0	0	0	59
	2011	59	0	0	0	0	0	59
Nevada	2009	125	2	0	0	0	0	127
	2010	127	4	0	0	0	1	130
	2011	130	1	0	1	0	0	130
New Hampshire	2009	61	0	2	0	0	0	59
	2010	59	1	1	0	0	0	59
	2011	59	0	0	0	0	0	59
New Jersey	2009	247	4	3	0	3	0	245
	2010	245	5	6	2	0	0	242
	2011	242	0	1	2	0	0	239
New Mexico	2009	95	3	0	0	0	0	98
	2010	98	1	0	0	0	0	99
	2011	99	0	1	0	0	0	98
New York	2009	664	11	3	2	0	2	668
	2010	668	1	0	1	0	0	668
	2011	668	4	4	0	0	2	666
North Carolina	2009	373	13	1	0	0	1	384
	2010	384	7	2	0	0	1	388
	2011	388	10	0	1	0	1	396
North Dakota	2009	23	0	0	0	0	0	23
	2010	23	1	0	0	0	0	24
	2011	24	0	0	0	0	0	24

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations (1)	Non-Renewals (2)	Reacquired by Franchisor (3)	Ceased Operations - Other Reasons (4)	Outlets at End of the Year
Ohio	2009	534	14	0	3	1	2	542
	2010	542	6	0	2	0	0	546
	2011	546	5	1	2	0	2	546
Oklahoma	2009	156	20	3	0	0	0	173
	2010	173	9	3	0	0	0	179
	2011	179	6	0	0	3	0	182
Oregon	2009	167	2	0	1	0	0	168
	2010	168	0	3	0	0	0	165
	2011	165	0	1	0	0	0	164
Pennsylvania	2009	472	6	3	0	0	1	474
	2010	474	6	3	2	0	0	475
	2011	475	3	0	0	0	0	478
Rhode Island	2009	32	1	1	0	0	0	32
	2010	32	0	0	0	0	0	32
	2011	32	0	0	0	0	0	32
South Carolina	2009	187	24	0	1	0	2	208
	2010	208	5	0	0	0	1	212
	2011	212	4	0	0	0	1	215
South Dakota	2009	30	0	0	0	0	0	30
	2010	30	0	0	0	0	0	30
	2011	30	0	0	0	0	0	30
Tennessee	2009	296	3	1	0	0	0	298
	2010	298	2	1	0	0	0	299
	2011	299	3	1	0	0	0	301
Texas	2009	1,037	32	6	1	0	1	1,061
	2010	1,061	28	7	0	29	0	1,053
	2011	1,053	27	7	1	0	1	1,071
Utah	2009	107	3	1	0	0	0	109
	2010	109	1	0	1	0	0	109
	2011	109	3	0	0	0	0	112
Vermont	2009	28	0	0	0	0	0	28
	2010	28	0	0	0	0	0	28
	2011	28	0	0	0	0	0	28
Virginia	2009	372	2	6	0	0	0	368
	2010	368	7	0	5	0	0	370
	2011	370	4	1	0	0	1	372
Washington	2009	222	8	1	0	0	0	229
	2010	229	3	2	1	0	0	229
	2011	229	1	0	0	0	0	230
West Virginia	2009	83	1	0	0	0	0	84
	2010	84	3	0	0	0	1	86
	2011	86	2	0	0	0	0	88
Wisconsin	2009	255	7	0	0	0	1	261
	2010	261	6	0	0	0	1	266
	2011	266	5	0	0	0	1	270
Wyoming	2009	26	0	0	0	0	0	26
	2010	26	1	0	0	0	0	27
	2011	27	1	0	0	0	0	28
Guantanamo Bay	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations (1)	Non-Renewals (2)	Reacquired by Franchisor (3)	Ceased Operations - Other Reasons (4)	Outlets at End of the Year
Northern Mariana Islands	2009	2	0	0	0	0	0	2
	2010	2	0	0	0	0	0	2
	2011	2	0	0	0	0	0	2
Total Outlets	2009	12,127	349	50	14	13	18	12,381
	2010	12,381	206	51	23	31	13	12,469
	2011	12,469	180	33	18	27	27	12,544

(1) Substantially all of the Terminations are as a result of closings of restaurants by mutual agreement during the franchise term.

