UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

CHRISTINE CRAWFORD, DELORES CRAWFORD, JUNETH N. DANIEL, YVES DOMINIQUE, VAN JAKES, RALPH KING, KEITH MANNING, KENNETH MANNING, DAWN MUSSENDEN, LAETITIA JOHNSON, CARRIE SALONE, FLOYD SIMS, LARRY BROWN, JOHN MASON, RONNIE THORNTON, LISA GUNTER, MITCHELL MCGUIRE, LOIS MCGUIRE, HAYES FERRELL, YVONNE KNOX, ARTHUR SCOTT, ERROL SERVICE, MELVIN JONES, GEORGE GIPSON, MICHAEL SIMON, VICTOR BRUCE, DAVID WHITE, JOHN TILLMAN, ALLEN STAFFORD, KURT HOLLOWAY, KENT JONES, HAROLD LEWIS, JEREMY LEWIS, PHILIP DOUGLAS, LAWRENCE HOLLAND, WILLIAM RASUL, LEROY WALKER, JR., JEFFERY ROGERS, JOSEPH MBANEFO, ANNIS ALSTON-STALEY, HARRY STALEY, GORDON THORNTON, DWAYNE RICHARD JOHNSON, SERGE TANCREDE, KAREN TANCREDE, ERROL THYBULLE, WISE FINLEY, JEREMIAH SIMMONS, DARRYL UMPHRIES, JACQUELINE GEORGE, JOKETRA HALL, and LEWIS ANDERSON

Plaintiffs,

v.

McDONALD'S USA, LLC, a Delaware limited liability company, and McDONALD'S CORPORATION, a Delaware corporation,

Defendants.

_______________________________________/

CASE NO.: 1:20-cv-05132

JURY TRIAL DEMANDED

COMPLAINT

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COMPLAINT

Plaintiffs, Christine Crawford, Delores Crawford, Juneth N. Daniel, Yves Dominique, Van Jakes, Ralph King, Keith Manning, Kenneth Manning, Dawn Mussenden, Laetitia Johnson, Carrie Salone, Floyd Sims, Larry Brown, John Mason, Ronnie Thornton, Lisa Gunter, f/k/a Lisa McKenzie, Mitchell McGuire, Lois McGuire, Hayes Ferrell, Yvonne Knox, Arthur Scott, Errol Service, Melvin Jones, George Gipson, Michael Simon, Victor Bruce, David White, John Tillman, Allen Stafford, Kurt Holloway, Kent Jones, Harold Lewis, Jeremy Lewis, Philip Douglas, Lawrence Holland, William Rasul, LeRoy Walker, Jr., Jeffery Rogers, Joseph Mbanefo, Annis Alston-Staley, Harry Staley, Gordon Thornton, Dwayne Richard Johnson, Serge Tancrede, Karen Tancrede, Errol Thybulle, Wise Finley, Jeremiah Simmons, Darryl Umphries, Jacqueline George, Joketra Hall, and Lewis Anderson (collectively, "Plaintiffs"), by and through their undersigned counsel, bring this action against Defendants, McDonald's USA LLC ("McDonald's USA"), a Delaware limited liability company, and McDonald's Corporation, a Delaware corporation ("McDonald's Corporation," together with McDonald's USA, "McDonald's" or "Defendants"), and allege as follows:

INTRODUCTION

1. Plaintiffs are Black, former McDonald's franchisees, who bought into McDonald's public commitment to the Black communities it serves only to be misled and denied equal opportunity to economic success by McDonald's systematic and covert racial discrimination.

2. Plaintiffs entered the McDonald's franchise system with the expectation that it would open the door to opportunities to develop thriving businesses to pass on to their children.

3. Plaintiffs were more than McDonald's franchisees; they were employers and pillars in their communities. In many cases, they became parental figures providing the safety and security often lacking in the depressed, crime-ridden neighborhoods that McDonald's steered them to.

4. For more than 50 years, McDonald's has branded itself as a socially conscious company, committed to strengthening Black entrepreneurship, and embracing racial opportunity as a critical component of its corporate culture.

5. On June 16, 2020, McDonald's Chief Executive Officer, Christopher Kempczinski, appeared on CNBC's "Mad Money with Jim Cramer" and stated that, "*McDonald's has created more millionaires within the Black community than probably any other corporation on the planet*."

6. In response to the murder of George Floyd and the Black Lives Matter movement, McDonald's proclaimed, "*We do not tolerate inequity, injustice, or racism*." McDonald's advertisements read, "They were all one of us. We see them in our customers. We see them in our crew members. *We see them in our franchisees*. And this is why the entire McDonald's family grieves. It's why we stand for them and any other victims of systematic oppression and violence."

7. As recently as McDonald Corporation's Verified Complaint against its former CEO, Stephen J. Easterbrook, McDonald's continues to falsely represent a corporate commitment to equality: "Today, [McDonald's] continues its efforts to cultivate a safe, nondiscriminatory, and respectful workplace, including most recently through a renewed values statement that makes clear McDonald's commitment to operating its business with integrity and *creating equal opportunities*." *McDonald's Corporation v. Easterbrook*, Case Id. 2020-0658, Verified Compl. [D.E. 1], at ⁋ 34 (Del. Ch. Aug. 10, 2020) (emphasis added).

8. These statements are patently **false** and highlight the dichotomy between McDonald's corporate ethos as a recruiter and developer of Black entrepreneurs and its record on race: McDonald's has a decades-long history of racial discrimination against its own Black franchisees.

9. McDonald's proclaims a commitment to racial equality, profits from its Black customers, yet places Black franchisees in locations that are destined to fail, with low-volume sales

and high operating costs, leading to consistent profit shortfalls or losses, impeding Black franchisees' efforts to grow as they acquire other stores, necessary for success under McDonald's own franchise model, to force Black franchisees out, repeating this pattern of misconduct over and over again.

10. McDonald's racial discrimination has resulted in an increasing cash flow gap between McDonald's Black franchisees as compared to White ones. This cash flow gap **more than tripled** from 2010 to 2019, per National Black McDonald's Operators Association ("NBMOA") data.

11. Plaintiffs' average annual sales of $2 million was **more than $700,000 under** McDonald's national average of $2.7 million between 2011 and 2016, and $2.9 million in 2019.

12. As a result, the historic high of approximately 400 Black McDonald's franchisees in 1998 has been **more than cut in half**. Today, there are less than 200 Black franchisees. *See* Figure 1 below, based on NBMOA and McDonald's data.

Exodus of Black Franchisees 1998 - 2020

END OF YEAR	BLACK FRANCHISEES
1998	377
1999	368
2000	350
2001	347
2002	333
2003	319
2004	320
2005	313
2006	305
2007	304
2008	304
2009	294
2010	285
2011	283
2012	276
2013	270
2014	261
2015	255
2016	236
2017	222
2018	207
2019	194
2020	186

Figure 1: Number of Black McDonald's Franchisees

13. At the same time, from 1998 to date, the total number of McDonald's franchised restaurants **more than doubled**. *See* Figure 2 below, based on data from McDonald's Corporation.

Total Number of Franchised McDonald's Restaurants 1998 - 2020

YEAR	TOTAL FRANCHISES
1998	15,086
1999	15,949
2000	16,795
2001	17,395
2002	17,864
2003	18,132
2004	18,248
2005	18,334
2006	22,880
2007	24,471
2008	25,465
2009	26,216
2010	26,338
2011	27,075
2012	27,882
2013	28,691
2014	29,544
2015	30,081
2016	31,230
2017	34,108
2018	35,085
2019	36,059
2020	38,999

Figure 2: Number of McDonald's Franchised Restaurants

14. These differences are statistically significant and are the result of Defendants' racial bias and barriers within the McDonald's franchise system, effectuated by Defendants through systematic and covert racial discrimination targeted against Black franchisees.

15. McDonald's knowingly discriminated against Plaintiffs, Black franchisees, a protected class under federal law (42 U.S.C. §1981), who were parties to franchise agreements with McDonald's, by, including, but not limited to:

a. Steering Plaintiffs to locations with low-volume sales and higher operating costs, such as higher security costs due to crime, higher insurance rates, and higher employee turnover, because of their race;

b. Excluding Plaintiffs from the purchase of restaurants in the open market because of their race;

c. Providing Plaintiffs with misleading financial information to induce them to purchase McDonald's least desirable franchises;

d. Requiring Plaintiffs to invest in rebuilds and/or renovations within short time frames not required of White franchisees;

e. Excluding Plaintiffs from the same growth opportunities to higher-volume, lower-cost stores offered to White franchisees;

f. Failing to provide any legitimate business reasons for repeated denials of franchise opportunities to Plaintiffs over many years;

g. Denying Plaintiffs meaningful support to allow them to overcome financial hardships, while White franchisees were routinely provided such assistance, including, but not limited to, permanent rent relief and impact funding;

h. Depriving Plaintiffs of the same legacy opportunities offered to White franchisees through McDonald's Next Generation ("Next Gen") program;

i. Retaliation against Plaintiffs for rejecting offers to continue operations in crime-ridden neighborhoods with low-volume sales, including through targeted, increased, and unreasonable inspections;

j. Disparate treatment with respect to inspections and grading of Plaintiffs' restaurants as part of a scheme to generate bad business reviews to force Plaintiffs out of the McDonald's system because of their race; and/or

k. Placing Plaintiffs in untenable positions of economic duress, denying them eligibility for growth and renewal of their agreements, and arbitrarily denying final approval of their buyers, so that Plaintiffs had no choice but to exit on McDonald's terms, at a loss.

16. Through these series of repeated and interrelated events, McDonald's intentionally and covertly deprived Plaintiffs of the same rights enjoyed by White franchisees to the creation, performance, enjoyment, and all benefits of their contractual relationships with Defendants.

17. But for Plaintiffs' race, McDonald's would have offered Plaintiffs profitable restaurant locations, opportunities for growth and expansion, on equal terms as White franchisees, rather than forcing them out after decades of sweat and tears dedicated to the franchise.

18. McDonald's discriminatory and fraudulent practices were not apparent to Plaintiffs when committed, and only became apparent when viewed in light of the later acts establishing a pattern of systematic and covert racial discrimination targeted against Black franchisees.

JURISDICTION AND VENUE

19. This is an action based on McDonald's denial of Plaintiffs' right to equality in their contracts in violation of Section 1981 of the Civil Rights Act of 1866, 42 U.S.C. § 1981 (Count I), bad faith breach of contract (Count II), fraudulent inducement and omission (Count III), and for punitive damages (Count IV).

20. This Court has subject matter jurisdiction over Plaintiffs' 42 U.S.C. § 1981 claims pursuant to 28 U.S.C. §§ 1331, 1332, 1343(a)(3), and 42 U.S.C. § 1988.

21. This Court has subject matter jurisdiction over Plaintiffs' state-law claims pursuant to 28 U.S.C. § 1367 because they are so related to Plaintiffs' federal question claims that they form part of the same case or controversy.

22. Plaintiffs' claims are properly joined under the permissive joinder provisions of Rule 20, Fed. R. Civ. P., as their claims arise out of the same series of transactions or occurrences and raise common questions of law or fact.

23. This Court has personal jurisdiction over Defendants because McDonald's Corporation is headquartered in this District and McDonald's USA maintains its principal place of business in Chicago, Illinois.

24. Venue is proper in this District pursuant to 28 U.S.C. § 1391 because Defendants reside in this District, where its principal place of business is located, and a substantial part of the events giving rise to Plaintiffs' claims occurred in Chicago, Illinois, which is within this District.

THE PARTIES

A. Plaintiffs

25. Plaintiffs are members of a federally-protected class who owned and operated McDonald's restaurant(s).

26. Plaintiff Christine Crawford and her mother, Delores Crawford, are South Carolina residents and former McDonald's Atlanta Region franchise owner/operators. Delores Crawford became a McDonald's franchisee in 1988, while her daughter, Cristine Crawford, became one in 2005. The Crawfords were forced out in 2018. Between 2010 and 2018, the Crawfords owned and lost seven (7) stores due to McDonald's misconduct. They are Black.

27. Plaintiff Juneth N. Daniel is a Florida resident and a former Alabama Region McDonald's franchise owner/operator who became a franchisee in 2008 and was forced out in 2018. Between 2010 and 2018, Daniel owned and lost four (4) stores due to McDonald's misconduct. She is Black.

28. Plaintiff Yves Dominique is a Georgia resident and a former Atlanta Region McDonald's franchise owner/operator who became a franchisee in 2008 and was forced out in 2017. Between 2010 and 2017, Dominique owned and lost six (6) stores due to McDonald's misconduct. He is Black.

29. Plaintiff Van Jakes is a Georgia resident and a former Atlanta Region McDonald's franchise owner/operator who became a franchisee in 1992 and was forced out in 2016. Between 2010 and 2016, Jakes owned and lost five (5) stores due to McDonald's misconduct. He is Black.

30. Plaintiff Ralph King is a Missouri resident and a former Missouri Region McDonald's franchise owner/operator who became a franchisee in 1983 and was forced out in 2019. Between 2010 and 2019, King owned and lost thirteen (13) stores due to McDonald's misconduct. He is Black.

31. Plaintiff Keith Manning is a North Carolina resident and a former North Carolina Region McDonald's franchise owner/operator who became a franchisee in 1992 and was forced out in 2017. Between 2010 and 2017, Keith Manning owned and lost ten (10) stores due to McDonald's misconduct. He is Black.

32. Plaintiff Kenneth Manning is a Georgia resident and a former Alabama and Atlanta Region McDonald's franchise owner/operator who became a franchisee in 2001 and was forced out in 2017. Between 2010 and 2017, Kenneth Manning owned and lost seventeen (17) stores due to McDonald's misconduct. He is Black.

33. Plaintiff Dawn Mussenden is a Georgia resident and a former New York and Atlanta Region McDonald's franchise owner/operator who became a franchisee in 1990 and was forced out in 2017. Between 2010 and 2017, Mussenden owned and lost five (5) stores due to McDonald's misconduct. She is Black.

34. Plaintiff Laetitia Johnson is a Georgia resident and a former Atlanta Region McDonald's franchise owner/operator who became a franchisee in 1995 and was forced out in 2018. Between 2010 and 2018, Johnson owned and lost four (4) stores due to McDonald's misconduct. She is Black.

35. Plaintiff Carrie Salone is a Georgia resident and a former Atlanta Region McDonald's franchise owner/operator who became a franchisee in 2003 and was forced out in 2018. Between 2010 and 2018, Salone owned and lost two (2) stores due to McDonald's misconduct. She is Black.

36. Plaintiff Floyd Sims is a Georgia resident and a former Atlanta Region McDonald's franchise owner/operator who became a franchisee in 2000 and was forced out in 2018. Between 2010 and 2018, Sims owned and lost seven (7) stores due to McDonald's misconduct. He is Black.

37. Plaintiff Larry Brown is an Iowa resident and a former Iowa Region McDonald's franchise owner/operator who became a franchisee in 2000 and was forced out in 2017. Between 2010 and 2017, Brown owned and lost ten (10) stores due to Defendants' misconduct. He is Black.

38. Plaintiff John Mason is a North Carolina resident and a Virginia and North Carolina Region McDonald's franchise owner/operator who became a franchisee in 2004 and was forced out in 2018. Between 2010 and 2018, Mason owned and lost four (4) stores due to McDonald's misconduct. He is Black.

39. Plaintiff Ronnie Thornton is a North Carolina resident and a former Raleigh/Durham Region McDonald's franchise owner/operator who became a franchisee in 1998 and was forced out in 2017. Between 2010 and 2017, Thornton owned and lost five (5) stores due McDonald's misconduct. He is Black.

40. Plaintiff Lisa Gunter, f/k/a Lisa McKenzie, is a North Carolina resident and a former Raleigh/Durham Region McDonald's franchise owner/operator who became a franchisee in 2007 and was forced to out in 2018. Between 2010 and 2018, Gunter owned and lost two (2) stores due to McDonald's misconduct. She is Black.

41. Plaintiff Mitchell McGuire and his wife, Lois McGuire, are New Jersey residents and former New York Metro Region McDonald's franchise owner/operators who became franchisees in

2000 and were forced out in 2016. Between 2010 and 2016, the McGuires owned and lost one (1) store due to McDonald's misconduct. They are Black.

42. Plaintiff Hayes Ferrell is a Georgia resident and a former Atlanta Region McDonald's franchise owner/operator who became a franchisee in 1989 and was forced out in 2016. Between 2010 and 2016, Ferrell owned and lost one (1) store due to McDonald's misconduct. He is Black.

43. Plaintiff Yvonne Knox is a Michigan resident and a former Detroit Region McDonald's franchise owner/operator who became a franchisee in 1981 and was forced out in 2016. Between 2010 and 2016, Knox owned and lost one (1) store due to McDonald's misconduct. She is Black.

44. Plaintiff Arthur Scott is a Michigan resident and a former Detroit Region McDonald's franchise owner/operator who became a franchisee in 1994 and was forced out in 2017. Between 2010 and 2017, Scott owned and lost eight (8) stores due to McDonald's misconduct. He is Black.

45. Plaintiff Errol Service is a Michigan resident and a former Detroit Region McDonald's franchise owner/operator who became a franchisee in 1994 and was forced out in 2020. Between 2010 and 2020, Service owned and lost seventeen (17) stores due to McDonald's misconduct. He is Black.

46. Plaintiff Melvin Jones is a Florida resident and a former Detroit Region McDonald's franchise owner/operator who became a franchisee in 1999 and was forced out in 2018. Between 2010 and 2018, Jones owned and lost three (3) stores due to McDonald's misconduct. He is Black.

47. Plaintiff George Gipson is a Missouri resident and a former St. Louis Region McDonald's franchise owner/operator who became a franchisee in 1994 and was forced out in 2017. Between 2010 and 2017, Gipson owned and lost three (3) stores due to McDonald's misconduct. He is Black.

48. Plaintiff Michael Simon is a New Jersey resident and a former Raleigh Region McDonald's franchise owner/operator who became a franchisee in 2013 and was forced out in 2017. Between 2010 and 2017, Simon owned and lost three (3) stores due to McDonald's misconduct. He is Black.

49. Plaintiff Victor Bruce is an Indiana resident and a former Indianapolis Region McDonald's franchise owner/operator who became a franchisee in 1994 and was forced out in 2016. Between 2010 and 2016, Bruce owned and lost three (3) stores due to McDonald's misconduct. He is Black.

50. Plaintiff David White is an Indiana resident and a former Indianapolis Region McDonald's franchise owner/operator who became a franchisee in 1999 and was forced out in 2018. Between 2010 and 2018, White owned and lost five (5) stores due to McDonald's misconduct. He is Black.

51. Plaintiff John Tillman is a Texas resident and a former Houston Region McDonald's franchise owner/operator who became a franchisee in 1990 and was forced out in 2019. Between 2010 and 2019, Tillman owned and lost fourteen (14) stores due to McDonald's misconduct. He is Black.

52. Plaintiff Allen Stafford is a Georgia resident and a former Atlanta Region McDonald's franchise owner/operator who became a franchisee in 1992 and was forced out in 2017. Between 2010 and 2017, Stafford owned and lost five (5) stores due to Defendants' misconduct. He is Black.

53. Plaintiff Kurt Holloway is a Texas resident and a former Houston Region McDonald's franchise owner/operator who became a franchisee in 1997 and was forced out in 2017. Between 2010 and 2017, Holloway owned and lost two (2) stores due to McDonald's misconduct. He is Black.

54. Plaintiff Kent Jones is a Tennessee resident and a former Nashville Region McDonald's franchise owner/operator who became a franchisee in 2003 and was forced out in 2017. Between 2010 and 2017, Jones owned and lost one (1) store due to McDonald's misconduct. He is Black.

55. Plaintiff Harold Lewis is a Nevada resident and a former Las Vegas Region McDonald's franchise owner/operator who became a franchisee in 1987 and was forced out in 2015. Between 2010 and 2015, Harold Lewis owned and lost nine (9) stores due to McDonald's misconduct. He is Black.

56. Plaintiff Jeremy Lewis, Harold Lewis' son, is a Nevada resident and a former Las Vegas Region McDonald's franchise owner/operator who became a franchisee in 2015 and was forced out in 2015. Between 2010 and 2015, Jeremy Lewis owned and lost one (1) store due to McDonald's misconduct. He is Black.

57. Plaintiff Philip Douglas is an Illinois resident and a former Chicago Region McDonald's franchise owner/operator who became a franchisee in 1997 and was forced out in 2014. Between 2010 and 2014, Douglas owned and lost three (3) stores due to McDonald's misconduct. He is Black.

58. Plaintiff Lawrence Holland is a Georgia resident and a former Atlanta Region McDonald's franchise owner/operator who became a franchisee in 2003 and was forced out in 2013. Between 2010 and 2013, Holland owned and lost two (2) stores due to McDonald's misconduct. He is Black.

59. Plaintiff William Rasul is a Georgia resident and a former Atlanta Region McDonald's franchise owner/operator who became a franchisee in 1999 and was forced out in 2010. Rasul owned and lost three (3) stores due to McDonald's misconduct. He is Black.

60. Plaintiff LeRoy Walker, Jr. is a Mississippi resident and a former Mississippi Region McDonald's franchise owner/operator who became a franchisee in 1984 and was forced out in 2015. Between 2010 and 2015, Walker owned and lost one (1) store due to McDonald's misconduct. He is Black.

61. Plaintiff Jeffery Rogers is a Florida resident and a former Jacksonville Region McDonald's franchise owner/operator who became a franchisee in 2005 and was forced out in 2011. Between 2010 and 2011, Rogers owned and lost one (1) store due to McDonald's misconduct. He is Black.

62. Plaintiff Joseph Mbanefo is a New York resident and a former New York Region McDonald's franchise owner/operator who became a franchisee 1996 and was forced out in 2012. Between 2010 and 2012, Mbanefo owned and lost four (4) stores due to McDonald's misconduct. He is Black.

63. Plaintiff Annis Alston-Staley and her husband, Harry Staley, are South Carolina residents and former New Jersey Region McDonald's franchise owner/operators who became franchisees in 1995 and were forced out in 2015. Between 2010 and 2015, the Staleys owned and lost six (6) stores due to McDonald's misconduct. They are Black.

64. Plaintiff Gordon Thornton is a North Carolina resident and a former Raleigh/Durham Region McDonald's franchise owner/operator who became a franchisee in 1993 and was forced out in 2012. Between 2010 and 2012, Thornton owned and lost four (4) stores due to McDonald's misconduct. He is Black.

65. Plaintiff Dwayne Richard Johnson is a Pennsylvania resident and a former Philadelphia Region McDonald's franchise owner/operator who became a franchisee in 1993 and

was forced out in 2012. Between 2010 and 2012, Johnson owned and lost one (1) store due to McDonald's misconduct. He is Black.

66. Plaintiff Serge Tancrede and his wife, Karen Tancrede, are Texas residents and former Philadelphia Region McDonald's franchise owner/operators who became franchisees in 2004 and were forced out in 2011. Between 2010 and 2011, the Tancredes owned and lost one (1) store due to McDonald's misconduct. They are Black.

67. Plaintiff Errol Thybulle is a New York resident and a former New York Region McDonald's franchise owner/operator who became a franchisee in 1990 and was forced out in 2011. Between 2010 and 2011, Thybulle owned and lost two (2) stores due to McDonald's misconduct. He is Black.

68. Plaintiff Wise Finley is a Michigan resident and a former Detroit Region McDonald's franchise owner/operator who became a franchisee in 1987 and was forced out in 2016. Between 2010 and 2016, Finley owned and lost three (3) stores due to McDonald's misconduct. He is Black.

69. Plaintiff Jeremiah Simmons is a New York resident and a former New York Region McDonald's franchise owner/operator who became a franchisee in 1998 and was forced out in 2010. Simmons owned and lost one (1) store due to McDonald's misconduct. He is Black.

70. Plaintiff Darryl Umphries is an Oklahoma resident and a former Oklahoma City Region McDonald's franchise owner/operator who became a franchisee in 2004 and was forced out in 2014. Between 2010 and 2014, Umphries owned and lost two (2) stores due to McDonald's misconduct. He is Black.

71. Plaintiff Jacqueline George is a Florida resident and a former Columbus, Ohio Region McDonald's franchise owner/operator who became a franchisee in 1990 and was forced out in 2012.

Between 2010 and 2012, George owned and lost three (3) stores due to McDonald's misconduct. She is Black.

72. Plaintiff Joketra Hall is a Florida resident and a former Atlanta Region McDonald's franchise owner/operator who became a franchisee in 2005 and was forced out in 2010. Hall owned and lost two (2) stores due to McDonald's misconduct. She is Black.

73. Plaintiff Lewis Anderson is a Florida resident and a former Great Southern Region McDonald's franchise owner/operator who became a franchisee in 2002 and was forced out in 2016. Between 2010 and 2016, Anderson owned and lost four (4) stores due to McDonald's misconduct. He is Black.

74. As a result of Defendants' racial discrimination, retaliation, bad faith breach of contract, and fraud alleged herein, each of the individual Plaintiffs above have suffered substantial damages in the forms described below and amounts that will be proven at trial.

75. By agreement with Defendants, who were previously provided by Plaintiffs earlier this year with a draft complaint, as of June 8, 2020 all viable statutes of limitation applicable to Plaintiffs' claims were tolled.

B. <u>Defendants</u>

76. Defendant McDonald's USA is a Delaware limited liability corporation with its principal place of business located at 110 North Carpenter Street, Chicago, Illinois. McDonald's USA is a wholly-owned subsidiary of McDonald's Corporation and the franchisor of the McDonald's franchise system, which develops, operates, franchises, and services a system of fast-food restaurants in the United States.

77. Defendant McDonald's Corporation is a publicly traded Delaware corporation with its principal place of business located at One McDonald's Plaza, Oak Brook, Illinois. McDonald's

Corporation is the sole member of McDonald's USA, and is the worldwide franchisor of the McDonald's franchise system.

COMMON FACTUAL ALLEGATIONS

78. McDonald's offered Plaintiffs what, at first, appeared to be a once-in-a-lifetime opportunity to invest in and become a part of America's best-known international corporation.

79. Yet, by covertly restricting and steering Plaintiffs to older and underperforming store locations because of their race, misleading financial representations and omissions, exclusion from growth opportunities, unequal renovation and rebuild requirements, and application of harsher and unreasonable grading and inspection standards, McDonald's intentionally impeded Plaintiffs' ability to succeed and grow within the franchise they dedicated their lives to.

A. The McDonald's Franchise Model: Unequal Bargaining Power, The Franchise Agreement, and Misleading Franchise Disclosure Documents

80. McDonald's is a heavily franchised business model. As of May 1, 2020, approximately 95% of all U.S. restaurants are franchised to independent franchisees and about 5% are franchised to company-owned McDonald's ("McOpCo") restaurants.

81. McDonald's requires every franchisee to sign its standard Franchise Agreement in order to operate one or more, new or existing, McDonald's restaurants located on real estate owned or leased by McDonald's, and leased to the franchisee through an Operator's Lease ("Lease"), for a twenty (20) year term. True and correct copies of McDonald's USA's standard Franchise Agreement (Traditional), A-1, and an exemplar of Plaintiff Dominique's Franchise Agreement, A-2, are attached as **Composite Exhibit "A"** (the "Franchise Agreement").[1]

[1] McDonald's has possession of Plaintiffs' individual Franchise Agreements. Upon information and belief, the Franchise Agreements attached hereto contain the same or substantially similar terms as each of the Franchise Agreements entered into with the individual Plaintiffs. Upon information and belief, McDonald's Corporation is the franchisor of any Franchise Agreement entered into (and not later amended or superseded) prior to approximately 2005, and McDonald's USA is the franchisor of any Franchise Agreement entered into since approximately 2005.

82. The Franchise Agreement provides in relevant part:

> General Services of McDonald's. McDonald's shall advise and consult with Franchisee periodically in connection with the operation of the Restaurant and also, upon Franchisee's request, at other reasonable times. . .McDonald's shall also make available to Franchisee **all** additional services, facilities, rights, and privileges relating to the operation of the Restaurant which McDonald's makes generally available, from time to time, **to all its franchisees** operating McDonald's restaurants.

(Franchise Agreement, Ex. A, at ¶ 3) (emphasis added). Pursuant to Section 12, titled "Compliance with Entire System," McDonald's and Plaintiffs further agreed as follows:

> McDonald's shall have the right to inspect the Restaurant at all **reasonable** times to ensure that Franchisee's operation thereof is in compliance with the standards and policies of the McDonald's System.
>
> Franchisee shall comply with the entire McDonald's System, including, but not limited to, the following: (c) Keep the Restaurant constructed and equipped in accordance with the building blueprints and equipment layout plans that are standard in the McDonald's System or as such blueprints and plans may be **reasonably** changed from time to time by McDonald's.

(*Id*., at ¶ 12) (emphasis added).

83. Through McDonald's Franchise Disclosure Document ("FDD"), a true and correct copy of which is attached as **Exhibit "B"** hereto,[2] McDonald's provides prospective franchisees with "Financial Performance Representations," that include *pro forma* statements with the national average sales of domestic traditional McDonald's restaurants opened at least one (1) year prior. For example, the most recent 2020 FDD attached hereto provides, in pertinent part, as follows:

> ***All Domestic Traditional Restaurants***
>
> Of the approximately 12,032 domestic traditional McDonald's restaurants opened at least 1 year as of December 31, 2019, approximately 79% had annual sales volumes in excess of $2,300,000;

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[2] By way of example, attached is the most recent version of McDonald's FDD, issued May 1, 2020. McDonald's issues its FDD annually and provides all prospective franchisees with the FDD prior to joining the McDonald's franchise system. McDonald's has possession of the individual disclosure documents it provided to Plaintiffs.

approximately 70% had annual sales volumes in excess of $2,500,000; and approximately 60% had annual sales volumes in excess of $2,700,000. The average annual sales volume of domestic traditional McDonald's restaurants open at least 1 year as of December 31, 2019, was $3,009,000 during 2019. The highest and lowest annual sales volume in 2019 for these domestic traditional McDonald's restaurants was $12,654,000 and $654,000, respectively. The median annual sales volume of domestic traditional McDonald's restaurants open at least 1 year as of December 31, 2019, was **$2,910,000 during 2019**.

Traditional Franchised Restaurants

Of the approximately 11,435 domestic traditional franchised McDonald's restaurants opened at least 1 year as of December 31, 2019, approximately 78% had annual sales volumes in excess of $2,300,000; approximately 68% had annual sales volumes in excess of $2,500,000; and approximately 58% had annual sales volumes in excess of $2,700,000. The average annual sales volume of domestic traditional franchised McDonald's restaurants open at least 1 year as of December 31, 2019, was $2,970,000 during 2019. The highest and lowest annual sales volume in 2019 for these domestic traditional McDonald's restaurants was $12,654,000 and $654,000, respectively. The median annual sales volume of domestic traditional franchised McDonald's restaurants open at least 1 year as of December 31, 2019, was **$2,867,000 during 2019**.

Traditional Company Owned Restaurants

Of the approximately 597 domestic traditional McOpCo restaurants opened at least 1 year as of December 31, 2019, approximately 99% had annual sales volumes in excess of $2,300,000; approximately 98% had annual sales volumes in excess of $2,500,000; and approximately 95% had annual sales volumes in excess of $2,700,000. The average annual sales volume of domestic traditional McOpCo restaurants open at least 1 year as of December 31, 2019, was $3,758,000 during 2019. The highest and lowest annual sales volume in 2019 for these domestic traditional McOpCo restaurants was $8,182,000 and $2,047,000, respectively. The median annual sales volume of domestic traditional McOpCo restaurants open at least 1 year as of December 31, 2019, was **$3,629,000 during 2019**.

(FDD, Ex. B, at Item 19) (emphasis added).

84. At all times material hereto, and upon information and belief, Plaintiffs' average annual sales were **more than $700,000 under** McDonald's disclosed national averages of $2.7 million between 2011 and 2016, and $2.9 million in 2019.

85. McDonald's dictates uniformity of the operational structure and revenue expectations of all its franchisees' stores, even though they are cognizant that Black-owned and operated McDonald's franchises generate significantly lower revenue and assume higher operational costs than the national average due to the low-income and high-cost locations it steers its Black franchisees to.

86. McDonald's knew or should have known that these differential revenue and operating costs of Black-operated franchises as compared to White-operated franchises are not random or due to poor management. These differences are statistically significant and are the result of the historical racial bias and barriers built into the McDonald's franchise system.

87. Acquisition of a McDonald's franchise under these conditions was nothing short of a "financial suicide mission."

(i) *The Cost to Operate a McDonald's Franchise*

88. To purchase a McDonald's franchise, McDonald's requires an initial down payment of 40% of the total cost for a new restaurant, or 25% of the total cost for an existing restaurant.[3] Generally, McDonald's requires a minimum of $500,000 of non-borrowed personal resources. *See* n. 3. The balance of the purchase price may be financed for no more than seven (7) years. *Id.*

89. Periodically, franchisees at their cost, are required by McDonald's to rebuild, renovate, and/or make major remodels to their restaurants.

90. Owner/operators pay McDonald's the following ongoing fees:

a. **Service fee**: A monthly fee based upon the restaurant's sales performance (as of this filing date, a service fee of 4.0% of gross sales); and

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[3] McDonald's website, *Buying a Franchise*, *available at* https://www.mcdonalds.com/us/en-us/about-us/franchising/acquiring-franchising.html.

b. **Rent**: A monthly base rent or percentage rent that is a percentage of monthly sales and that may include rent escalations, including, but not limited to, fixed-rent escalations, escalations based on an inflation index, and fair-value adjustments, with terms ranging from annually to every five (5) years.

(Franchise Agreement, Ex. A, at ¶¶ 8–9; FDD, Ex. B, at Items 5–7, and Ex. A, at pp. 11–12).

91. Franchisees are also responsible for acquiring and maintaining insurance coverage upon taking possession of the restaurant, which name McDonald's as an additional insured. (Franchise Agreement, Ex. A, at ¶ 17).

(ii) *A Financial Suicide Mission: The Cost to Operate a Black McDonald's Franchise*

92. Unequal bargaining power characterizes the relationship between franchisees and McDonald's and this bargaining disparity is even more palpable for Black applicants and operators.

93. This unequal bargaining position made it easy for McDonald's to award Black franchisees entering the system the oldest stores, in need of the most reinvestment, in tough and depressed areas, that had been routinely rejected by White franchisees, many of which McDonald's wanted to close, but needed someone to operate until McDonald's could sell its real estate.

94. McDonald's offered Plaintiffs locations with higher operating costs, such as security, insurance, and employee training and turnover, and which required substantial renovations and rebuilds, as compared to White-owned franchises.

95. McDonald's discriminatory practices led to low cash flow and decreased equity for Black owner/operators, forcing Black owner/operators, including Plaintiffs, into significant debt and, in many cases, bankruptcy.

96. According to documents from the NBMOA, this cash flow gap between Black and White McDonald's franchisees **more than tripled** between 2010 and 2019.

97. For McDonald's, it was a win-win strategy to collect high rent and fees for substandard stores, built upon a history of discrimination it successfully executed for decades.

B. McDonald's History of Discrimination Against Black Franchisees

98. The McDonald's franchise system was established in 1955, but Black franchisees were denied entry until 1968, following the assassination of Dr. Martin Luther King Jr.

(i) *Boycott in Cleveland 1969*

99. A boycott of McDonald's in 1969 made headlines in Ohio and led to the first Black franchisees in the McDonald's system opening stores in depressed areas of Cleveland.

100. In a January 25, 1970, article regarding the first Black owned and operated McDonald's franchise, the New York Times reported: "Spokesman for Negro groups, who banded together to form Operation Black Unity have been demanding black ownership of four existing McDonald's units … **All are in predominantly Negro areas**." *Cleveland Negro Wins a Franchise*, N.Y. Times, Jan. 25, 1970, *available at* https://www.nytimes.com/1970/01/25/archives/cleveland-negro-wins-a-franchise-9month-controversy-over-restaurant.html (emphasis added).

101. In 1972, the National Black McDonald's Operators Association, also known as the NBMOA, was founded to help promote growth in the industry by Black owner/operators.

(ii) *Trouble Under the Golden Arches: Black Franchisee Sues McDonald's for Racial Steering*

102. By the 1980s, Black franchisees were operating in the McDonald's franchise system, but McDonald's did not treat Black franchisees as equals to White franchisees.

103. In 1983, Charles Griffis, a Black McDonald's owner/operator in the Los Angeles market, filed a race discrimination countersuit against McDonald's, alleging, among other things, that McDonald's systematically excluded Blacks from buying stores in White neighborhoods.

104. In a March 12, 1984, New York Times article, Griffis detailed his experience:

> **<u>My stores are in hellholes</u>**, he said. They get robbed once or twice a month, and I pay $20,000 a month in security services they don't pay in good neighborhoods. We had a murder in one and we still get the windows smashed and the bathrooms vandalized. **<u>I've upgraded my stores a lot and I don't see why I shouldn't have a shot at a store in a good neighborhood</u>**.

Tamar Lewin, *McDonald's is Battling with Black Franchisee*, N.Y. Times, March 12, 1984, *available at* https://www.nytimes.com/1984/03/12/business/mcdonald-s-is-battling-with-black-franchisee.html; *see also* excerpt of the article below (emphasis added).

105. In response to McDonald's racial practices, and Griffis' situation, the New York chapter of the NBMOA also wrote to McDonald's New York Regional Vice President at the time to advise that, "**<u>black McDonald's owner-operators are primarily confined to ghetto areas and not allowed to expand as fast as their white counterparts</u>**." *Id*. (emphasis added).

MCDONALD'S IS BATTLING WITH BLACK FRANCHISEE


COMPANY NEWS

McDonald's Franchise Battle

Active Stocks

"Charles Griffis came to California in 1977 when he heard he might be able to buy a McDonald's franchise in Santa Barbara… It turns out, though, that the store was in Los Angeles on Santa Barbara Street, right in the middle of the ghetto… It was an old store in real bad shape."

". . .[Rev. Jesse] Jackson wrote McDonald's on behalf of his Operation PUSH to complain that blacks felt they were 'being subjected to a double standard' in that they were **<u>confined to inner-city areas with high maintenance and security costs, and were usually offered only recycled stores, which are generally more expensive and less profitable than new ones</u>**. . .

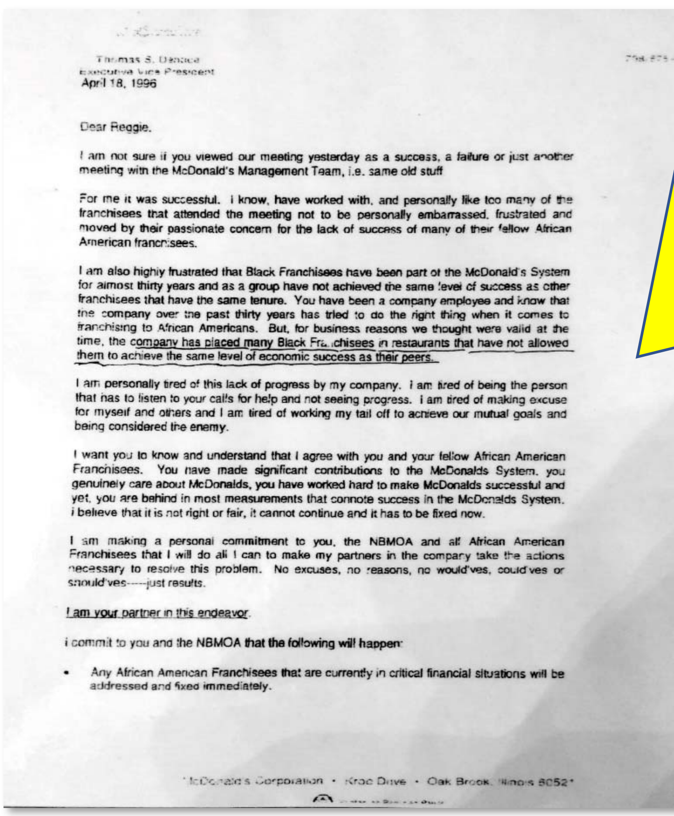
106. As of the publication of the March 1984 article, there were 137 Black McDonald's operators nationwide, with 267 restaurants, totaling approximately two (2) stores per Black operator, as compared to the average of five (5) stores per McDonald's White operator. *Id.*

107. Today, McDonald's has dwindled down to a similarly low number of Black franchisees, following false promises of parity and a reverse course back to discrimination.

(iii) *McDonald's Admits Racial Steering and Need for Parity*

108. In the late 1990s, McDonald's leadership admitted that McDonald's excluded Black franchisees from franchise opportunities afforded to White franchisees.

109. Specifically, through Executive Vice President, Thomas S. Dentice, McDonald's admitted, "**[T]he company has placed many Black Franchisees in restaurants that have not allowed them to achieve the same level of economic success as their peers**." A true and correct copy of the April 18, 1996, Dentice Letter to NBMOA Chairman, Reggie Webb, is attached as **Exhibit "C"** hereto, with excerpts quoted below (emphasis added).