(2) Franchisees are not given the right to renew or extend the franchise at the end of the term. At McDonald's sole discretion, a franchisee may or may not be offered a new term franchise. If we do not grant a new term franchise, the franchisee has the opportunity to sell the franchise during the remaining term, and a qualified purchaser is allowed to enter into a new term Franchise Agreement. These transactions are not included as Non-Renewals. Substantially all of the Non-Renewals are as a result of closings of restaurants by mutual agreement at the end of the franchise term.

(3) Reacquired by Franchisor does not include "spin" transactions, in which we or an aftiliate acquired the restaurant from one franchisee and immediately sold the restaurant to another franchisee without our ever having operated the restaurant.

(4) Ceased Operations includes Franchise Agreements that were mumally terminated because the franchisee relocated the restaurant to a new site. The existing Franchise Agreement was terminated, and we entered into a Franchise Agreement for the new site with the franchisee.

Table No. 4
Status of Company-Owned Outlets
For years 200~~8~~2009 to 20~~1~~02011

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee (1)	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Alabama	2009	12	0	0	0	11	1
	2010	1	1	0	0	0	2
	2011	2	0	0	0	0	2
Arizona	2009	18	0	0	0	1	17
	2010	17	0	0	0	0	17
	2011	17	0	0	1	0	16
California	2009	111	0	0	1	10	100
	2010	100	1	0	0	0	101
	2011	101	0	0	0	1	100
Colorado	2009	25	0	0	0	5	20
	2010	20	0	0	0	1	19
	2011	19	0	0	0	0	19
Connecticut	2009	6	0	0	0	0	6
	2010	6	0	0	0	0	6
	2011	6	0	0	0	0	6
Delaware	2009	5	0	0	0	0	5
	2010	5	0	0	0	0	5
	2011	5	0	0	0	0	5