Thomas S. Dentice
Executive Vice President
April 18, 1996

Dear Reggie.

I am not sure if you viewed our meeting yesterday as a success, a failure or just another meeting with the McDonald's Management Team, i.e. same old stuff

For me it was successful. I know, have worked with, and personally like too many of the franchisees that attended the meeting not to be personally embarrassed, frustrated and moved by their passionate concern for the lack of success of many of their fellow African American franchisees.

I am also highly frustrated that Black Franchisees have been part of the McDonald's System for almost thirty years and as a group have not achieved the same level of success as other franchisees that have the same tenure. You have been a company employee and know that the company over the past thirty years has tried to do the right thing when it comes to franchising to African Americans. But, for business reasons we thought were valid at the time, the company has placed many Black Franchisees in restaurants that have not allowed them to achieve the same level of economic success as their peers.

I am personally tired of this lack of progress by my company. I am tired of being the person that has to listen to your calls for help and not seeing progress. I am tired of making excuse for myself and others and I am tired of working my tail off to achieve our mutual goals and being considered the enemy.

I want you to know and understand that I agree with you and your fellow African American Franchisees. You have made significant contributions to the McDonalds System. you genuinely care about McDonalds, you have worked hard to make McDonalds successful and yet, you are behind in most measurements that connote success in the McDonalds System. I believe that it is not right or fair, it cannot continue and it has to be fixed now.

I am making a personal commitment to you, the NBMOA and all African American Franchisees that I will do all I can to make my partners in the company take the actions necessary to resolve this problem. No excuses, no reasons, no would'ves, could'ves or should'ves-----just results.

I am your partner in this endeavor.

I commit to you and the NBMOA that the following will happen:

- Any African American Franchisees that are currently in critical financial situations will be addressed and fixed immediately.

McDonald's Corporation • Kroc Drive • Oak Brook, Illinois 6052

I am also highly frustrated that Black Franchisees have been part of the McDonald's system for almost thirty years and as a group have not achieved the same level of success as other franchisees that have the same tenure. . . . **[F]or business reasons we thought were valid at the time, the company has placed many Black Franchisees in restaurants that have not allowed them to achieve the same level of economic success as their peers**.

I am personally tired of this lack of progress by my company. I am tired of being the person that has to listen to your calls for help and not seeing progress. I am tired of making excuse[s] for myself and others and I am tired of working my tail off to achieve our mutual goals and being considered the enemy.

- A full course press will be applied to fix all of the existing under performing locations that are owned by African American Franchisees----second chances for all African American Franchisees will be the rule, not the exception for the rest of 1996 and beyond, if necessary, until we get the current problems fixed.

- The company in concert with the Black Franchisees, will create and implement a strategy designed to achieve parity for African American franchisees. It will be aggressive, focused, have a short period to reach its objectives, be measurable and have the endorsement and full backing of the TMT.

- There will be rewards for success and sanctions for failure in achieving plan targets and goals.

- The company will meet with the NBMOA on a regular basis to review progress..

- The strategic plan will be announced and implemented by July 1, 1996 and achieve meaningful results by year end.

- We will not try to reach consensus on what the "right decision" is to fix financial and franchising problems. That authority will rest in the hands of a few individuals.

- This process will be viewed for what it is; achieving parity for our Black Franchisees, not reaching a comfortable financial or franchising solution for the company.

- The company will also work in concert with the NBMOA to develop a comprehensive strategy for African Americans that includes purchasing and marketing.

Reggie, I know that we can achieve our common purpose. We may disagree at times on the what's and how's as we move forward, but I know that we do not and will not disagree on what we want to accomplish-----Parity.

Sincerely yours,

> This process will be viewed for what it is; achieving parity for our Black Franchisees, not reaching a comfortable financial or franchising solution for the company.
>
> ***
>
> We may disagree at times on the what's and how's as we move forward, but I know that we do not and will not disagree on what we want to accomplish-----Parity.

110. Yet, parity was never truly achieved. McDonald's spent the next decade instituting aspirational and temporary measures and promising Black franchisees, including Plaintiffs, that it was working to achieve parity between Black and White McDonald's franchisees. Plaintiffs relied on these representations and had no reason to believe McDonald's was discriminating against them.

111. On November 14, 2002, NBMOA leadership addressed McDonald's past discriminatory practices in a letter from NBMOA Chairman and CEO, Larry C. Tripplett, to NBMOA

Membership, which described its negotiations with McDonald's Leadership "to ensure that Parity is met and maintained." *See* Nov. 14, 2002 Tripplett Letter, **Exhibit "D"** hereto, with excerpts below.

NBMOA
National Black McDonald's Operators Association

November 14, 2002

To: NBMOA Membership

From: Larry C. Tripplett, Chairman & CEO
NBMOA

RE: ORGANIZATION UPDATE

Dear NBMOA Member:

This letter is written to update each of you as to what your Board of Directors and Executive Committee have been diligently working on for the benefit of African American Franchisees in the McDonald's System and African Americans in general.

First, let me remind you of what you already know. **We are "Free People**." We have the right to expect not to be discriminated against by anyone. Discrimination is illegal in this Country. We make significant contributions to the McDonald's System every day. In some cases, these contributions are made under very difficult dangerous environmental circumstances. We do so proudly and professionally as we all desire the American Dream of successful Business Ownership. We deserve and will demand nothing less than equal treatment. **We must continue to stand United and Strong**. We have nothing to fear.

As you are aware, the NBMOA Executive Committee is in earnest negotiations with the Leadership of McDonald's Corporation to ensure that Parity is met and maintained. We believe that each and every African American Franchisee should receive real assurances that when Parity is met, the discriminatory practices of the past will not reoccur.

During these negotiations we ask that you continue to maintain good operations in your restaurants. We owe this to the Communities we serve. There have been many questions regarding the request to sign release letters for Temporary Rent Adjustment (TRA) used to ostensibly make Parity. We never agreed that release letters should be signed for TRA. We have advised Mike Roberts of this fact. We encourage you to avoid signing any release letter. We suggest before signing such a letter you seek legal counsel and discuss this matter with your NBMOA Board Representative, Chapter President, or Division President. It goes without saying that in many cases TRA may mean the difference of staying in business or not, you must make the best decision for you and your family. Nevertheless, please know that you have the absolute support of the NBMOA Board of Directors and this Chairman. We are determined to resolve this

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e-mail:nbmoa@aol.com • webasite: www.nbmoa.org

First, let me remind you of what you already know. **We are "Free People."** We have the right to expect not to be discriminated against by anyone. Discrimination is illegal in this Country. We make significant contributions to the McDonald's System every day. In some cases, these contributions are made under very difficult dangerous environmental circumstances. We do so proudly and professionally as we all desire the American Dream of successful Business Ownership. We deserve and will demand nothing less than equal treatment. **We must continue to stand United and Strong**. We have nothing to fear.

As you are aware, the NBMOA Executive Committee is in earnest negotiations with the Leadership of McDonald's Corporation to ensure that Parity is met and maintained. We believe that each and every African American Franchisee should receive real assurances that when Parity is met, the discriminatory practices of the past will not reoccur.

112. In 2006, after a decade of fighting for parity, Don Thompson became the first Black President of the Western Division of McDonald's and went on to serve as the first Black President and CEO of McDonald's from 2012 to 2015.

(iv) *Change in McDonald's Leadership in 2015: Reverse Course for Black Franchisees*

113. In 2015, Easterbrook replaced Thompson as McDonald's President and CEO, and hand-picked Chris Kempczinski, McDonald's current CEO and then President of McDonald's USA.

114. Under Easterbrook and Kempczinski's leadership, McDonald's instituted discriminatory policies including, but not limited to, rejecting advertising budget modifications to target Black consumers, denying Black franchisees opportunities for growth, confining Black franchisees to inner-city or urban areas with higher costs, denying Black franchisees' requests for rent relief, and implementing initiatives such as the Bigger Bolder Vision 2020 ("BBV2020") modernization plan that negatively and disproportionately impacted Black franchisees, including Plaintiffs, in order to force them out the McDonald's franchise system.

115. These discriminatory practices and policies led to the cash flow gap between Black franchisees in comparison to White franchisees tripling from 2010 to 2019, and a mass exodus of more than half of McDonald's Black franchisees from the McDonald's franchise system.

116. On January 7, 2020, two Black McDonald's senior executives, Victoria Guster-Hines and Domineca Neal, filed suit against McDonald's for intentional racial discrimination, bringing to light this renewed pattern and practice of covert and systemic discrimination against Black franchisees post-parity. *Guster-Hines v. McDonald's USA LLC*, No. 20-00117, Compl. [D.E. 1] (N.D. Ill. Jan. 1, 2020).

117. The Guster-Hines Complaint revealed inside information at the corporate level for the first time, alleging McDonald's deliberately divested opportunities from Black franchisees, implemented business plans with a discriminatory impact on Black franchisees, made exceptions for White Next Generation candidates it did not make for Black candidates, graded Black Consumer Market stores "differently, in a negative way," and overall abandoned its commitment to racial equality on a company-wide basis: "McDonald's continuing pattern and practice of intentional race discrimination [] should outrage everyone, especially those who grew up going to McDonald's and believing the 'Golden Arches' were swell." *Id.*, at ¶¶ 1, 65, 75.

118. The same pervasive racial discrimination, disparate treatment, and substantial wealth gap for Black franchisees continues today under the leadership of Christopher Kempczinski.

(v) *McDonald's Leadership is Once Again on Notice of Ongoing Disparate Treatment of Black Franchisees; Continues Making False Promises*

119. On March 12, 2019, Tripplett, as Chairman and CEO of the NBMOA, notified McDonald's USA Division Presidents, Charlie Strong and Mario Barbosa, of McDonald's discriminatory actions, in a letter which raised "serious concerns regarding the status of African American Owners within McDonald's Corporation." A copy of the March 12, 2019 Tripplett Letter to McDonald's is attached as **Exhibit "E"** hereto. Specifically, Tripplett advised McDonald's leadership that "**the trajectory of the treatment of African American Owners is moving backwards**. Through no fault of our own we lag behind the general market in all measures. This is reflected in the loss of sales to African American consumers. **We believe that the loss of sales is closely correlated to how African Americans are treated within the Company**." *Id*., at p. 1 (emphasis added).

120. Tripplett called for "urgent progress now," given, "[t]he current state of affairs for African American Owners [which] can only be described as hostile." *Id.*, at p. 3. The letter ended with a strong call for action: "**[W]e need change now**." *Id*. (emphasis added).

121. On November 4, 2019, following Easterbrook's firing, Tripplett provided an "Informational Update" to NBMOA Members, a copy of which is attached as **Exhibit "F"** hereto. Tripplett advised NBMOA members that McDonald's current CEO, Kempczinski, and Joe Erlinger, President of McDonald's USA, called him directly to assure him as follows: "[Kempczinski] expressed his plans to continue to work on our cash flow gaps as he and Steve Easterbrook agreed to do at our convention in Houston," and "[Erlinger] expressed his desire to work with the NBMOA in

achieving our initiatives." *Id*., at p. 1. "We are cautiously optimistic," Tripplett advised NBMOA members. *Id*.

122. Despite McDonald's empty promises and assurances to the NBMOA, intended to induce Black franchisees like Plaintiffs to operate its substandard stores, McDonald's knowingly continued institutional, systemic, and covert racial discrimination against its Black franchisees.

C. "Big Mac Attack" on Black Owner/Operators: <u>McDonald's Intentional and Covert Racial Discrimination</u>

(i) *Take it or Leave it: Steering to High-Cost and Low-Volume Locations*

123. When Plaintiffs sought entrance into the McDonalds's franchise system, McDonald's systematically steered Plaintiffs to stores in Black neighborhoods. These neighborhoods were the tough areas, often filled with high-crime, patrons with little to no means to purchase significant meal tickets, leading to low-volume cash sales and high operating costs in the form of higher insurance rates, security costs, and employee turnover.

124. McDonald's offered White franchisees packages with no restraints, on better terms, and in better locations than Plaintiffs.

125. McDonald's induced Plaintiffs into purchasing these substandard restaurants by, among other things, rushing Plaintiffs, and requiring same-day inspections. McDonald's told Plaintiffs that it could take months, if not years, to be offered another restaurant if they turned down a site. McDonald's made Plaintiffs believe that these substandard locations were their only way in.

126. For example, during Plaintiff Dominique's Operator Approval meeting, McDonald's representatives told him they had a restaurant that they felt would be a "good fit" based on his background in law enforcement. McDonald's told Mr. Dominique that they needed an answer "ASAP" and asked him to fly down to Atlanta, Georgia that same day to inspect the location.

127. At the time, the restaurant was owned by another Black franchisee, Plaintiff Van Jakes. The restaurant was a non-traditional (no drive-through) site in Downtown Atlanta in a high-crime area and with a significant homeless population. As Mr. Dominique later learned, McDonald's then Vice-President and General Manager, Debbie Stroud, forced Mr. Jakes out of this restaurant and was now pushing it on to Mr. Dominique as part of McDonald's fraudulent scheme and pattern of discrimination, continuing the same perpetual cycle of giving bad restaurants in bad neighborhoods to Blacks.

128. Based on McDonald's misrepresentations and omissions regarding the availability of stores, their locations, and future growth opportunities, Plaintiffs believed that if they did not take the store(s) McDonald's offered them, their chances of entering McDonald's franchise system would be extremely limited. Plaintiffs relied on McDonald's representations because they believed that they had equal access to locations within the McDonald's franchise as Whites.

129. Unbeknownst to Plaintiffs, McDonald's offered Black franchisees historically underperforming restaurants that White franchisees did not want to purchase. Conversely, and upon information and belief, White franchisees were routinely given preferred locations and were able to buy and sell restaurants without restriction, allowing them to prosper.

130. Through this process, McDonald's covertly excluded Plaintiffs from the opportunity to purchase restaurants in the open market and deprived Plaintiffs of the ability to achieve the same level of economic success as White franchisees.

131. Plaintiffs took the bad to get the good, as McDonald's intentionally misled them by, among other things: (i) providing Plaintiffs with financial representations that McDonald's knew did not—and could not—accurately reflect the net revenues of the locations it steered Plaintiffs to; (ii) assurances that these restaurants would be profitable if Plaintiffs made significant initial investments

in rebuilds and/or renovations, encouraging debt as part of a fraudulent scheme to force Plaintiffs into debt, bankruptcy, and/or economic duress, and more easily cycle them out of the system; and (iii) assurances that any losses would be offset by growth opportunities to better locations, which was the key to any successful McDonald's franchise model.

132. Even after Plaintiffs entered the system through these substandard locations, McDonald's continued to deny Plaintiffs the opportunity to own and operate franchises in more profitable locations, unless these more profitable locations were packaged with low-volume, high-cost locations.

133. For example, after Plaintiff Mason increased sales in his initial restaurants located within Walmart stores in the Raleigh/Durham Region with the expectation that he would be given an opportunity to purchase a traditional store, McDonald's again offered Mr. Mason six (6) additional Walmart restaurants. McDonald's told him that there were no traditional stores available in the market for him to purchase, which was not true.

134. Marty Ranft, a former QSC VP of the McDonald's Raleigh/Durham Region, had an inventory of McDonald's restaurants located within Walmart stores that White franchisees in the Region did not want to purchase because these restaurants were historically underperforming stores due to low sales volume and located in substandard locations. McDonald's, by and through Mr. Ranft, steered Plaintiff Mason to an initial 4-store package, take-it-or-leave-it deal, that only included Walmart restaurants in the Virginia market located in substandard locations.

135. For no reason other than Mr. Mason's race, McDonald's then intentionally limited Plaintiff Mason's ability to grow and expand his franchise organization into traditional stores. Upon information and belief, Mr. Ranft was known by McDonald's to have made derogatory and racist comments about Black McDonald's employees and franchisees. For example, and upon further

information and belief, in 2005, Mr. Ranft told McDonald's senior executive, Vicki Guster-Hines, and another Black executive, that "90%" of what the black franchisees had to say about their experiences at McDonald's was a "goddamn lie," and, "You are a [N-word] like all the rest – you just believe you are better cause you are a smart one." *Guster-Hines v. McDonald's USA LLC*, No. 20-00117, Compl. [D.E. 1,], at ¶ 59 (N.D. Ill. Jan. 7, 2020).

136. What is more, Plaintiffs had to risk their own safety in these high-crime areas, often contending with drug dealers selling controlled substances inside and outside the restaurant, vagrants hassling customers, multiple incidents of fights, and even a murder in the parking lot of Plaintiff Crawfords' restaurant.

137. Plaintiffs often had to carry licensed firearms for their personal security. These dangerous environments made it difficult for Plaintiffs to attract and retain experienced managers and employees.

(ii) ***McDonald's Requires Plaintiffs to Make Significant Initial Investments: Rebuilds and Renovations***

138. Despite placing Plaintiffs in locations McDonald's knew could not succeed under its own franchise model, McDonald's required Plaintiffs to invest in rebuilds and/or renovations within a short time, offering initial short-term lower rent, but then rapidly escalating for the remaining franchise term, setting Plaintiffs up for financial failure.

139. McDonald's knew or should have known that the rebuilds and/or renovations it required would not provide increased sales to Plaintiffs' locations sufficient to offset Plaintiffs' upfront losses.

140. Plaintiffs paid for the costs associated with any rebuilds, renovations, and major remodels, often seeking outside financing, and driving them into debt.

141. In certain instances where McDonald's contributed to the rebuild and/or renovation costs, McDonald's charged Plaintiffs escalating rent it knew Plaintiffs could not afford.

142. Upon information and belief, White-owner/operators were not immediately required to rebuild and McDonald's placed White owner/operators on a voluntary reinvestment program without the same time restrictions.

143. McDonald's required Plaintiff Jakes, for example, to make substantial and numerous reinvestments in his Panola Road, Georgia restaurant. During the twenty-two (22) years he owned and operated Panola Road, McDonald's required him to rebuild or reinvest in the store three (3) times. By contrast, a White owner/operator, Patrick Dennis, was allowed to operate a much older restaurant just a few miles down the road from him in Peachtree City, Georgia for years without being required to rebuild (e.g., changing green roof to red roof and other modernizations).

144. Similarly, after purchasing the ten (10) stores, Plaintiff Brown was told he had only six (6) months to bring the stores to National Restaurant Brand Standards, even though the stores had remained in the same condition for more than five (5) years prior to his ownership.

145. Even McDonald's own McOpCo stores were kept in disrepair for years until McDonald's turned around and immediately required Plaintiffs to reinvest in significant rebuilds and/or renovations as a condition of purchase.

146. When McDonald's forced Plaintiffs out and offered stores to White owner/operators, McDonald's did not require White owner/operators to immediately reinvest and/or remodel by a certain date. Upon information and belief, certain restaurants Plaintiffs sold to White owner/operators years ago are in the same condition Plaintiffs left them.

147. On the other hand, in certain cases where McDonald's offered Plaintiffs' stores to Black owner/operators, McDonald's required immediate reinvestment and/or remodels, continuing

the same perpetual cycle of giving bad restaurants in bad neighborhoods to Black owner/operators and setting them up for financial failure to then force them out and start the cycle again.

148. McDonald's rebuild and renovation requirements forced Plaintiffs to sink their own funds into locations McDonald's knew would not provide any return on investment, benefitting only McDonald's as the owner of the real estate, while driving Plaintiffs into significant debt.

(iii) *McDonald's Arbitrarily Denies Plaintiffs Opportunities for Growth*

149. The economics of owning McDonald's franchises is to own more than one location so that overhead costs can be absorbed by the multiple locations and yield a profit to the franchise owners.

150. McDonald's knew that to grow a profitable franchise organization in its franchise system, Plaintiffs needed restaurants with higher sales volume and cash flow to offset the low-volume, high-cost stores it offered them.

151. Yet, McDonald's refused reasonable proposals from Plaintiffs to expand within the McDonald's system by opening McDonald's restaurants at sites Plaintiffs were ready, willing, and qualified to operate, offering these profitable locations to White franchisees instead.

152. For no reason other than Plaintiffs' race, McDonald's systematically rejected Plaintiffs' sites and/or failed to provide Plaintiffs with any meaningful assistance to locate better restaurants in better neighborhoods.

153. Plaintiffs would wait years before McDonald's made an offer for another store, only to find out they were offering another "hood" restaurant, meaning it was a low-volume store in an economically distressed community with a high crime rate. These substandard restaurants were consistently offered to Black owner/operators over White owner-operators.

154. In certain instances where Plaintiffs were given the opportunity to purchase a profitable store, it was at a significantly higher premium, with oppressive conditions attached, such as an agreement to purchase other substandard locations as part of a "packaged deal."

155. Despite McDonald's representations and continued assurances to Plaintiffs that it would assist in growth opportunities, McDonald's continued to intentionally deprive Plaintiffs of any meaningful assistance to find other viable expansion locations over the course of their franchise relationship.

156. Indeed, McDonald's did the opposite and went as far as to saturate the market and encroach upon Plaintiffs' locations by opening McDonald's stores just miles apart.

157. While McDonald's offered impact funds to offset new store competition to White operators up front before the new, competing restaurant became operational, Plaintiffs were made to "wait and see," until the actual impact could be assessed. This forced Plaintiffs to continue to operate at a loss, sometimes for more than a year, while they waited for the full impact of the competing stores to be realized and assessed.

(iv) *McDonald's False Promise of "Rent Relief" and Misleading Financial Assistance*

158. Despite Plaintiffs' significant investments and hard work over decades in the McDonald's franchise system, when Plaintiffs requested financial assistance to reduce the rent, McDonald's either denied their requests or rent was temporarily reduced and then escalated causing further financial harm.

159. McDonald's knew when it escalated Plaintiffs' rents that Plaintiffs would not be able to pay their rent over the long term, yet McDonald's refused to provide Plaintiffs with permanent rent relief, even though McDonald's offered this relief to White franchisees.

160. Through the FDD, McDonald's provided Plaintiffs with a table of total acquisition and development costs, along with Fixed Percentage Rent rates, explaining how McDonald's sets and controls these costs and rent rates as follows:

> 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 light 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 outlined in this Item 6.

(*See* FDD, Ex. B, at Item 6) (emphasis added).

161. After placing Plaintiffs in restaurants with no "drawing power," guided by McDonald's own "interests in obtaining a profit," McDonald's denied Plaintiffs any legitimate financial assistance, including, but not limited to, repeated requests for permanent rent reductions, financial restructuring, and paying for security not required by White owned and operated restaurants.

162. For example, after McDonald's steered Plaintiff Sims to a one of the most dangerous areas of Atlanta, plagued by drugs and prostitution, Mr. Sims asked McDonald's to pay for an armed security guard and provide a permanent rent reduction. McDonald's refused. When Mr. Sims declined to renew his agreement for this initial, substandard store, McDonald's began to impose escalated inspections of his other restaurants and he suddenly began to have bad business reviews. Finally, McDonald's targeted Mr. Sims under the pretext of BBV2020 in order to require unreasonable renovations and find him in breach for failing to comply. Like all Plaintiffs named herein, McDonald's kept Mr. Sims on the hook throughout his franchise term through false promises

and minimal relief efforts, as it drove him further and further into debt, isolating him at every step of the process to then make it easier to force him out once he was no longer profitable to McDonald's.

(v) ***Targeted and Unreasonable Inspections and Grading***

163. Once Plaintiffs were in dire financial situations and/or refused to continue operations in crime-ridden neighborhoods with low-volume sales, McDonald's began targeted, rigorous, and unreasonable inspections and harsh grading that White franchisees were not subjected to, generating negative business reviews of Plaintiffs' restaurants.

164. The number of inspections grew exponentially, with close to ten (10) inspections in a single quarter in certain instances, and the inspections began to take place late at night or at odd hours.

165. Whereas Plaintiffs generally had positive business reviews prior to experiencing financial hardship and/or rejecting McDonald's offer to continue to operate in substandard locations, that immediately shifted as McDonald's began grading Plaintiffs more harshly in business reviews in a manner that disproportionately impacted Black franchisees as compared to White franchisees.

166. McDonald's knew and leveraged the fact that Plaintiffs' eligibility for growth and renewal, or "rewrite," of their franchise term depended on business reviews and passing inspections.

167. By instituting harsher grading standards and through unreasonable inspections, McDonald's negatively impacted Plaintiffs' performance ratings as pretext for McDonald's denial of growth and/or rewrite opportunities.

(vi) ***No Choice But to Sell: McDonald's Forced Exit Scheme***

168. Under the oppressive terms of McDonald's rewrite process, McDonald's has absolute and sole discretion with respect to whether a franchisee may or may not be offered a new term franchise, or "rewrite." *See* McDonald's U.S. Rewrite (New Term) Policy ("<u>McDonald's Rewrite Policy</u>"), Exhibit L to the FDD, which is subject to change "in McDonald's sole discretion."

169. Pursuant to McDonald's Rewrite Policy, three (3) years prior to the franchise term expiring, the rewrite process begins. (FDD, Ex. B, at Exhibit L). McDonald's controls the rewrite o process: Only McDonald's Rewrite Committee has the authority to offer or decline to offer a new term franchise, the Rewrite Committee's recommendations are submitted by the Vice President of the Field Office of the Rewrite Committee, compromised of members of McDonald's U.S. management. *Id*. The decision of the Rewrite Committee is final. *Id*.

170. When McDonald's concludes that it will not offer a new term franchise, McDonald's will extend an "alternative offer, which will give the Owner/Operator the opportunity to sell the restaurant business to a **qualified buyer** prior to the expiration of the current franchise. Subject to the terms stated in the alternative offer, which include a release, McDonald's will commit to offer a new term franchise to the **qualified buyer**." *Id*. (emphasis added).

171. Plaintiffs with interested buyers were blocked by McDonald's, who had final approval in "qualifying" buyers. McDonald's rejected Plaintiffs' potential buyers without any legitimate business justification. For example, when Plaintiff Christine Crawford presented a list of operators interested in purchasing her restaurants, the general manager of the Atlanta Region, Greg Watson, told Ms. Crawford that she could only offer them to operators who were, "a part of the class picture of the region's future." Similarly, in an email from McDonald's Atlanta Region Vice President, Valarie Williams, McDonald's told Ms. Crawford, "The QSC VP will provide names of potential buyers that are supported by the region for you to negotiate the sale of your restaurants."

172. Because McDonald's controlled the exit process, there was no way for Plaintiffs to gauge what their restaurants could have sold for in an open market.

173. McDonald's systematically dealt with Plaintiffs on an individual basis to cover up their discriminatory practices and fraudulent scheme from Black franchisees.

174. McDonald's led Plaintiffs to believe at all times material hereto that they had no choice but to sell and that their financial losses were caused by Plaintiffs' individual deficiencies as a "bad operators" or operational deficiencies within Plaintiffs' network of stores.

175. With the looming threat of further financial penalties, and no process for disputing qualification denials of buyers in the rewrite process McDonald's controlled, Plaintiffs could not afford to wait for another "qualified buyer," and were forced to sell their stores at a loss.

176. As a result of McDonald's discriminatory practices, unfair retaliation, bad faith breach of contract, and fraud alleged herein, Plaintiffs have suffered substantial damages in amounts that will be proven at trial, including, but not limited to, lost profits, lost value of the franchise(s), lost capital contributions, lost investments, lost revenue, lost business opportunities, attorneys' fees, costs, and any and all unnecessary out-of-pocket expenses.

CAUSES OF ACTION

COUNT I
VIOLATION OF 42 U.S.C. § 1981
(As to Plaintiffs, Christine Crawford, Delores Crawford, Juneth N. Daniel, Yves Dominique, Van Jakes, Ralph King, Keith Manning, Kenneth Manning, Dawn Mussenden, Laetitia Johnson, Carrie Salone, Floyd Sims, Larry Brown, John Mason, Ronnie Thornton, Lisa Gunter, Mitchell McGuire, Lois McGuire, Hayes Ferrell, Yvonne Knox, Arthur Scott, Errol Service, Melvin Jones, George Gipson, Michael Simon, Victor Bruce, David White, John Tillman, Allen Stafford, Kurt Holloway, Kent Jones, Wise Finley, and Lewis Anderson, against McDonald's)

177. Plaintiffs, Christine Crawford, Delores Crawford, Juneth N. Daniel, Yves Dominique, Van Jakes, Ralph King, Keith Manning, Kenneth Manning, Dawn Mussenden, Laetitia Johnson, Carrie Salone, Floyd Sims, Larry Brown, John Mason, Ronnie Thornton, Lisa Gunter, f/k/a Lisa McKenzie, Mitchell McGuire, Lois McGuire, Hayes Ferrell, Yvonne Knox, Arthur Scott, Errol Service, Melvin Jones, George Gipson, Michael Simon, Victor Bruce, David White, John Tillman, Allen Stafford, Kurt Holloway, Kent Jones, Wise Finely, and Lewis Anderson, adopt, reallege, and

incorporate the allegations of paragraphs 1 through 176 of this Complaint as though fully set forth herein.

178. Plaintiffs are members of a protected class due to their race as Black citizens who have the same right to make and enforce contracts as White citizens pursuant to 42 U.S.C. § 1981.

179. The Franchise Agreements between Plaintiffs and McDonald's are "contracts" within the meaning of Section 1981, providing that Black citizens have the same right to "the making, performance, modification, and termination of contracts, and the enjoyment of all benefits, privileges, terms, and conditions of the [franchise] relationship" as White citizens. 42 U.S.C. § 1981(b).

180. McDonald's violated Section 1981 by denying Plaintiffs the same franchise opportunities made available to White franchisees.

181. McDonald's treated Plaintiffs differently from other similarly-situated franchisees in their region and nationwide because they are Black, by, including, but not limited to:

a. Restricting Plaintiffs to older, recycled restaurants, in poor-performing and dangerous locations with high operating costs and low-volume sales;

b. Requiring Plaintiffs to invest in rebuilds and/or renovations within short timeframes not required of White franchisees;

c. Excluding Plaintiffs from the same growth opportunities offered to White franchisees;

d. Failing to provide any legitimate business reasons for repeated denials of franchise opportunities to Plaintiffs over many years;

e. Denying Plaintiffs meaningful support to allow them to overcome financial hardships, while White franchisees were routinely provided such assistance, including, but not limited to, permanent rent relief and impact funding;

l. Depriving Plaintiffs of the same legacy opportunities offered to White franchisees through McDonald's Next Gen program;

m. Retaliation against Plaintiffs for rejecting offers to continue operations in crime-ridden neighborhoods with low-volume sales, including through targeted, increased, and unreasonable inspections;

n. Disparate treatment with respect to inspections and grading of Plaintiffs' restaurants as part of a scheme to generate bad business reviews to force Plaintiffs out of the McDonald's system because of their race; and/or

o. Placing Plaintiffs in untenable positions of economic duress, denying them eligibility for growth and renewal of their agreements, and arbitrarily denying final approval of their buyers, so that Plaintiffs had no choice but to sell their entire franchise organization at a loss or walk away from the business after decades investing in and cultivating their businesses.

182. By the conduct described above, Defendants intentionally and willfully deprived Plaintiffs of the same rights enjoyed by White citizens to be free from racial discrimination in the right to enter into contracts and the right to enjoy all of the privileges and benefits of established contractual relationships in violation of 42 U.S.C. § 1981.

183. As a direct and proximate result of McDonald's conduct, Plaintiffs collectively lost over two-hundred (200) stores with compensatory damages averaging between four million dollars ($4,000,000.00) and five million dollars ($5,000,000.00) per store.

184. As a direct and proximate result of McDonald's violations of Section 1981, Plaintiffs, Christine Crawford, Delores Crawford, Juneth N. Daniel, Yves Dominique, Van Jakes, Ralph King, Keith Manning, Kenneth Manning, Dawn Mussenden, Laetitia Johnson, Carrie Salone, Floyd Sims, Larry Brown, John Mason, Ronnie Thornton, Lisa Gunter, f/k/a Lisa McKenzie, Mitchell McGuire, Lois McGuire, Hayes Ferrell, Yvonne Knox, Arthur Scott, Errol Service, Melvin Jones, George Gipson, Michael Simon, Victor Bruce, David White, John Tillman, Allen Stafford, Kurt Holloway, Kent Jones, Wise Finely, and Lewis Anderson, suffered and continue to suffer damages in an amount in excess of the jurisdictional limit, including, without limitation: special or consequential damages in the form of lost profits and opportunities; damages for the intangible injury that results from the denial of civil rights under the law; emotional and physical suffering and distress, humiliation,

damage to professional reputations and future business prospects; punitive damages in an amount sufficient to deter Defendants' similar wrongful conduct in the future; and an award of attorneys' fees, expert fees, and costs.

WHEREFORE, Plaintiffs, Christine Crawford, Delores Crawford, Juneth N. Daniel, Yves Dominique, Van Jakes, Ralph King, Keith Manning, Kenneth Manning, Dawn Mussenden, Laetitia Johnson, Carrie Salone, Floyd Sims, Larry Brown, John Mason, Ronnie Thornton, Lisa Gunter, f/k/a Lisa McKenzie, Mitchell McGuire, Lois McGuire, Hayes Ferrell, Yvonne Knox, Arthur Scott, Errol Service, Melvin Jones, George Gipson, Michael Simon, Victor Bruce, David White, John Tillman, Allen Stafford, Kurt Holloway, Kent Jones, Wise Finely, and Lewis Anderson, respectfully request that the Court enter judgment against Defendants awarding Plaintiffs (a) actual damages, (b) special or consequential damages in the forms described above, (c) fees and costs of this action, and (d) such other and further relief as the Court deems proper.

COUNT II
BAD FAITH BREACH OF CONTRACT
(As to All Plaintiffs Against Defendants)

185. Plaintiffs adopt, reallege and incorporate the allegations of paragraphs 1 through 176 of this Complaint as though fully set forth herein.

186. Plaintiffs entered into Franchise Agreements to own and operate McDonald's domestic franchised restaurants, on the entry dates, and in the locations specified for each Plaintiff specified in paragraphs 26 through 73.

187. Pursuant to Section 3 of the Franchise Agreement, "General Services of McDonald's," McDonald's agreed to, "**make available to Franchisee all additional services, facilities, rights, and privileges relating to the operation of the Restaurant which McDonald's makes generally**

available, from time to time, to all its franchisees operating McDonald's restaurants." (Franchise Agreement, Ex. A, at ¶ 3) (emphasis added).

188. McDonald's further agreed to a reasonableness standard with respect its inspection and rebuild rights pursuant to Section 12, "Compliance with Entire System," as follows:

> McDonald's shall have the right to inspect the Restaurant at all **reasonable** times to ensure that Franchisee's operation thereof is in compliance with the standards and policies of the McDonald's System.
>
> Franchisee shall comply with the entire McDonald's System, including, but not limited to, the following: (c) Keep the Restaurant constructed and equipped in accordance with the building blueprints and equipment layout plans that are standard in the McDonald's System or as such blueprints and plans may be **reasonably** changed from time to time by McDonald's.

(*Id*., at ¶ 12) (emphasis added).

189. McDonald's breached Section 3 of the Franchise Agreement by, *inter alia*:

a. Excluding Plaintiffs from growth opportunities made available to White franchisees without any legitimate business reason;

b. Denying Plaintiffs the same level of meaningful financial assistance offered to White franchisees, including, but not limited to, permanent rent adjustments and impact funding;

c. Excluding Plaintiffs from participation in the Next Gen legacy program;

d. Disproportionately imposing rebuild and/or renovation requirements on Plaintiffs that were not imposed on White franchisees; and/or

e. Failing to approve reasonable requests for financial assistance and/or restructuring plans.

190. McDonald's breached Section 12 of the Franchise Agreement by *inter alia*:

a. Demanding unnecessary and unreasonable rebuilds and/or renovations of Plaintiffs' restaurants in locations that McDonald's knew would not provide any return on investment; and/or

b. Increased, harassing, and targeted inspections of Plaintiffs' restaurants.

191. Beyond the written terms of the Franchise Agreement, McDonald's owed a duty of good faith and fair dealing to Plaintiffs in its performance under the Franchise Agreement.

192. In its performance of the Franchise Agreement, McDonald's violated its duty of good faith and fair dealing by, *inter alia*:

a. Engaging in unreasonable and targeted inspections of Plaintiffs' restaurants;

b. Applying harsher grading standards to Plaintiffs' restaurants in order to generate bad business reviews;

c. Denying Plaintiffs meaningful financial assistance, including, rent relief and impact money for building new stores within their trade area;

d. Imposing excessive costs and investments and modifications, including those required under the BBV2020 plan, and then arbitrarily reneging on the "unprecedented investment" promised by McDonald's through its partnering program;

e. Placing Plaintiffs in positions of economic duress and asking Plaintiffs to sign one-sided release agreements at every step of the franchise relationship; and/or

f. Forcing Plaintiffs to sell their franchises at a loss after failing to approve reasonable requests for financial assistance and/or restructuring plans, that could have resolved any outstanding obligations and debt on one store in the organization and allow Plaintiffs to remain in the system.

193. As a direct and proximate result of McDonald's conduct, Plaintiffs collectively lost over two-hundred (200) stores with compensatory damages averaging between four million dollars ($4,000,000.00) and five million dollars ($5,000,000.00) per store.

194. As a direct, proximate, and foreseeable result of McDonald's breach of contract and bad faith, Plaintiffs have incurred substantial damages in amounts that will be proven at trial, including, without limitation, reasonable compensation for the time and effort expended in planning and preparing their franchise business, lost profits, and out-of-pocket expenses they incurred in pursuing the franchise business, in an amount in excess of the jurisdictional limit, and any applicable prejudgment and post-judgment interest.

WHEREFORE, Plaintiffs respectfully request that the Court enter judgment against Defendants, awarding Plaintiffs (a) actual damages, (b) special or consequential damages in the forms described above, and (c) such other and further relief as the Court deems proper.

COUNT III
FRAUDULENT INDUCEMENT AND FRAUDULENT OMISSION
(As to All Plaintiffs Against Defendants)

195. Plaintiffs adopt, reallege and incorporate the allegations of paragraphs 1 through 176 of this Complaint as though fully set forth herein.

196. As fully set forth above, McDonald's made misrepresentations of material fact and/or failed to disclose material information, including, but not limited to:

a. Representing that the substandard locations it offered Plaintiffs were the only available sites and that other sites were extremely limited;

b. Representing to Plaintiffs that the financial performance of Plaintiffs' restaurant locations would be in line with the national average of domestic traditional McDonald's restaurants opened at least one (1) year prior;

c. Failing to disclose that McDonald's would require Plaintiffs to rebuild and/or remodel their restaurants, with little or no impact on sales, on short timelines, and without permanent rent relief;

d. Failing to disclose that McDonald's would offer growth opportunities to higher-volume, lower cost locations to White franchisees over Black franchisees;

e. Representing that Plaintiffs would be given equal opportunity for renewal upon expiration of their franchise terms;

f. Failing to disclose that Plaintiffs' restaurants would be subject to unreasonable and targeted inspections when Plaintiffs experience financial difficulty;

g. Failing to disclose that Plaintiffs' restaurants would be subject to harsher grading than similarly situated franchisees to generate bad business reviews when Plaintiffs experience financial difficulty; and/or

h. Failing to disclose that McDonald's had no intention of qualifying Plaintiffs' ready and willing buyers at the point of exit.

197. McDonald's knew or should have known that these representations were false.

198. McDonald's intended that these statements and material omissions would induce Plaintiffs to accept substandard locations, invest in significant renovations and/or rebuilds, accept unequal terms as part of temporary financial assistance, continue to accept substandard stores as a condition to own and operate profitable stores, accept McDonald's rewrite denial and sell their stores.

199. Plaintiffs did not know, have reason to know, nor could have discovered, through the exercise of reasonable diligence, the falsity of the foregoing misrepresentations and/or omissions when made.

200. As the result of Defendants' actions, Plaintiffs were unaware, and could not know or have learned through reasonable diligence, that entering the McDonald's franchise system would deprive them of franchise opportunities offered to White franchisees and that the deprivation of those contractual rights were a direct and proximate result of Defendants' acts and omissions.

201. Plaintiffs reasonably and justifiably relied upon McDonald's misrepresentations and made financial decisions to their detriment.

202. As a direct and proximate result of McDonald's conduct, Plaintiffs collectively lost over two-hundred (200) stores with compensatory damages averaging between four million dollars ($4,000,000.00) and five million dollars ($5,000,000.00) per store.

203. As a direct, proximate, and foreseeable result of McDonald's fraudulent misrepresentations and concealment, Plaintiffs have incurred substantial damages in amounts that will be proven at trial, including without limitation, lost profits and other damages in excess of the jurisdictional limit.

WHEREFORE, Plaintiffs respectfully request that the Court enter judgment against Defendants awarding Plaintiffs (a) actual damages, (b) special or consequential damages in the forms described above, and (c) such other and further relief as the Court deems proper.