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee (1)	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
District of Columbia	2009	2	0	0	-1	0	3
	2010	3	0	0	0	0	3
	2011	3	0	0	0	0	3
Florida	2009	175	1	0	1	2	173
	2010	173	1	0	2	2	170
	2011	170	3	0	1	5	167
Georgia	2009	77	0	1	0	16	62
	2010	62	0	0	1	3	58
	2011	58	3	0	0	2	59
Hawaii	2009	29	0	0	0	8	21
	2010	21	1	1	0	0	23
	2011	23	0	1	0	0	24
Illinois	2009	127	0	5	0	17	115
	2010	115	1	0	1	5	110
	2011	110	1	0	0	3	108
Indiana	2009	80	0	1	1	9	71
	2010	71	0	1	1	6	65
	2011	65	1	5	0	0	71
Iowa	2009	6	0	0	0	0	6
	2010	6	0	0	0	0	6
	2011	6	0	0	0	0	6
Kansas	2009	10	0	0	1	0	9
	2010	9	0	0	0	0	9
	2011	9	0	0	0	0	9
Kentucky	2009	43	0	0	0	3	40
	2010	40	0	0	0	1	39
	2011	39	0	0	0	1	38
Louisiana	2009	22	1	1	0	5	19
	2010	19	0	0	0	3	16
	2011	16	0	0	0	0	16
Maryland	2009	88	0	0	1	8	79
	2010	79	1	0	0	2	78
	2011	78	0	0	0	4	74
Massachusetts	2009	36	0	0	0	6	30
	2010	30	0	0	0	0	30
	2011	30	0	18	0	0	48
Michigan	2009	130	0	0	3	15	112
	2010	112	0	0	0	6	106
	2011	106	0	0	0	3	103
Minnesota	2009	41	0	0	0	0	41
	2010	41	0	0	0	3	38
	2011	38	0	0	2	0	36
Mississippi	2009	13	0	0	1	0	12
	2010	12	0	0	0	0	12
	2011	12	1	0	0	0	13
Missouri	2009	34	1	0	0	3	32
	2010	32	0	0	0	2	30
	2011	30	0	0	0	0	30
Montana	2009	0	0	1	0	1	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee (1)	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Nebraska	2009	33	1	0	0	11	23
	2010	23	0	0	0	0	23
	2011	23	0	0	0	0	23
Nevada	2009	26	0	0	0	2	24
	2010	24	0	0	0	1	23
	2011	23	0	0	0	0	23
New Jersey	2009	27	0	3	2	3	25
	2010	25	0	0	1	3	21
	2011	21	0	0	0	0	21
New York	2009	22	0	0	1	6	15
	2010	15	0	0	0	0	15
	2011	15	0	0	0	2	13
North Carolina	2009	60	4	0	0	0	64
	2010	64	2	0	0	0	66
	2011	66	2	0	0	1	67
Ohio	2009	101	1	1	0	10	93
	2010	93	0	0	0	5	88
	2011	88	1	0	1	3	85
Oklahoma	2009	47	0	0	1	14	32
	2010	32	0	0	0	6	26
	2011	26	0	3	0	1	28
Pennsylvania	2009	62	0	0	0	5	57
	2010	57	1	0	0	4	54
	2011	54	0	0	1	0	53
Rhode Island	2009	1	0	0	0	1	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0
South Carolina	2009	19	1	0	0	17	3
	2010	3	1	0	0	0	4
	2011	4	0	0	0	0	4
Tennessee	2009	30	0	0	0	0	30
	2010	30	0	0	0	0	30
	2011	30	0	0	0	0	30
Texas	2009	95	0	0	1	10	84
	2010	84	3	29	0	8	108
	2011	108	3	0	0	3	108
Virginia	2009	49	0	0	0	0	49
	2010	49	0	0	1	1	47
	2011	47	0	0	2	2	43
Washington	2009	52	0	0	1	7	44
	2010	44	0	0	1	0	43
	2011	43	0	0	0	0	43
West Virginia	2009	15	1	0	0	0	16
	2010	16	0	0	0	0	16
	2011	16	1	0	0	1	16
Wisconsin	2009	40	0	0	0	5	35
	2010	35	0	0	0	3	32
	2011	32	0	0	0	1	31
Guam	2009	8	0	0	0	0	8
	2010	8	0	0	0	0	8
	2011	8	0	0	0	0	8

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee (1)	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Total Outlets	2009	1,777	11	13	14	211	1,576
	2010	1,576	13	31	8	65	1,547
	2011	1,547	16	27	8	33	1,549

(1) Reacquired from Franchisee does not include "spin" transactions, in which we or an affiliate acquired the restaurant from one franchisee and immediately sold the restaurant to another franchisee without our ever having operated the restaurant.

Table No. 5

Projected Openings As Of December 31, ~~2010~~2011 (1)

State	Franchise Agreement Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Alabama	0	~~7~~5	0
Alaska	0	~~1~~0	0
Arizona	0	37	02
Arkansas	0	28	0
California	0	~~14~~17	0
Colorado	0	~~1~~2	0
Connecticut	0	1	0
Delaware	0	03	0
District of Columbia	0	0	0
Florida	0	~~10~~17	2
Georgia	0	~~7~~8	~~1~~0
Hawaii	0	2	0
Idaho	0	~~1~~2	0
Illinois	0	210	20
Indiana	0	32	01
Iowa	0	~~3~~1	0
Kansas	0	0	0
Kentucky	0	02	0
Louisiana	0	~~1~~4	0
Maine	0	~~1~~0	0
Maryland	0	~~7~~3	0
Massachusetts	0	02	01
Michigan	0	34	0
Minnesota	0	~~2~~7	0
Mississippi	0	62	0
Missouri	0	~~2~~1	0
Montana	0	~~1~~0	0
Nebraska	0	1	0
Nevada	0	~~1~~1	01
New Hampshire	0	1	0
New Jersey	0	5	0
New Mexico	0	1	0
New York	0	~~5~~8	0
North Carolina	0	~~12~~9	02
North Dakota	0	0	0
Ohio	0	~~5~~8	~~1~~0
Oklahoma	0	31	0
Oregon	0	23	0