COUNT IV
PUNITIVE DAMAGES
(As to All Plaintiffs Against Defendants)

204. Plaintiffs adopt, reallege, and incorporate each and every allegation in paragraphs 1 through 176 of the Complaint as if fully restated herein.

205. McDonald's engaged in willful, wanton, malicious, and or/reckless conduct that injured Plaintiffs in disregard of their protected rights.

206. McDonald's willful, wanton, malicious, and/or reckless conduct includes, but is not limited to, its racially discriminatory practices and fraudulent conduct that resulted in substantial and irreparable damages sustained by Plaintiffs.

207. McDonald's has demonstrated an outrageous conscious disregard for Plaintiffs' rights with implied malice, warranting the imposition of punitive damages.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demand judgment against Defendants and request the following relief from the Court:

a. Declaration that the acts and practices complained of herein are violations of 42 U.S.C. § 1981;

b. Direct Defendants to make Plaintiffs whole for all earnings and benefits they would have received but for Defendant's discriminatory treatment;

c. General, compensatory, and consequential damages in amounts to be proven at trial, including, without limitation:

    (1) damages in in excess of the jurisdictional limit;

(2) lost business opportunities because of McDonald's unjustifiable refusal to offer such opportunities to Plaintiffs;

(3) excessive and unreasonable costs and expenses due to substandard franchise location;

(4) insufficient sales volume due to substandard franchise location;

(5) loss of profits because of excessive expenses and insufficient sales volume due to substandard franchise location;

(6) loss of franchise value because of inability to extinguish debt and meet operating expenses due to substandard franchise location;

(7) loss of franchises due to discriminatory conduct; and

(8) additional damages for emotional and physical suffering and distress, humiliation, damage to professional reputations, and to future busines prospects.

d. an award of punitive damages in an amount sufficient to deter Defendant's similar wrongful conduct in the future;

e. an order for an award of attorney's fees, expert fees, and costs, as provided by law;

f. an award of pre-judgment and post-judgment interest as provided by law; and

g. an order for all such other relief the Court deems just and proper.

DEMAND FOR JURY TRIAL

Plaintiffs demand a trial by jury of all issues so triable as a matter of right.

DATED this 31st day of August, 2020.

Respectfully submitted,

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Designated as Local Counsel
Pursuant to Local Rule 83.15

COMPOSITE EXHIBIT "A"

EXHIBIT "A-1"

EXHIBIT B

FRANCHISE AGREEMENT (TRADITIONAL)

[CITY, STATE]
[Address]
L/C: __________
File #: __________

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Franchise") made this _____ day of _______________, for the operation of a McDonald's restaurant located at ____ (the "Restaurant") by and between:

McDONALD'S USA, LLC,

a Delaware limited liability company,

("McDonald's")

and

____

____

(collectively "Franchisee")

for the purpose of granting the Franchisee the rights necessary to operate the Restaurant.

In consideration of the mutual rights and obligations contained herein McDonald's and Franchisee agree as follows:

1. ***Nature and Scope of Franchise***.

(a) McDonald's operates a restaurant system ("McDonald's System"). The McDonald's System is a comprehensive system for the ongoing development, operation, and maintenance of McDonald's restaurant locations which have been selected and developed for the retailing of a limited menu of uniform and quality food products, emphasizing prompt and courteous service in a clean, wholesome atmosphere which is intended to be attractive to children and families and includes proprietary rights in certain valuable trade names, service marks, and trademarks, including the trade names "McDonald's" and "McDonald's Hamburgers," designs and color schemes for restaurant buildings, signs, equipment layouts, formulas and specifications for certain food products, methods of inventory and operation control, bookkeeping and accounting, and manuals covering business practices and policies. The McDonald's System is operated and is advertised widely within the United States of America and in certain foreign countries.

(b) McDonald's holds the right to authorize the adoption and use of the McDonald's System at the Restaurant. The rights granted to the Franchisee to operate the Restaurant are set forth in this Franchise, including the Operator's Lease ("Lease") which is attached hereto as Exhibit A, incorporated in this Franchise.

(c) The foundation of the McDonald's System and the essence of this Franchise is the adherence by Franchisee to standards and policies of McDonald's providing for the uniform operation of all McDonald's restaurants within the McDonald's System including, but not limited to, serving only designated food and beverage products; the use of only prescribed equipment and building layout and designs; strict adherence to designated food and beverage specifications and to McDonald's prescribed standards of Quality, Service, and Cleanliness in the Restaurant operation. Compliance by Franchisee with the foregoing standards and policies in conjunction with the McDonald's trademarks and service marks provides the basis for the valuable goodwill and wide family acceptance of the McDonald's System. Moreover, the establishment and maintenance of a close personal working relationship with McDonald's in the conduct of Franchisee's McDonald's restaurant business, Franchisee's accountability for performance of the obligations contained in this Franchise, and Franchisee's adherence to the tenets of the McDonald's System constitute the essence of this Franchise.

(d) The provisions of this Franchise shall be interpreted to give effect to the intent of the parties stated in this paragraph 1 so that the Restaurant shall be operated in conformity to the McDonald's System through strict adherence to McDonald's standards and policies as they exist now and as they may be from time to time modified.

(e) Franchisee acknowledges Franchisee's understanding of McDonald's basic business policy that McDonald's will grant franchises only to those individuals who live in the locality of their McDonald's restaurant, actually own the entire equity interest in the business of the Restaurant and its profits, and who will work full time at their McDonald's restaurant business. Franchisee represents, warrants, and agrees that Franchisee actually owns the complete equity interest in this Franchise and the profits from the operation of the Restaurant, and that Franchisee shall maintain such interest during the term of this Franchise except only as otherwise permitted pursuant to the terms and conditions of this Franchise. Franchisee agrees to furnish McDonald's with such evidence as McDonald's may request, from time to time, for the purpose of assuring McDonald's that Franchisee's interest remains as represented herein.

(f) Franchisee agrees to pay to McDonald's all required payments under this Franchise, including, without limitation, the payments set forth in paragraphs 8 and 9 herein and paragraph 3.01 of the Lease. All payments hereby required constitute a single financial arrangement between Franchisee and McDonald's which, taken as a whole and without regard to any designation or descriptions, reflect the value of the authorization being made available to the Franchisee by McDonald's in this Franchise and the services rendered by McDonald's during the term hereof.

2. ***Franchise Grant and Term***.

(a) McDonald's grants to Franchisee for the following stated term the right, license, and privilege:

(i) to adopt and use the McDonald's System at the Restaurant;

(ii) to advertise to the public that Franchisee is a franchisee of McDonald's;

(iii) to adopt and use, but only in connection with the sale of those food and beverage products which have been designated by McDonald's at the Restaurant, the trade names, trademarks, and service marks which McDonald's shall designate, from time to time, to be part of the McDonald's System; and

(iv) to occupy the Restaurant as provided herein.

The rights granted under this Franchise are limited to the Restaurant's location only.

(b) The term of this Franchise shall begin on ______________ and end on ______________, unless terminated prior thereto pursuant to the provisions hereof.

3. ***General Services of McDonald's***. McDonald's shall advise and consult with Franchisee periodically in connection with the operation of the Restaurant and also, upon Franchisee's request, at other reasonable times. McDonald's shall communicate to Franchisee know-how, 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 shall be accomplished by visits by operations consultants, printed and filmed reports, seminars, and newsletter mailings. McDonald's shall also make available to Franchisee all additional services, facilities, rights, and privileges relating to the operation of the Restaurant which McDonald's makes generally available, from time to time, to all its franchisees operating McDonald's restaurants.

4. ***Manuals***. McDonald's shall provide Franchisee with the business manuals prepared for use by franchisees of McDonald's restaurants similar to the Restaurant. The business 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. Franchisee agrees to promptly adopt and use exclusively the formulas, methods, and policies contained in the business manuals, now and as they may be modified from time to time. Franchisee acknowledges that McDonald's or its affiliates own all proprietary rights in and to the McDonald's System and that the information revealed in the business manuals, in their entirety, constitute confidential trade secrets. Without the prior written consent of McDonald's, Franchisee shall not disclose the contents of the business manuals to any person, except employees of Franchisee for purposes related solely to the operation of the Restaurant, nor shall Franchisee reprint or reproduce the manuals in whole or in part for any purpose except in connection with instruction of employees in the operation of the Restaurant. Such manuals, as modified from time to time, and the policies contained therein, are incorporated in this Franchise by reference.

5. ***Advertising***. McDonald's employs both public relations and advertising specialists who formulate and carry out national and local advertising programs for the McDonald's System.

Franchisee shall use only advertising and promotional materials and programs provided by McDonald's or approved in advance, in writing, by McDonald's. Neither the approval by McDonald's of

Franchisee's advertising and promotional material nor the providing of such material by McDonald's to Franchisee shall, directly or indirectly, require McDonald's to pay for such advertising or promotion.

Franchisee shall expend during each calendar year for advertising and promotion of the Restaurant to the general public an amount which is not less than four percent (4%) of Gross Sales (as that term is defined in paragraph 7) for such year. Expenditures by Franchisee to national and regional cooperative advertising and promotion of the McDonald's System, or to a group of McDonald's restaurants which includes the Restaurant, shall be a credit against the required minimum expenditures for advertising and promotion to the general public.

6. ***Training***. McDonald's shall make available to Franchisee the services of Hamburger University, the international training center for the McDonald's System. Franchisee acknowledges the importance of quality of business operation among all restaurants in the McDonald's System and agrees to enroll Franchisee and Franchisee's managers, present and future, at Hamburger University or at such other training center as may be designated by McDonald's from time to time. McDonald's shall bear the cost of maintaining Hamburger University and any other training centers, including the overhead costs of training, staff salaries, materials, and all technical training tools, and agrees to provide to Franchisee both basic and advanced instruction for the operation of a McDonald's System restaurant. Franchisee shall pay all traveling, living, compensation, or other expenses incurred by Franchisee and Franchisee's employees in connection with attendance at Hamburger University or such other training centers.

7. ***Gross Sales***. For the purposes of this Franchise, the term "Gross Sales" shall mean all revenues from sales of the Franchisee based upon all business conducted upon or from the Restaurant, whether such sales be evidenced by check, cash, credit, charge account, exchange, or otherwise, and shall include, but not be limited to, the amounts received from the sale of goods, wares, and merchandise, including sales of food, beverages, and tangible property of every kind and nature, promotional or otherwise, and for services performed from or at the Restaurant, together with the amount of all orders taken or received at the Restaurant, whether such orders be filled from the Restaurant or elsewhere. Gross Sales shall not include sales of merchandise for which cash has been refunded, provided that such sales shall have previously been included in Gross Sales. There shall be deducted from Gross Sales the price of merchandise returned by customers for exchange, provided that such returned merchandise shall have been previously included in Gross Sales, and provided that the sales price of merchandise delivered to the customer in exchange shall be included in Gross Sales. Gross Sales shall not include the amount of any sales tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein and actually paid by the Franchisee to such governmental authority. Each charge or sale upon credit shall be treated as a sale for the full price in the month during which such charge or sale shall be made, irrespective of the time when the Franchisee shall receive payment (whether full or partial) therefor.

8. (a) ***Service Fee***. Franchisee shall pay a monthly service fee on or before the tenth (10th) day of the following month in an amount equal to four percent (4.0%) of the Gross Sales of the Restaurant for the preceding month immediately ended.

(b) ***Method of Payment***. Franchisee shall at all times participate in the McDonald's automatic debit/credit transfer program as specified by McDonald's from time to time for the payment of all amounts due McDonald's pursuant to this Franchise. Franchisee shall execute and deliver to McDonald's such documents and instruments as may be necessary to establish and maintain said automatic debit/credit transfer program.

(c) ***Interest on Delinquencies***. In the event that the Franchisee is past due on the payment of any amount due McDonald's under this Franchise, including accrued interest, the Franchisee shall be required, to the extent permitted by law, to pay interest on the past due amount to McDonald's for the period beginning with the original due date for payment to the date of actual payment at an annual rate equal to the highest rate allowed by law or, if there is no maximum rate permitted by law, then fifteen percent (15%). Such interest will be calculated on the basis of monthly compounding and the actual number of days elapsed divided by 365.

9. ***Initial Fee***. Franchisee acknowledges that: (a) the initial grant of this Franchise constitutes the sole consideration for the payment of an Initial Fee of Forty-Five Thousand Dollars ($45,000.00) paid by Franchisee to McDonald's; and (b) the fee has been earned by McDonald's (except where the construction of the Restaurant has not been completed within one (1) year from the date of the execution and delivery of this Franchise). If the Restaurant has not been constructed or is not ready for occupancy at the time of the execution of this Franchise, McDonald's shall use its best efforts to expedite the construction and lease of the Restaurant to Franchisee. However, McDonald's shall not be liable to Franchisee in any manner for any delays in or lack of completion of such construction for any reason. McDonald's shall be under no obligation to enforce performance or to seek other remedies for non-performance of any lease, clause, or contract necessary for the construction of the Restaurant and reserves the right, in case construction of the Restaurant should be abandoned, the lease assigned, or other interest in the premises be relinquished, to terminate this Franchise upon reimbursement to Franchisee of the Initial Fee. At such time as the Restaurant is completed and ready for occupancy, the Initial Fee shall be deemed to be earned. If the Restaurant is not ready for occupancy within one (1) year from the date of this Franchise, Franchisee shall have the right to terminate this Franchise and obtain an immediate refund of the Initial Fee upon written request to McDonald's.

10. ***Reports***. On or before 11:00 a.m. Central Standard Time on the first business day of each month, Franchisee shall render, in a manner specified by McDonald's, a statement, in such form as McDonald's shall reasonably require from time to time, of all receipts from the operation of the Restaurant for the preceding month immediately ended. On or before the twenty-fifth (25th) day of each month Franchisee shall submit to McDonald's an operating statement and a statistical report for the previous month in form satisfactory to McDonald's. Franchisee shall keep and preserve full and complete records of Gross Sales for at least three (3) years in a manner and form satisfactory to McDonald's and shall also deliver such additional financial and

operating reports and other information as McDonald's may reasonably request on the forms and in the manner prescribed by McDonald's. Franchisee further agrees to submit within ninety (90) days following the close of each fiscal year of the Restaurant's operation, a profit and loss statement covering operations during such fiscal year and a balance sheet taken as of the close of such fiscal year, all prepared in accordance with generally accepted accounting principles. The profit and loss statement and the balance sheet shall, if McDonald's shall request certification, be certified by a certified public accountant. Franchisee shall at Franchisee's expense cause Franchisee's public accountant and certified public accountant, if any, to consult with McDonald's concerning such statement and balance sheet. The original of each such report required by this paragraph 10 shall be mailed to McDonald's at the address indicated in paragraph 22 herein.

McDonald's shall have the right to inspect and/or audit Franchisee's accounts, books, records, and tax returns at all reasonable times to ensure that Franchisee is complying with the terms of this Franchise. If such inspection discloses that Gross Sales actually exceeded the amount reported by Franchisee as Gross Sales by an amount equal to two percent (2%) or more of Gross Sales originally reported to McDonald's, Franchisee shall bear the cost of such inspection and audit.

11. ***Restrictions***. Franchisee agrees and covenants as follows:

(a) During the term of this Franchise, Franchisee shall not, without the prior written consent of McDonald's, directly or indirectly, engage in, acquire any financial or beneficial interest (including interests in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, or become a landlord for any restaurant business, which is similar to the Restaurant.

(b) Franchisee shall not, for a period of eighteen (18) months after termination of this Franchise for any reason or the sale of the Restaurant, directly or indirectly, engage in or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, or become a landlord of any restaurant business which is similar to the Restaurant within a ten-mile radius of the Restaurant.

(c) Franchisee shall not appropriate, use, or duplicate the McDonald's System, or any portion thereof, for use at any other self-service, carry-out, or other similar restaurant business.

(d) Franchisee shall not disclose or reveal any portion of the McDonald's System to a non-franchisee other than to Franchisee's Restaurant employees as an incident of their training.

(e) Franchisee shall acquire no right to use, or to license the use of, any name, mark, or other intellectual property right granted or to be granted herein, except in connection with the operation of the Restaurant.

The restrictions contained in paragraphs 11(a) and 11(b) herein shall not apply to ownership of less than two percent (2%) of the shares of a company whose shares are listed and traded on a national or regional securities exchange.

12. ***Compliance With Entire System***. Franchisee acknowledges that every component of the McDonald's System is important to McDonald's and to the operation of the Restaurant as a McDonald's

restaurant, including a designated menu of food and beverage products; uniformity of food specifications, preparation methods, quality, and appearance; and uniformity of facilities and service.

McDonald's shall have the right to inspect the Restaurant at all reasonable times to ensure that Franchisee's operation thereof is in compliance with the standards and policies of the McDonald's System.

Franchisee shall comply with the entire McDonald's System, including, but not limited to, the following:

(a) Operate the Restaurant in a clean, wholesome manner in compliance with prescribed standards of Quality, Service, and Cleanliness; comply with all business policies, practices, and procedures imposed by McDonald's; serve at the Restaurant only those food and beverage products now or hereafter designated by McDonald's; and maintain the building, fixtures, equipment, signage, seating and decor, and parking area in a good, clean, wholesome condition and repair, and well lighted and in compliance with designated standards as may be prescribed from time to time by McDonald's;

(b) Purchase kitchen fixtures, lighting, seating, signs, and other equipment in accordance with the equipment specifications and layout initially designated by McDonald's and, promptly after notice from McDonald's that the Restaurant premises are ready for occupancy, cause the installation thereof;

(c) Keep the Restaurant constructed and equipped in accordance with the building blueprints and equipment layout plans that are standard in the McDonald's System or as such blueprints and plans may be reasonably changed from time to time by McDonald's;

(d) Franchisee shall not, without the prior written consent of McDonald's: (i) make any building design conversion or (ii) make any alterations, conversions, or additions to the building, equipment, or parking area;

(e) Make repairs or replacements required: (i) because of damage or wear and tear or (ii) in order to maintain the Restaurant building and parking area in good condition and in conformity to blueprints and plans;

(f) Where parking is provided, maintain the parking area for the exclusive use of Restaurant customers;

(g) Operate the Restaurant seven (7) days per week throughout the year and at least during the hours from 7:00 a.m. to 11:00 p.m., or such other hours as may from time to time be prescribed by McDonald's (except when the Restaurant is untenantable as a result of fire or other casualty), maintain sufficient supplies of food and paper products, and employ adequate personnel so as to operate the Restaurant at its maximum capacity and efficiency;

(h) Cause all employees of Franchisee, while working in the Restaurant, to: (i) wear uniforms of such color, design, and other specifications as McDonald's may designate from time to time; (ii) present a neat and clean appearance; and (iii) render competent and courteous service to Restaurant customers;

(i) In the dispensing and sale of food products: (i) use only containers, cartons, bags, napkins, other paper goods, and packaging bearing the approved trademarks and which meet the McDonald's

System specifications and quality standards which McDonald's may designate from time to time; (ii) use only those flavorings, garnishments, and food and beverage ingredients which meet the McDonald's System specifications and quality standards which McDonald's may designate from time to time; and (iii) employ only those methods of food handling and preparation which McDonald's may designate from time to time;

(j) To make prompt payment in accordance with the terms of invoices rendered to Franchisee on Franchisee's purchase of fixtures, signs, equipment, and food and paper supplies; and

(k) At Franchisee's own expense, comply with all federal, state, and local laws, ordinances, and regulations affecting the operation of the Restaurant.

13. ***Best Efforts***. Franchisee shall diligently and fully exploit the rights granted in this Franchise by personally devoting full time and best efforts and, in case more than one individual has executed this Franchise as the Franchisee, then ______________________________ shall personally devote full time and best efforts to the operation of the Restaurant. Franchisee shall keep free from conflicting enterprises or any other activities which would be detrimental to or interfere with the business of the Restaurant.

14. ***Interference With Employment Relations of Others***. During the term of this Franchise, Franchisee shall not employ or seek to employ any person who is at the time employed by McDonald's, any of its subsidiaries, or by any person who is at the time operating a McDonald's restaurant or otherwise induce, directly or indirectly, such person to leave such employment. This paragraph 14 shall not be violated if such person has left the employ of any of the foregoing parties for a period in excess of six (6) months.

15. ***Assignment***. Without the prior written consent of McDonald's, Franchisee's interest in this Franchise shall not be assigned or otherwise transferred in whole or in part (whether voluntarily or by operation of law) directly, indirectly, or contingently, and then only in accordance with the terms of this paragraph 15.

(a) Death or Permanent Incapacity of Franchisee. Upon the death or permanent incapacity of Franchisee, the interest of Franchisee in this Franchise may be assigned either pursuant to the terms of paragraph 15(d) herein or to one or more of the following persons: Franchisee's spouse, heirs, or nearest relatives by blood or marriage, subject to the following conditions: (i) if, in the sole discretion of McDonald's, such person shall be capable of conducting the Restaurant business in accordance with the terms and conditions of this Franchise and (ii) if such person shall also execute an agreement by which the person personally assumes full and unconditional liability for and agrees to perform all the terms and conditions of this Franchise to the same extent as the original Franchisee. If, in McDonald's sole discretion, such person cannot devote full time and best efforts to the operation of the Restaurant or lacks the capacity to operate the Restaurant in accordance with this Franchise, McDonald's shall have an option to operate and/or manage the Restaurant for the account of Franchisee or of Franchisee's estate until the deceased or incapacitated Franchisee's interest is transferred to another party acceptable to McDonald's in accordance with the terms and conditions of this Franchise. However, in no event shall such McDonald's operation and management of the Restaurant continue for a period in excess of twelve (12) full calendar months without the consent of Franchisee or Franchisee's estate. In the event that McDonald's so operates and/or manages the Restaurant, McDonald's shall make a complete account to and return the net income from such operation to the Franchisee or to Franchisee's estate, less a reasonable management fee and expenses. If the disposition of the Restaurant to a party acceptable to McDonald's has not taken place within twelve (12) months from the date that McDonald's has commenced the operation or management of the Restaurant on behalf of the deceased or incapacitated Franchisee, then, in that event, McDonald's shall have the option to purchase the Restaurant at fair market value for cash or its common stock at its option.

(b) Assignment to Franchisee's Corporation. Upon Franchisee's compliance with such requirements as may from time to time be prescribed by McDonald's, including a Stockholders Agreement in the form prescribed by McDonald's, McDonald's shall consent to an assignment to a corporation whose shares are wholly owned and controlled by Franchisee. The corporate name of the corporation shall not include any of the names or trademarks granted by this Franchise. Any subsequent assignment or transfer, either voluntarily or by operation of law, of all or any part of said shares shall be made in compliance with the terms and conditions set forth in paragraphs 15(a) and 15(d) herein.

(c) First Option to Purchase. Franchisee or Franchisee's representative shall, at least twenty (20) days prior to the proposed effective date, give McDonald's written notice of intent to sell or otherwise transfer this Franchise pursuant to paragraph 15(d). The notice shall set forth the name and address of the proposed purchaser and all the terms and conditions of any offer. McDonald's shall have the first option to purchase the Restaurant by giving written notice to Franchisee of its intention to purchase on the same terms as the offer within ten (10) days following McDonald's receipt of such notice. However, if McDonald's fails to exercise its option and the Restaurant is not subsequently sold to the proposed purchaser for any reason, McDonald's shall continue to have, upon the same conditions, a first option to purchase the Restaurant upon the terms and conditions of any subsequent offer.

(d) Other Assignment. In addition to any assignments or contingent assignments contemplated by the terms of paragraphs 15(a) and 15(b), Franchisee shall not sell, transfer, or assign this Franchise to any person or persons without McDonald's prior written consent. Such consent shall not be arbitrarily withheld.

In determining whether to grant or to withhold such consent, McDonald's shall consider of each prospective transferee, by way of illustration, the following: (i) work experience and aptitude, (ii) financial background, (iii) character, (iv) ability to personally devote full time and best efforts to managing the Restaurant, (v) residence in the locality of the Restaurant, (vi) equity interest in the Restaurant, (vii) conflicting interests, and (viii) such other criteria and conditions as McDonald's shall then apply in the case of an application for a new franchise to operate a McDonald's restaurant. McDonald's consent shall also be conditioned each upon such transferee's execution of an agreement by which transferee personally assumes full and unconditional liability for and agrees to perform from the date of such transfer all obligations, covenants, and agreements contained in this Franchise to the same extent as if transferee had been an original party to this Franchise. Franchisee and each transferor shall continue to remain personally liable for all affirmative obligations, covenants, and agreements contained herein for the full term of this Franchise or for such shorter period as McDonald's may, in its sole discretion, determine. Upon each assignment or other transfer of this Franchise to any person or persons under the terms and conditions of this paragraph 15(d), the percentage service fee charge owing to McDonald's after the date of such assignment or transfer shall be automatically adjusted to the then prevailing percentage service fee charge required under new Franchises issued by McDonald's for similar McDonald's restaurants at the time of such assignment or transfer.

16. ***Franchisee Not an Agent of McDonald's***. Franchisee shall have no authority, express or implied, to act as agent of McDonald's or any of its affiliates for any purpose. Franchisee is, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Restaurant and its business, including any personal property, equipment, fixtures, or real property connected therewith, and for all claims or demands based on damage or destruction of property or based on injury, illness, or death of any person or persons, directly or indirectly, resulting from the operation of the Restaurant. Further, Franchisee and McDonald's are not and do not intend to be partners, associates, or joint employers in any way and McDonald's shall not be construed to be jointly liable for any acts or omissions of Franchisee under any circumstances.

17. ***Insurance***. Franchisee shall, upon taking possession of the Restaurant, acquire and maintain in effect such insurance with such coverages as may be required by the terms of any lease of the Restaurant premises to McDonald's, and in any event, Franchisee shall acquire and maintain in effect not less than the following coverages in the following minimum amounts:

(a) Worker's Compensation insurance prescribed by law in the state in which the Restaurant is located and Employer's Liability Insurance with $100,000/$500,000/$100,000 minimum limit. If the state in which the Restaurant is located allows the option of not carrying Worker's Compensation Insurance, and Franchisee chooses to exercise that option, Franchisee shall nonetheless carry and maintain other insurance with coverage and limits as approved by McDonald's.

(b) Commercial general liability insurance in a form approved by McDonald's with a limit of $5,000,000 per occurrence/$5,000,000 aggregate.

(c) All such insurance as may be required under the Lease.

All insurance policies required to be carried hereunder shall name McDonald's and any party designated by McDonald's as additional insureds, as their interests may appear in this Franchise. All policies shall be effective on or prior to the date Franchisee is given possession of the Restaurant premises for the purpose of installing equipment or opening the Restaurant, whichever occurs first, and evidence of payment of premiums and duplicate copies of policies of the insurance required herein shall be delivered to McDonald's at least thirty (30) days prior to the date that Franchisee opens for business and/or thirty (30) days prior to the expiration date of an existing policy of insurance. All policies of insurance shall include a provision prohibiting cancellations or material changes to the policy thereof until thirty (30) days prior written notice has been given to McDonald's.

In the event Franchisee shall fail to obtain the insurance required herein, McDonald's may, but is not obligated to, purchase said insurance, adding the premiums paid to Franchisee's monthly rent. (Franchisee may authorize McDonald's to purchase and to administer the required minimum insurance on Franchisee's behalf. However, McDonald's, by placement of the required minimum insurance, assumes no responsibility for premium expense nor guarantees payment for any losses sustained by Franchisee.) McDonald's may relieve itself of all obligations with respect to the purchase and administration of such required insurance coverage by giving ten (10) days written notice to Franchisee.

All insurance shall be placed with a reputable insurance company licensed to do business in the state in which the Restaurant is located and having a Financial Size Category equal to or greater than IX and Policyholders Rating of "A+" or "A", as assigned by Alfred M. Best and Company, Inc., unless otherwise approved by McDonald's.

18. ***Material Breach***. The parties agree that the happening of any of the following events shall constitute a material breach of this Franchise and violate the essence of Franchisee's obligations and, without prejudice to any of its other rights or remedies at law or in equity, McDonald's, at its election, may terminate this Franchise upon the happening of any of the following events:

(a) Franchisee shall fail to maintain and operate the Restaurant in a good, clean, wholesome manner and in compliance with the standards prescribed by the McDonald's System;

(b) Franchisee shall be adjudicated a bankrupt, become insolvent, or a receiver, whether permanent or temporary, for all or substantially all of Franchisee's property, shall be appointed by any court, or Franchisee shall make a general assignment for the benefit of creditors, or a voluntary or involuntary petition under any bankruptcy law shall be filed with respect to Franchisee and shall not be dismissed within thirty (30) days thereafter;

(c) Any payment owing to McDonald's is not paid within thirty (30) days after the date such payment is due;

(d) Any judgment or judgments aggregating in excess of $5,000.00 against Franchisee or any lien in excess of $5,000.00 against Franchisee's property shall remain unsatisfied or unbonded of record in excess of thirty (30) days;

(e) Franchisee shall cause, suffer, or permit (voluntarily or involuntarily) Franchisee's right of possession as lessee or sublessee of the premises on which the Restaurant is located to be terminated prematurely for any cause whatever;

(f) Franchisee shall acquire any interest in a business in violation of paragraph 11(a);

(g) Franchisee shall duplicate the McDonald's System in violation of paragraph 11(c);

(h) Franchisee shall make or cause a disclosure of any portion of the McDonald's System in violation of paragraph 11(d) or shall make or cause a disclosure of part of the McDonald's System business manuals;

(i) Franchisee shall violate paragraph 11(e) by use of any name, trademark, service mark, or other intellectual property right exceeding the restrictions of said paragraph 11;

(j) Franchisee shall knowingly sell food or beverage products other than those designated by McDonald's or which fail to conform to McDonald's System specifications for those products, or which are not prepared in accordance with the methods prescribed by McDonald's, or fail to sell products designated by McDonald's;

(k) Any assignment or other transfer of any interest of the Franchisee in this Franchise shall occur in violation of paragraph 15(d) herein;

(l) Franchisee shall deny McDonald's the right to inspect the Restaurant at reasonable times;

(m) Franchisee shall fail to make or make repeated delays in the prompt payment of undisputed invoices from suppliers or in the remittance of payments as required by this Franchise;

(n) Franchisee makes any misrepresentations to McDonald's relating to the acquisition and/or ownership of this Franchise;

(o) Franchisee engages in public conduct which reflects materially and unfavorably upon the operation of the Restaurant, the reputation of the McDonald's System, or the goodwill associated with the McDonald's trademarks; provided that engaging in legitimate political activity (including testifying, lobbying, or otherwise attempting to influence legislation) shall not be grounds for termination;

(p) Franchisee is convicted of, pleads guilty or no contest to a felony, or any other crime that is reasonably likely to adversely affect the McDonald's System, the Restaurant, or the goodwill associated with the McDonald's trademarks; or

(q) Franchisee intentionally understates Gross Sales reported to McDonald's.

19. ***Other Breaches***. If Franchisee fails in the performance of any of the terms and conditions of this Franchise (other than performance of the terms and conditions listed in paragraph 18), Franchisee shall be guilty of a breach of this Franchise which shall not (except in the case of repeated breaches of the same or of different terms and conditions of this Franchise) constitute grounds for termination of this Franchise. McDonald's shall have the right to seek judicial enforcement of its rights and remedies, including, but not limited to, injunctive relief, damages, or specific performance. Notwithstanding any of the provisions of this paragraph 19, any uncured breach of the terms of this Franchise (whether of paragraph 18 or 19) shall be sufficient reason for McDonald's to withhold approval of its consent to any assignment or transfer of Franchisee's interest in this Franchise provided for herein.

20. ***Effect of Termination***.

(a) In the event of any material breach of this Franchise, McDonald's shall have an immediate right to enter and take possession of the Restaurant in order to maintain continuous operation of the Restaurant, to provide for orderly change of management and disposition of personal property, and to otherwise protect McDonald's interest.

(b) Upon termination of this Franchise due to any breach or breaches, Franchisee shall not, without the prior written consent of McDonald's, remove any furniture, fixtures, signs, equipment, other property, or leasehold improvements from the premises either prior to or for a period of thirty (30) days following such termination. McDonald's shall have the option for thirty (30) days following any such termination to purchase Franchisee's furniture, fixtures, signs, equipment, other property, and leasehold improvements or any portion thereof for a sum equal to the fair market value of such property. In the event of such a termination, there shall be no payment by McDonald's for intangible assets of Franchisee.

(c) Upon termination of this Franchise due to the expiration of its term or as a result of any eminent domain proceedings affecting the premises upon which the Restaurant is situated, Franchisee shall not remove any furniture, fixtures, signs, equipment, other property, or leasehold improvements within sixty (60) days prior to the date specified for termination or the date specified for takeover by any public authority. McDonald's shall, upon written notice of its intention to purchase said property at least thirty (30) days prior to such date of termination, have the option to purchase Franchisee's furniture, fixtures, signs, equipment, other property, and leasehold improvements or any portion thereof for a sum equal to the fair market value of such property. In the event of such a termination, there shall be no payment by McDonald's for intangible assets of Franchisee.

(d) Upon termination or expiration of this Franchise, Franchisee shall: (i) forthwith return to McDonald's the business manuals furnished to Franchisee, together with all other material containing trade secrets, operating instructions, or business practices; (ii) discontinue the use of the McDonald's System and its associated trade names, service marks, and trademarks or the use of any and all signs and printed goods bearing such names and marks, or any reference to them; (iii) not disclose, reveal, or publish all or any portion of the McDonald's System; and (iv) not thereafter use any trade name, service mark, or trademark similar to or likely to be confused with any trade name, service mark, or trademark used at any time in the McDonald's System.

21. ***Effect of Waivers***. No waiver by McDonald's or any breach or a series of breaches of this Franchise shall constitute a waiver of any subsequent breach or waiver of the terms of this Franchise.

22. ***Notices***. Any notice hereunder shall be in writing and shall be delivered by personal service or by United States certified or registered mail, with postage prepaid, addressed to Franchisee at the Restaurant or to McDonald's at **ONE McDONALD'S PLAZA, OAK BROOK, ILLINOIS 60523**. Either party, by a similar written notice, may change the address to which notices shall be sent.

23. ***Cost of Enforcement***. If McDonald's institutes any action at law or in equity against Franchisee to secure or protect McDonald's rights under or to enforce the terms of this Franchise, in addition to any judgment entered in its favor, McDonald's shall be entitled to recover such reasonable attorneys' fees as may be allowed by the court together with court costs and expenses of litigation.

24. ***Indemnification***. If McDonald's shall be subject to any claim, demand, or penalty or become a party to any suit or other judicial or administrative proceeding by reason of any claimed act or omission by Franchisee or Franchisee's employees or agents, or by reason of any act occurring on the Restaurant premises, or

by reason of an omission with respect to the business or operation of the Restaurant, Franchisee shall indemnify and hold McDonald's harmless against all judgments, settlements, penalties, and expenses, including attorneys' fees, court costs, and other expenses of litigation or administrative proceeding, incurred by or imposed on McDonald's in connection with the investigation or defense relating to such claim, litigation, or administrative proceeding and, at the election of McDonald's, Franchisee shall also defend McDonald's.

25. ***Construction and Severability***. All references in this Franchise to the singular shall include the plural where applicable. If any part of this Franchise for any reason shall be declared invalid, such decision shall not affect the validity of any remaining portion, which shall remain in full force and effect. In the event that any material provision of this Franchise shall be stricken or declared invalid, McDonald's reserves the right to terminate this Franchise.

26. ***Scope and Modification of Franchise***. This Franchise (including Exhibit A and any riders hereto) constitutes the entire agreement between the parties and supersedes all prior and contemporaneous, oral or written, agreements or understandings of the parties. Nothing in this Franchise or in any related agreement, however, is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee. No interpretation, change, termination, or waiver of any of the provisions hereof shall be binding upon McDonald's unless in writing signed by an officer or franchising director of McDonald's, and which is specifically identified as an amendment hereto. No modification, waiver, termination, rescission, discharge, or cancellation of this Franchise shall affect the right of any party hereto to enforce any claim or right hereunder, whether or not liquidated, which occurred prior to the date of such modification, waiver, termination, rescission, discharge, or cancellation.

27. ***Governing Laws***. The terms and provisions of this Franchise shall be interpreted in accordance with and governed by the laws of the state of Illinois.

28. ***Acknowledgment***. Franchisee acknowledges that:

(a) The term of this Franchise is set forth in paragraph 2(b) hereof with no promise or representation as to the renewal of this Franchise or the grant of a new franchise;

(b) Franchisee hereby represents that Franchisee has received a copy of this Franchise, has read and understands all obligations being undertaken, and has had an opportunity to consult with Franchisee's attorney with respect thereto at least seven (7) calendar days prior to execution;

(c) No representation has been made by McDonald's as to the future profitability of the Restaurant;

(d) Prior to the execution of this Franchise, Franchisee has worked at a McDonald's restaurant and has had ample opportunity to contact existing franchisees of McDonald's and to investigate all representations made by McDonald's relating to the McDonald's System;

(e) This Franchise establishes the Restaurant at the location specified on page 1 hereof only and that no "exclusive," "protected," or other territorial rights in the contiguous market area of such Restaurant is hereby granted or inferred;

(f) This Franchise supersedes any and all other agreements and representations respecting the Restaurant and contains all the terms, conditions, and obligations of the parties with respect to the grant of this Franchise; however, nothing in this Franchise or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee;

(g) McDonald's or its affiliates are the sole owner(s) of the trademarks, trade names, service marks, and goodwill associated therewith, respectively, and Franchisee acquires no right, title, or interest in those names and marks other than the right to use them only in the manner and to the extent prescribed and approved by McDonald's;

(h) No future franchise or offers of franchises for additional McDonald's restaurants, other than this Franchise, have been promised to Franchisee and any other franchise offer shall only be in writing, executed by an officer or franchising director of McDonald's, and identified as a Franchise Agreement or Rewrite (New Term) Commitment Letter;

(i) Neither McDonald's nor anyone acting on its behalf has made any representations, inducements, promises, or agreements, orally or otherwise, respecting the subject matter of this Franchise, which is not embodied herein or set forth in the Franchise Disclosure Document; and

(j) This Franchise is offered to Franchisee personally and to no others, and may not be accepted by any other person, partnership, or corporation, or transferred by assignment, will, or operation of law.

IN WITNESS WHEREOF, the parties hereto set their hands and seals, in duplicate, the day and year in this instrument first above written.

McDONALD'S USA, LLC	**Franchisee**
By: ______________________________	______________________________ Date
Prepared By: ______________________	______________________________ Date

The following changes are made to the Franchise Agreement in the following states:

Minnesota Paragraph 27 continues with, "Nothing in this Franchise or the Franchise Disclosure Document shall in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

A new Paragraph 28(h) is inserted (and remaining sub-paragraphs are renamed (i) through (k)) as follows: "McDonald's considers the trademarks, trade names, logo types, service marks, and commercial symbols to be valuable property rights and continually protects against infringement of these assets. It protects franchisees against claims of infringement or unfair competition to which the franchisees might become subjected because of their authorized use of the trademarks, service marks, logo types, or other commercial symbols in the United States."

Paragraph 28(l) is added as follows: "With respect to franchises governed by Minnesota law, McDonald's will comply with Minnesota Statutes Section 80C.14, Subdivisions 3, 4, and 5 which require, except in certain specified cases, that the Franchisee be given ninety (90) days notice of termination (with sixty (60) days to cure) and 180 days notice for non-renewal of this Franchise; and that consent to the transfer of this Franchise will not be unreasonably withheld."

North Dakota Paragraph 11(b) continues with, "Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, Franchisee and McDonald's agree to enforce these provisions to the extent allowed under law."

Paragraph 27 continues with, ", except that North Dakota law will govern with respect to claims arising under the North Dakota Franchise Investment Law."

Washington Paragraph 28(k) is added as follows: "In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, this Franchise shall be modified as follows:

The State of Washington has a statute, RCW 19.100.180, which might supersede this Franchise in Franchisee's relationship with McDonald's, including the areas of termination and renewal of this Franchise. There also might be court decisions which supersede this Franchise in Franchisee's relationship with McDonald's, including the areas of termination and renewal of this Franchise.

In the event of a conflict of laws, to the extent required by the Act, the provisions of the Act, Chapter 19.100 RCW, shall prevail.

To the extent required by the Act, a release or waiver of rights executed by a franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act, such as a right to a jury trial, might not be enforceable; however, McDonald's and Franchisee agree to enforce them to the maximum extent the law allows."

EXHIBIT "A-2"

ATLANTA, GEORGIA
31 Forsyth Street
L/C: 010-0118
File #: 03462

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Franchise") made this 1st day of August, 2008, for the operation of a McDonald's restaurant located at 31 Forsyth Street, ATLANTA, GEORGIA (the "Restaurant") by and between:

McDONALD'S USA, LLC,

a Delaware limited liability company,

("McDonald's")

and

Yves Dominique

("Franchisee")

for the purpose of granting the Franchisee the rights necessary to operate the Restaurant.