State	Franchise Agreement Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Pennsylvania	0	~~3~~2	0
Rhode Island	0	~~0~~1	0
South Carolina	0	~~3~~8	0
South Dakota	0	1	0
Tennessee	0	7	0
Texas	0	~~24~~30	~~1~~2
Utah	0	3	0
Vermont	0	0	0
Virginia	0	~~3~~5	0
Washington	0	1	0
West Virginia	0	~~1~~0	~~4~~0
Wisconsin	0	~~2~~1	0
Wyoming	0	~~1~~2	0
Guam	0	0	0
Guantanamo Bay	0	0	0
Northern Mariana Islands	0	0	0
Total	0	~~468~~215	~~9~~11

(1) Reflects projections of gross restaurant openings. McDonald's antlcipates closing approximately ~~124~~164 restaurants in ~~2011~~2012.

Attached to this disclosure document as Exhibit R is a list of U.S. franchised restaurants as of December 31, ~~2010~~2011.

Attached to this disclosure document as Exhibit S is a list of the ~~249~~263 franchisees who had a restaurant franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recent completed fiscal year or who have not communicated with us within 10 weeks of the application date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with McDonald's. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Trademark-specitic franchisee organizations created, sponsored, or endorsed by McDonald's:

1. National Leadership Council (NLC)
   Address: 2111 McDonald's Plaza
   Oak Brook, IL 60523
   Telephone #: (214) 707-1843
   E-Mail Address: nlc.partners@partners.mcd.com
   NLC is endorsed by McDonald's.

2. Asian McDonald's Operators Association (AMOA)
   Address: 135 W 52nd Avenue
   P.O. Box 51060
   Eugene, OR 97405
   Telephone #: (541) 726-9866
   E-Mail Address: ebrahim.maghsoud@partners.mcd.com
   AMOA is endorsed by McDonald's.

3. McDonald's Hispanic Operators Association (MHOA)
Address: 7105 West Higgins Avenue
Chicago, IL 60656
Telephone #: (469) 287-2302
E-Mail Address: ~~leonardo.lopez@partners.mcd.com~~philip.fuentes@parmers.mcd.com
Web Address www.mhoa-usa.com
MHOA is endorsed by McDonald's.

4. National Black McDonald's Operators Association (NBMOA)
Address: P.O. Box 820668
South Florida, FL 33082-0668
Telephone #: (954) 389-4487
E-Mail Address: nbmoa1@aol.com
Web Address: www.nbmoa.org
NBMOA is endorsed by McDonald's.

5. Women Operators Network (WON)
Address: CHAR, Inc.
811 Gunter Avenue
P.O. Box 878
Guntersville, AL 35976-0878
Telephone #: (256) 582-2849 Ext. 1
E-Mail Address: won.database@partners.mcd.com
WON is endorsed by McDonald's.

Item 21
Financial Statements

Attached to this disclosure document as Exhibh A are the consolidated balance sheets of McDonald's USA, LLC as of December 31, ~~2010~~2011, and December 31, ~~2009~~2010, and the related consolidated statements of income, member's equity, and cash flows for the years ended December 31, ~~2010~~2011, December 31, ~~2009~~2010, and December 31, ~~2008~~2009.

Item 22
Contracts

All agreements used by us regarding the offering of a franchise are attached to this disclosure document as Exhibits B, C, D, E, F, G, H, I, J, K, and M.

Item 23
Receipts

See the Receipts at the end of this disclosure document.