In consideration of the mutual rights and obligations contained herein McDonald's and Franchisee agree as follows:

1. ***Nature and Scope of Franchise.***

(a) McDonald's operates a restaurant system ("McDonald's System"). The McDonald's System is a comprehensive system for the ongoing development, operation, and maintenance of McDonald's restaurant locations which have been selected and developed for the retailing of a limited menu of uniform and quality food products, emphasizing prompt and courteous service in a clean, wholesome atmosphere which is intended to be attractive to children and families and includes proprietary rights in certain valuable trade names, service marks, and trademarks, including the trade names "McDonald's" and "McDonald's Hamburgers," designs and color schemes for restaurant buildings, signs, equipment layouts, formulas and specifications for certain food products, methods of inventory and operation control, bookkeeping and accounting, and manuals covering business practices and policies. The McDonald's System is operated and is advertised widely within the United States of America and in certain foreign countries.

(b) McDonald's holds the right to authorize the adoption and use of the McDonald's System at the Restaurant. The rights granted to the Franchisee to operate the Restaurant are set forth in this Franchise, including the Operator's Lease ("Lease") which is attached hereto as Exhibit A, incorporated in this Franchise.

(c) The foundation of the McDonald's System and the essence of this Franchise is the adherence by Franchisee to standards and policies of McDonald's providing for the uniform operation of all McDonald's restaurants within the McDonald's System including, but not limited to, serving only designated food and beverage products; the use of only prescribed equipment and building layout and designs; strict adherence to designated food and beverage specifications and to McDonald's prescribed standards of Quality, Service, and Cleanliness in the Restaurant operation. Compliance by Franchisee with the foregoing standards and policies in conjunction with the McDonald's trademarks and service marks provides the basis for the valuable goodwill and wide family acceptance of the McDonald's System. Moreover, the establishment and maintenance of a close personal working relationship with McDonald's in the conduct of Franchisee's McDonald's restaurant business, Franchisee's accountability for performance of the obligations contained in this Franchise, and Franchisee's adherence to the tenets of the McDonald's System constitute the essence of this Franchise.

(d) The provisions of this Franchise shall be interpreted to give effect to the intent of the parties stated in this paragraph 1 so that the Restaurant shall be operated in conformity to the McDonald's System through strict adherence to McDonald's standards and policies as they exist now and as they may be from time to time modified.

(e) Franchisee acknowledges Franchisee's understanding of McDonald's basic business policy that McDonald's will grant franchises only to those individuals who live in the locality of their McDonald's restaurant, actually own the entire equity interest in the business of the Restaurant and its profits, and who will work full time at their McDonald's restaurant business. Franchisee represents, warrants, and agrees that Franchisee actually owns the complete equity interest in this Franchise and the profits from the operation of the Restaurant, and that Franchisee shall maintain such interest during the term of this Franchise except only as otherwise permitted pursuant to the terms and conditions of this Franchise. Franchisee agrees to furnish McDonald's with such evidence as McDonald's may request, from time to time, for the purpose of assuring McDonald's that Franchisee's interest remains as represented herein.

(f) Franchisee agrees to pay to McDonald's all required payments under this Franchise, including, without limitation, the payments set forth in paragraphs 8 and 9 herein and paragraph 3.01 of the Lease. All payments hereby required constitute a single financial arrangement between Franchisee and McDonald's which, taken as a whole and without regard to any designation or descriptions, reflect the value of the authorization being made available to the Franchisee by McDonald's in this Franchise and the services rendered by McDonald's during the term hereof.

2. ***Franchise Grant and Term.***

(a) McDonald's grants to Franchisee for the following stated term the right, license, and privilege:

(i) to adopt and use the McDonald's System at the Restaurant;

(ii) to advertise to the public that Franchisee is a franchisee of McDonald's;

(iii) to adopt and use, but only in connection with the sale of those food and beverage products which have been designated by McDonald's at the Restaurant, the trade names, trademarks, and service marks which McDonald's shall designate, from time to time, to be part of the McDonald's System; and

(iv) to occupy the Restaurant as provided herein.

The rights granted under this Franchise are limited to the Restaurant's location only.

(b) The term of this Franchise shall begin on August 1, 2008, and end on May 31, 2022, unless terminated prior thereto pursuant to the provisions hereof.

3. ***General Services of McDonald's***. McDonald's shall advise and consult with Franchisee periodically in connection with the operation of the Restaurant and also, upon Franchisee's request, at other reasonable times. McDonald's shall communicate to Franchisee know-how, 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 shall be accomplished by visits by operations consultants, printed and filmed reports, seminars, and newsletter mailings. McDonald's shall also make available to Franchisee all additional services, facilities, rights, and privileges relating to the operation of the Restaurant which McDonald's makes generally available, from time to time, to all its franchisees operating McDonald's restaurants.

4. ***Manuals***. McDonald's shall provide Franchisee with the business manuals prepared for use by franchisees of McDonald's restaurants similar to the Restaurant. The business 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. Franchisee agrees to promptly adopt and use exclusively the formulas, methods, and policies contained in the business manuals, now and as they may be modified from time to time. Franchisee acknowledges that McDonald's or its affiliates own all proprietary rights in and to the McDonald's System and that the information revealed in the business manuals, in their entirety, constitute confidential trade secrets. Without the prior written consent of McDonald's, Franchisee shall not disclose the contents of the business manuals to any person, except employees of Franchisee for purposes related solely to the operation of the Restaurant, nor shall Franchisee reprint or reproduce the manuals in whole or in part for any purpose except in connection with instruction of employees in the operation of the Restaurant. Such manuals, as modified from time to time, and the policies contained therein, are incorporated in this Franchise by reference.

5. ***Advertising***. McDonald's employs both public relations and advertising specialists who formulate and carry out national and local advertising programs for the McDonald's System.

Franchisee shall use only advertising and promotional materials and programs provided by McDonald's or approved in advance, in writing, by McDonald's. Neither the approval by McDonald's of

Franchisee's advertising and promotional material nor the providing of such material by McDonald's to Franchisee shall, directly or indirectly, require McDonald's to pay for such advertising or promotion.

Franchisee shall expend during each calendar year for advertising and promotion of the Restaurant to the general public an amount which is not less than four percent (4%) of Gross Sales (as that term is defined in paragraph 7) for such year. Expenditures by Franchisee to national and regional cooperative advertising and promotion of the McDonald's System, or to a group of McDonald's restaurants which includes the Restaurant, shall be a credit against the required minimum expenditures for advertising and promotion to the general public.

6. ***Training***. McDonald's shall make available to Franchisee the services of Hamburger University, the international training center for the McDonald's System. Franchisee acknowledges the importance of quality of business operation among all restaurants in the McDonald's System and agrees to enroll Franchisee and Franchisee's managers, present and future, at Hamburger University or at such other training center as may be designated by McDonald's from time to time. McDonald's shall bear the cost of maintaining Hamburger University and any other training centers, including the overhead costs of training, staff salaries, materials, and all technical training tools, and agrees to provide to Franchisee both basic and advanced instruction for the operation of a McDonald's System restaurant. Franchisee shall pay all traveling, living, compensation, or other expenses incurred by Franchisee and Franchisee's employees in connection with attendance at Hamburger University or such other training centers.

7. ***Gross Sales***. For the purposes of this Franchise, the term "Gross Sales" shall mean all revenues from sales of the Franchisee based upon all business conducted upon or from the Restaurant, whether such sales be evidenced by check, cash, credit, charge account, exchange, or otherwise, and shall include, but not be limited to, the amounts received from the sale of goods, wares, and merchandise, including sales of food, beverages, and tangible property of every kind and nature, promotional or otherwise, and for services performed from or at the Restaurant, together with the amount of all orders taken or received at the Restaurant, whether such orders be filled from the Restaurant or elsewhere. Gross Sales shall not include sales of merchandise for which cash has been refunded, provided that such sales shall have previously been included in Gross Sales. There shall be deducted from Gross Sales the price of merchandise returned by customers for exchange, provided that such returned merchandise shall have been previously included in Gross Sales, and provided that the sales price of merchandise delivered to the customer in exchange shall be included in Gross Sales. Gross Sales shall not include the amount of any sales tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein and actually paid by the Franchisee to such governmental authority. Each charge or sale upon credit shall be treated as a sale for the full price in the month during which such charge or sale shall be made, irrespective of the time when the Franchisee shall receive payment (whether full or partial) therefor.

8. (a) ***Service Fee***. Franchisee shall pay a monthly service fee on or before the tenth (10th) day of the following month in an amount equal to four percent (4.0%) of the Gross Sales of the Restaurant for the preceding month immediately ended.

(b) ***Method of Payment***. Franchisee shall at all times participate in the McDonald's automatic debit/credit transfer program as specified by McDonald's from time to time (currently called the Pre-Authorized Licensee Payment System (PAL$ QUICK McDONALD'S)) for the payment of all amounts due McDonald's pursuant to this Franchise. Franchisee shall execute and deliver to McDonald's such documents and instruments as may be necessary to establish and maintain said automatic debit/credit transfer program.

(c) ***Interest on Delinquencies***. In the event that the Franchisee is past due on the payment of any amount due McDonald's under this Franchise, including accrued interest, the Franchisee shall be required, to the extent permitted by law, to pay interest on the past due amount to McDonald's for the period beginning with the original due date for payment to the date of actual payment at an annual rate equal to the highest rate allowed by law or, if there is no maximum rate permitted by law, then fifteen percent (15%). Such interest will be calculated on the basis of monthly compounding and the actual number of days elapsed divided by 365.

9. ***Consideration***. McDonald's and Franchisee acknowledge that the undertakings herein set forth, and the expected performance thereof by the parties hereto, shall constitute the consideration for the grant of this Franchise.

10. ***Reports***. On or before 11:00 a.m. Central Standard Time on the first business day of each month, Franchisee shall render, in a manner specified by McDonald's, a statement, in such form as McDonald's shall reasonably require from time to time, of all receipts from the operation of the Restaurant for the preceding month immediately ended. On or before the twenty-fifth (25th) day of each month Franchisee shall submit to McDonald's an operating statement and a statistical report for the previous month in form satisfactory to McDonald's. Franchisee shall keep and preserve full and complete records of Gross Sales for at least three (3) years in a manner and form satisfactory to McDonald's and shall also deliver such additional financial and operating reports and other information as McDonald's may reasonably request on the forms and in the manner prescribed by McDonald's. Franchisee further agrees to submit within ninety (90) days following the close of each fiscal year of the Restaurant's operation, a profit and loss statement covering operations during such fiscal year and a balance sheet taken as of the close of such fiscal year, all prepared in accordance with generally accepted accounting principles. The profit and loss statement and the balance sheet shall, if McDonald's shall request certification, be certified by a certified public accountant. Franchisee shall at Franchisee's expense cause Franchisee's public accountant and certified public accountant, if any, to consult with McDonald's concerning such statement and balance sheet. The original of each such report required by this paragraph 10 shall be mailed to McDonald's at the address indicated in paragraph 22 herein.

McDonald's shall have the right to inspect and/or audit Franchisee's accounts, books, records, and tax returns at all reasonable times to ensure that Franchisee is complying with the terms of this Franchise. If such inspection discloses that Gross Sales actually exceeded the amount reported by Franchisee as Gross Sales by an amount equal to two percent (2%) or more of Gross Sales originally reported to McDonald's, Franchisee shall bear the cost of such inspection and audit.

11. ***Restrictions***. Franchisee agrees and covenants as follows:

(a) During the term of this Franchise, Franchisee shall not, without the prior written consent of McDonald's, directly or indirectly, engage in, acquire any financial or beneficial interest (including interests in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, or become a landlord for any restaurant business, which is similar to the Restaurant.

(b) Franchisee shall not, for a period of eighteen (18) months after termination of this Franchise for any reason or the sale of the Restaurant, directly or indirectly, engage in or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, or become a landlord of any restaurant business which is similar to the Restaurant within a ten-mile radius of the Restaurant.

(c) Franchisee shall not appropriate, use, or duplicate the McDonald's System, or any portion thereof, for use at any other self-service, carry-out, or other similar restaurant business.

(d) Franchisee shall not disclose or reveal any portion of the McDonald's System to a non-franchisee other than to Franchisee's Restaurant employees as an incident of their training.

(e) Franchisee shall acquire no right to use, or to license the use of, any name, mark, or other intellectual property right granted or to be granted herein, except in connection with the operation of the Restaurant.

The restrictions contained in paragraphs 11(a) and 11(b) herein shall not apply to ownership of less than two percent (2%) of the shares of a company whose shares are listed and traded on a national or regional securities exchange.

12. ***Compliance With Entire System***. Franchisee acknowledges that every component of the McDonald's System is important to McDonald's and to the operation of the Restaurant as a McDonald's restaurant, including a designated menu of food and beverage products; uniformity of food specifications, preparation methods, quality, and appearance; and uniformity of facilities and service.

McDonald's shall have the right to inspect the Restaurant at all reasonable times to ensure that Franchisee's operation thereof is in compliance with the standards and policies of the McDonald's System.

Franchisee shall comply with the entire McDonald's System, including, but not limited to, the following:

(a) Operate the Restaurant in a clean, wholesome manner in compliance with prescribed standards of Quality, Service, and Cleanliness; comply with all business policies, practices, and procedures imposed by McDonald's; serve at the Restaurant only those food and beverage products now or hereafter designated by McDonald's; and maintain the building, fixtures, equipment, signage, seating and decor, and parking area in a good, clean, wholesome condition and repair, and well lighted and in compliance with designated standards as may be prescribed from time to time by McDonald's;

(b) Purchase kitchen fixtures, lighting, seating, signs, and other equipment in accordance with the equipment specifications and layout initially designated by McDonald's and, promptly after notice from McDonald's that the Restaurant premises are ready for occupancy, cause the installation thereof;

(c) Keep the Restaurant constructed and equipped in accordance with the building blueprints and equipment layout plans that are standard in the McDonald's System or as such blueprints and plans may be reasonably changed from time to time by McDonald's;

(d) Franchisee shall not, without the prior written consent of McDonald's: (i) make any building design conversion or (ii) make any alterations, conversions, or additions to the building, equipment, or parking area;

(e) Make repairs or replacements required: (i) because of damage or wear and tear or (ii) in order to maintain the Restaurant building and parking area in good condition and in conformity to blueprints and plans;

(f) Where parking is provided, maintain the parking area for the exclusive use of Restaurant customers;

(g) Operate the Restaurant seven (7) days per week throughout the year and at least during the hours from 7:00 a.m. to 11:00 p.m., or such other hours as may from time to time be prescribed by McDonald's (except when the Restaurant is untenantable as a result of fire or other casualty), maintain sufficient supplies of food and paper products, and employ adequate personnel so as to operate the Restaurant at its maximum capacity and efficiency;

(h) Cause all employees of Franchisee, while working in the Restaurant, to: (i) wear uniforms of such color, design, and other specifications as McDonald's may designate from time to time; (ii) present a neat and clean appearance; and (iii) render competent and courteous service to Restaurant customers;

(i) In the dispensing and sale of food products: (i) use only containers, cartons, bags, napkins, other paper goods, and packaging bearing the approved trademarks and which meet the McDonald's System specifications and quality standards which McDonald's may designate from time to time; (ii) use only those flavorings, garnishments, and food and beverage ingredients which meet the McDonald's System specifications and quality standards which McDonald's may designate from time to time; and (iii) employ only those methods of food handling and preparation which McDonald's may designate from time to time;

(j) To make prompt payment in accordance with the terms of invoices rendered to Franchisee on Franchisee's purchase of fixtures, signs, equipment, and food and paper supplies; and

(k) At Franchisee's own expense, comply with all federal, state, and local laws, ordinances, and regulations affecting the operation of the Restaurant.

13. ***Best Efforts***. Franchisee shall diligently and fully exploit the rights granted in this Franchise by personally devoting full time and best efforts and, in case more than one individual has executed this Franchise as the Franchisee, then Yves Dominique shall personally devote full time and best efforts to the operation of the Restaurant. Franchisee shall keep free from conflicting enterprises or any other activities which would be detrimental to or interfere with the business of the Restaurant.

14. ***Interference With Employment Relations of Others***. During the term of this Franchise, Franchisee shall not employ or seek to employ any person who is at the time employed by McDonald's, any of its subsidiaries, or by any person who is at the time operating a McDonald's restaurant or otherwise induce, directly or indirectly, such person to leave such employment. This paragraph 14 shall not be violated if such person has left the employ of any of the foregoing parties for a period in excess of six (6) months.

15. ***Assignment***. Without the prior written consent of McDonald's, Franchisee's interest in this Franchise shall not be assigned or otherwise transferred in whole or in part (whether voluntarily or by operation of law) directly, indirectly, or contingently, and then only in accordance with the terms of this paragraph 15.

(a) Death or Permanent Incapacity of Franchisee. Upon the death or permanent incapacity of Franchisee, the interest of Franchisee in this Franchise may be assigned either pursuant to the terms of paragraph 15(d) herein or to one or more of the following persons: Franchisee's spouse, heirs, or nearest relatives by blood or marriage, subject to the following conditions: (i) if, in the sole discretion of McDonald's, such person shall be capable of conducting the Restaurant business in accordance with the terms and conditions of this Franchise and (ii) if such person shall also execute an agreement by which the person personally assumes full and unconditional liability for and agrees to perform all the terms and conditions of this Franchise to the same extent as the original Franchisee. If, in McDonald's sole discretion, such person cannot devote full time and best efforts to the operation of the Restaurant or lacks the capacity to operate the Restaurant in accordance with this Franchise, McDonald's shall have an option to operate and/or manage the Restaurant for the account of Franchisee or of Franchisee's estate until the deceased or incapacitated Franchisee's interest is transferred to another party acceptable to McDonald's in accordance with the terms and conditions of this Franchise. However, in no event shall such McDonald's operation and management of the Restaurant continue for a period in excess of twelve (12) full calendar months without the consent of Franchisee or Franchisee's estate. In the event that McDonald's so operates and/or manages the Restaurant, McDonald's shall make a complete account to and return the net income from such operation to the Franchisee or to Franchisee's estate, less a reasonable management fee and expenses. If the disposition of the Restaurant to a party acceptable to McDonald's has not taken place within twelve (12) months from the date that McDonald's has commenced the operation or management of the Restaurant on behalf of the deceased or incapacitated Franchisee, then, in that event, McDonald's shall have the option to purchase the Restaurant at fair market value for cash or its common stock at its option.

(b) Assignment to Franchisee's Corporation. Upon Franchisee's compliance with such requirements as may from time to time be prescribed by McDonald's, including a Stockholders Agreement in the form prescribed by McDonald's, McDonald's shall consent to an assignment to a corporation whose shares are wholly owned and controlled by Franchisee. The corporate name of the corporation shall not include any of the names or trademarks granted by this Franchise. Any subsequent assignment or transfer, either voluntarily or by operation of law, of all or any part of said shares shall be made in compliance with the terms and conditions set forth in paragraphs 15(a) and 15(d) herein.

(c) First Option to Purchase. Franchisee or Franchisee's representative shall, at least twenty (20) days prior to the proposed effective date, give McDonald's written notice of intent to sell or otherwise transfer this Franchise pursuant to paragraph 15(d). The notice shall set forth the name and address of the proposed purchaser and all the terms and conditions of any offer. McDonald's shall have the first option to purchase the Restaurant by giving written notice to Franchisee of its intention to purchase on the same terms as the offer within ten (10) days following McDonald's receipt of such notice. However, if McDonald's fails to exercise its option and the Restaurant is not subsequently sold to the proposed purchaser for any reason, McDonald's shall continue to have, upon the same conditions, a first option to purchase the Restaurant upon the terms and conditions of any subsequent offer.

(d) Other Assignment. In addition to any assignments or contingent assignments contemplated by the terms of paragraphs 15(a) and 15(b), Franchisee shall not sell, transfer, or assign this Franchise to any person or persons without McDonald's prior written consent. Such consent shall not be arbitrarily withheld.

In determining whether to grant or to withhold such consent, McDonald's shall consider of each prospective transferee, by way of illustration, the following: (i) work experience and aptitude, (ii) financial background, (iii) character, (iv) ability to personally devote full time and best efforts to managing the Restaurant, (v) residence in the locality of the Restaurant, (vi) equity interest in the Restaurant, (vii) conflicting interests, and (viii) such other criteria and conditions as McDonald's shall then apply in the case of an application for a new franchise to operate a McDonald's restaurant. McDonald's consent shall also be conditioned each upon such transferee's execution of an agreement by which transferee personally assumes full and unconditional liability for and agrees to perform from the date of such transfer all obligations, covenants, and agreements contained in this Franchise to the same extent as if transferee had been an original party to this Franchise. Franchisee and each transferor shall continue to remain personally liable for all affirmative obligations, covenants, and agreements contained herein for the full term of this Franchise or for such shorter period as McDonald's may, in its sole discretion, determine. Upon each assignment or other transfer of this Franchise to any person or persons under the terms and conditions of this paragraph 15(d), the percentage service fee charge owing to McDonald's after the date of such assignment or transfer shall be automatically adjusted to the then prevailing percentage service fee charge required under new Franchises issued by McDonald's for similar McDonald's restaurants at the time of such assignment or transfer.

16. ***Franchisee Not an Agent of McDonald's***. Franchisee shall have no authority, express or implied, to act as agent of McDonald's or any of its affiliates for any purpose. Franchisee is, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Restaurant and its business, including any personal property, equipment, fixtures, or real property connected therewith, and for all claims or demands based on damage or destruction of property or based on injury, illness, or death of any person or persons, directly or indirectly, resulting from the operation of the Restaurant. Further, Franchisee and McDonald's are not and do not intend to be partners, associates, or joint employers in any way and McDonald's shall not be construed to be jointly liable for any acts or omissions of Franchisee under any circumstances.

17. ***Insurance***. Franchisee shall, upon taking possession of the Restaurant, acquire and maintain in effect such insurance with such coverages as may be required by the terms of any lease of the Restaurant premises to McDonald's, and in any event, Franchisee shall acquire and maintain in effect not less than the following coverages in the following minimum amounts:

(a) Worker's Compensation insurance prescribed by law in the state in which the Restaurant is located and Employer's Liability Insurance with $100,000/$500,000/$100,000 minimum limit. If the state in which the Restaurant is located allows the option of not carrying Worker's Compensation Insurance, and Franchisee chooses to exercise that option, Franchisee shall nonetheless carry and maintain other insurance with coverage and limits as approved by McDonald's.

(b) Commercial general liability insurance in a form approved by McDonald's with a limit of $5,000,000 per occurrence/$5,000,000 aggregate.

(c) All such insurance as may be required under the Lease.

All insurance policies required to be carried hereunder shall name McDonald's and any party designated by McDonald's as additional insureds, as their interests may appear in this Franchise. All policies shall be effective on or prior to the date Franchisee is given possession of the Restaurant premises for the purpose of installing equipment or opening the Restaurant, whichever occurs first, and evidence of payment of premiums and duplicate copies of policies of the insurance required herein shall be delivered to McDonald's at least thirty (30) days prior to the date that Franchisee opens for business and/or thirty (30) days prior to the expiration date of an existing policy of insurance. All policies of insurance shall include a provision prohibiting cancellations or material changes to the policy thereof until thirty (30) days prior written notice has been given to McDonald's.

In the event Franchisee shall fail to obtain the insurance required herein, McDonald's may, but is not obligated to, purchase said insurance, adding the premiums paid to Franchisee's monthly rent. (Franchisee may authorize McDonald's to purchase and to administer the required minimum insurance on Franchisee's behalf. However, McDonald's, by placement of the required minimum insurance, assumes no responsibility for premium expense nor guarantees payment for any losses sustained by Franchisee.) McDonald's may relieve itself of all obligations with respect to the purchase and administration of such required insurance coverage by giving ten (10) days written notice to Franchisee.

All insurance shall be placed with a reputable insurance company licensed to do business in the state in which the Restaurant is located and having a Financial Size Category equal to or greater than IX and Policyholders Rating of "A+" or "A", as assigned by Alfred M. Best and Company, Inc., unless otherwise approved by McDonald's.

18. ***Material Breach***. The parties agree that the happening of any of the following events shall constitute a material breach of this Franchise and violate the essence of Franchisee's obligations and, without prejudice to any of its other rights or remedies at law or in equity, McDonald's, at its election, may terminate this Franchise upon the happening of any of the following events:

(a) Franchisee shall fail to maintain and operate the Restaurant in a good, clean, wholesome manner and in compliance with the standards prescribed by the McDonald's System;

(b) Franchisee shall be adjudicated a bankrupt, become insolvent, or a receiver, whether permanent or temporary, for all or substantially all of Franchisee's property, shall be appointed by any court, or Franchisee shall make a general assignment for the benefit of creditors, or a voluntary or involuntary petition under any bankruptcy law shall be filed with respect to Franchisee and shall not be dismissed within thirty (30) days thereafter;

(c) Any payment owing to McDonald's is not paid within thirty (30) days after the date such payment is due;

(d) Any judgment or judgments aggregating in excess of $5,000.00 against Franchisee or any lien in excess of $5,000.00 against Franchisee's property shall remain unsatisfied or unbonded of record in excess of thirty (30) days;

(e) Franchisee shall cause, suffer, or permit (voluntarily or involuntarily) Franchisee's right of possession as lessee or sublessee of the premises on which the Restaurant is located to be terminated prematurely for any cause whatever;

(f) Franchisee shall acquire any interest in a business in violation of paragraph 11(a);

(g) Franchisee shall duplicate the McDonald's System in violation of paragraph 11(c);

(h) Franchisee shall make or cause a disclosure of any portion of the McDonald's System in violation of paragraph 11(d) or shall make or cause a disclosure of part of the McDonald's System business manuals;

(i) Franchisee shall violate paragraph 11(e) by use of any name, trademark, service mark, or other intellectual property right exceeding the restrictions of said paragraph 11;

(j) Franchisee shall knowingly sell food or beverage products other than those designated by McDonald's or which fail to conform to McDonald's System specifications for those products, or which are not prepared in accordance with the methods prescribed by McDonald's, or fail to sell products designated by McDonald's;

(k) Any assignment or other transfer of any interest of the Franchisee in this Franchise shall occur in violation of paragraph 15(d) herein;

(l) Franchisee shall deny McDonald's the right to inspect the Restaurant at reasonable times;

(m) Franchisee shall fail to make or make repeated delays in the prompt payment of undisputed invoices from suppliers or in the remittance of payments as required by this Franchise;

(n) Franchisee makes any misrepresentations to McDonald's relating to the acquisition and/or ownership of this Franchise;

(o) Franchisee engages in public conduct which reflects materially and unfavorably upon the operation of the Restaurant, the reputation of the McDonald's System, or the goodwill associated with the McDonald's trademarks; provided that engaging in legitimate political activity (including testifying, lobbying, or otherwise attempting to influence legislation) shall not be grounds for termination;

(p) Franchisee is convicted of, pleads guilty or no contest to a felony, or any other crime that is reasonably likely to adversely affect the McDonald's System, the Restaurant, or the goodwill associated with the McDonald's trademarks; or

(q) Franchisee intentionally understates Gross Sales reported to McDonald's.

19. ***Other Breaches***. If Franchisee fails in the performance of any of the terms and conditions of this Franchise (other than performance of the terms and conditions listed in paragraph 18), Franchisee shall be guilty of a breach of this Franchise which shall not (except in the case of repeated breaches of the same or of different terms and conditions of this Franchise) constitute grounds for termination of this Franchise. McDonald's shall have the right to seek judicial enforcement of its rights and remedies, including, but not limited to, injunctive relief, damages, or specific performance. Notwithstanding any of the provisions of this paragraph 19, any uncured breach of the terms of this Franchise (whether of paragraph 18 or 19) shall be sufficient reason for McDonald's to withhold approval of its consent to any assignment or transfer of Franchisee's interest in this Franchise provided for herein.

20. *Effect of Termination*.

(a) In the event of any material breach of this Franchise, McDonald's shall have an immediate right to enter and take possession of the Restaurant in order to maintain continuous operation of the Restaurant, to provide for orderly change of management and disposition of personal property, and to otherwise protect McDonald's interest.

(b) Upon termination of this Franchise due to any breach or breaches, Franchisee shall not, without the prior written consent of McDonald's, remove any furniture, fixtures, signs, equipment, other property, or leasehold improvements from the premises either prior to or for a period of thirty (30) days following such termination. McDonald's shall have the option for thirty (30) days following any such termination to purchase Franchisee's furniture, fixtures, signs, equipment, other property, and leasehold improvements or any portion thereof for a sum equal to the fair market value of such property. In the event of such a termination, there shall be no payment by McDonald's for intangible assets of Franchisee.

(c) Upon termination of this Franchise due to the expiration of its term or as a result of any eminent domain proceedings affecting the premises upon which the Restaurant is situated, Franchisee shall not remove any furniture, fixtures, signs, equipment, other property, or leasehold improvements within sixty (60) days prior to the date specified for termination or the date specified for takeover by any public authority. McDonald's shall, upon written notice of its intention to purchase said property at least thirty (30) days prior to such date of termination, have the option to purchase Franchisee's furniture, fixtures, signs, equipment, other property, and leasehold improvements or any portion thereof for a sum equal to the fair market value of such property. In the event of such a termination, there shall be no payment by McDonald's for intangible assets of Franchisee.

(d) Upon termination or expiration of this Franchise, Franchisee shall: (i) forthwith return to McDonald's the business manuals furnished to Franchisee, together with all other material containing trade secrets, operating instructions, or business practices; (ii) discontinue the use of the McDonald's System and its associated trade names, service marks, and trademarks or the use of any and all signs and printed goods bearing such names and marks, or any reference to them; (iii) not disclose, reveal, or publish all or any portion of the McDonald's System; and (iv) not thereafter use any trade name, service mark, or trademark similar to or likely to be confused with any trade name, service mark, or trademark used at any time in the McDonald's System.

21. ***Effect of Waivers***. No waiver by McDonald's or any breach or a series of breaches of this Franchise shall constitute a waiver of any subsequent breach or waiver of the terms of this Franchise.

22. ***Notices***. Any notice hereunder shall be in writing and shall be delivered by personal service or by United States certified or registered mail, with postage prepaid, addressed to Franchisee at the Restaurant or to McDonald's at **ONE McDONALD'S PLAZA, OAK BROOK, ILLINOIS 60523**. Either party, by a similar written notice, may change the address to which notices shall be sent.

23. ***Cost of Enforcement***. If McDonald's institutes any action at law or in equity against Franchisee to secure or protect McDonald's rights under or to enforce the terms of this Franchise, in addition to any judgment entered in its favor, McDonald's shall be entitled to recover such reasonable attorneys' fees as may be allowed by the court together with court costs and expenses of litigation.

24. ***Indemnification***. If McDonald's shall be subject to any claim, demand, or penalty or become a party to any suit or other judicial or administrative proceeding by reason of any claimed act or omission by Franchisee or Franchisee's employees or agents, or by reason of any act occurring on the Restaurant premises, or by reason of an omission with respect to the business or operation of the Restaurant, Franchisee shall indemnify and hold McDonald's harmless against all judgments, settlements, penalties, and expenses, including attorneys' fees, court costs, and other expenses of litigation or administrative proceeding, incurred by or imposed on McDonald's in connection with the investigation or defense relating to such claim, litigation, or administrative proceeding and, at the election of McDonald's, Franchisee shall also defend McDonald's.

25. ***Construction and Severability***. All references in this Franchise to the singular shall include the plural where applicable. If any part of this Franchise for any reason shall be declared invalid, such decision shall not affect the validity of any remaining portion, which shall remain in full force and effect. In the event that any material provision of this Franchise shall be stricken or declared invalid, McDonald's reserves the right to terminate this Franchise.

26. ***Scope and Modification of Franchise***. This Franchise (including Exhibit A and any riders hereto) constitutes the entire agreement between the parties and supersedes all prior and contemporaneous, oral or written, agreements or understandings of the parties. Nothing in this Franchise or in any related agreement, however, is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee. No interpretation, change, termination, or waiver of any of the provisions hereof shall be binding upon McDonald's unless in writing signed by an officer or franchising director of McDonald's, and which is specifically identified as an amendment hereto. No modification, waiver, termination, rescission, discharge, or cancellation of this Franchise shall affect the right of any party hereto to enforce any claim or right hereunder, whether or not liquidated, which occurred prior to the date of such modification, waiver, termination, rescission, discharge, or cancellation.

27. ***Governing Laws***. The terms and provisions of this Franchise shall be interpreted in accordance with and governed by the laws of the state of Illinois.

28. ***Acknowledgment***. Franchisee acknowledges that:

(a) The term of this Franchise is set forth in paragraph 2(b) hereof with no promise or representation as to the renewal of this Franchise or the grant of a new franchise;

(b) Franchisee hereby represents that Franchisee has received a copy of this Franchise, has read and understands all obligations being undertaken, and has had an opportunity to consult with Franchisee's attorney with respect thereto at least seven (7) calendar days prior to execution;

(c) No representation has been made by McDonald's as to the future profitability of the Restaurant;

(d) Prior to the execution of this Franchise, Franchisee has worked at a McDonald's restaurant and has had ample opportunity to contact existing franchisees of McDonald's and to investigate all representations made by McDonald's relating to the McDonald's System;

(e) This Franchise establishes the Restaurant at the location specified on page 1 hereof only and that no "exclusive," "protected," or other territorial rights in the contiguous market area of such Restaurant is hereby granted or inferred;

(f) This Franchise supersedes any and all other agreements and representations respecting the Restaurant and contains all the terms, conditions, and obligations of the parties with respect to the grant of this Franchise; however, nothing in this Franchise or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee;

(g) McDonald's or its affiliates are the sole owner(s) of the trademarks, trade names, service marks, and goodwill associated therewith, respectively, and Franchisee acquires no right, title, or interest in those names and marks other than the right to use them only in the manner and to the extent prescribed and approved by McDonald's;

(h) No future franchise or offers of franchises for additional McDonald's restaurants, other than this Franchise, have been promised to Franchisee and any other franchise offer shall only be in writing, executed by an officer or franchising director of McDonald's, and identified as a Franchise Agreement or Rewrite Commitment Letter;

(i) Neither McDonald's nor anyone acting on its behalf has made any representations, inducements, promises, or agreements, orally or otherwise, respecting the subject matter of this Franchise, which is not embodied herein or set forth in the Franchise Disclosure Document; and

(j) This Franchise is offered to Franchisee personally and to no others, and may not be accepted by any other person, partnership, or corporation, or transferred by assignment, will, or operation of law.

IN WITNESS WHEREOF, the parties hereto set their hands and seals, in duplicate, the day and year in this instrument first above written.

McDONALD'S USA, LLC

By: ______________________
James Wong
Authorized Representative

Franchisee

______________________ 7-30-08
~~Yves~~ Dominique Date

Prepared By: James R. Fullmer

ATLANTA, GEORGIA
31 Forsyth Street
L/C: 010-0118
File #: 03462

Sale of McOpCo Rider

This Rider is attached to and incorporated into that certain Franchise Agreement, dated August 1, 2008 ("Franchise"), by and between **McDonald's USA, LLC**, a Delaware limited liability company ("McDonald's") and **Yves Dominique** ("Franchisee").

1. A condition precedent to the grant of this Franchise is that Franchisee execute and comply with the terms of the Purchase and Sale Agreement, dated August 1, 2008 ("Agreement"), for the Restaurant simultaneously with the execution of this Franchise. If Franchisee does not execute and comply with the terms of the Agreement simultaneously with the execution of this Franchise for any reason, this Franchise is null and void and McDonald's will have no further obligations or liability to Franchisee.

2. A condition precedent to the grant of this Franchise is that McDonald's obtains title and possession of the Restaurant on or before August 1, 2008. If McDonald's does not obtain title and possession of the Restaurant on or before August 1, 2008, for any reason, this Franchise is null and void and McDonald's will have no further obligations or liability to Franchisee.

EXHIBIT "B"

THIS VERSION IS FOR INFORMATIONAL PURPOSES ONLY
IT IS *NOT* FOR DISCLOSURE TO PROSPECTIVE FRANCHISEES

FRANCHISE DISCLOSURE DOCUMENT

McDonald's USA, LLC
a Delaware limited liability company
110 N. Carpenter Street
Chicago, Illinois 60607
(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 $1,314,500 to $2,306,500 (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 English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document**.

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 110 N. Carpenter Street, Chicago, IL 60607 and (630) 623-3000.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "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 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: May 1, 2020

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits Q and R.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only McDonald's business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be McDonald's franchisee?	Item 20 or Exhibits Q and R lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit O.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **<u>Out-of-State Dispute Resolution</u>.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Illinois. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Illinois than in your own state.

2. The franchise agreement states that except under certain circumstances Illinois law governs the agreement. This law may not provide the same protections and benefits as local law. You may want to compare these laws.

3. You must pay a franchisee fee in addition to rent and a service fee. Your inability to make the payments may result in termination of your franchise and loss of your investment.

4. There may be other risks concerning this franchise.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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 compensating 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 furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings 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 arbitration 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 unwillingness 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 first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide 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 obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial 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 initial investment and other funds 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 Attorney General
Consumer Protection Division
Attn: Franchise Section
525 West Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48913
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 110 N. Carpenter Street, Chicago, Illinois, 60607. We currently do business under the name of McDonald's USA, LLC. Our agents for service of process are disclosed in Exhibit N. 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 110 N. Carpenter Street, Chicago, Illinois, 60607. 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 international affiliates. Some of our international affiliates offer McDonald's franchises outside of the United States. None of them have offered franchises in any other line of business. These international affiliates are disclosed in Exhibit P.

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. are operated under franchise agreements and are owned by franchisees who are independent third parties or by our wholly-owned subsidiaries ("McOpCo companies"). Currently, about 95% of all U.S. restaurants are franchised to independent franchisees and about 5% 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 location.

Some McDonald's restaurants that are located in fuel station/convenience store facilities are called small town oil ("STO") locations. 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 are called small town retail ("STR") locations. STOs and STRs are not Satellites. The term of the franchise for 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 traditional 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 affiliate of McDonald's.

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 addition, 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, food service businesses and convenience stores that offer the same types of products that you do. These restaurants, food service businesses and convenience stores may be associated with national or regional chains (whether or not franchised) or may be local, single restaurant locations. You will compete with other restaurants, food service businesses and convenience stores 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 and menu-labeling requirements 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.

Commencing in December 2019 and continuing throughout the first quarter of 2020, the COVID-19 virus began spreading throughout the world including the first outbreak in the U.S. in February. COVID-19 has and continues to significantly disrupt local, regional and global economies and businesses. Because of the operating restrictions, limitations on group gatherings, forced closures, and other consequences of the outbreak, it is likely there will be significant disruptions in customer demand, the supply chain for products and services, employee availability, and other aspects of operating your franchised business. The situation is also likely to affect operating costs in a material way. You also must comply with all applicable laws, rules and orders of any government authority concerning the outbreak and your response.

Item 2
Business Experience

Except where noted below, 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 and President	Joe Erlinger	April 22, 2002
Director	Kevin M. Ozan	September 5, 1997
Director	Jerry Krulewitch	March 20, 2002
U.S. Chief Restaurant Operations Officer	Charles Robeson	August 6, 1976
U.S. Chief Finance Officer	Spero Droulias	September 30, 1995
U.S. Chief Field Officer	Charlie Strong	February 18, 1971
U.S. Zone President – East	Mario Barbosa	January 11, 1999
U.S. Zone President – West	Skye Anderson	April 12, 2000
U.S. Vice President – Franchising Strategy	Mathew Ajayi	November 8, 1994

Title	Name	Start Date
U.S. Field Vice President	William Armstrong	July 12, 2010
U.S. Field Vice President	Brad Bogan	June 17, 2019 (1)
U.S. Field Vice President	Alvaro Bontá	October 20, 1991
U.S. Field Vice President	Myra Doria	January 1, 1996
U.S. Field Vice President	Ofelia Kumpf	June 17, 1992
U.S. Field Vice President	Marcos Quesada	August 1, 1986
U.S. Field Vice President	Luis Quintiliano	January 1, 2018 (2)
U.S. Field Vice President	Harish Ramalingam	May 17, 2012
U.S. Field Vice President	Harry Thomas, Jr.	February 23, 1985
U.S. Field Vice President	Remedios Valenzuela	January 16, 1984
Sr. Director – Operations Officer	Marco Acevedo	December 1, 2011
Sr. Director – Operations Officer	Jerry Angelotti	April 4, 1997
Sr. Director – Operations Officer	Dan Camp	May 1, 1991
Sr. Director – Operations Officer	Jorge Ferraz	June 9, 1997
Sr. Director – Operations Officer	Tim Fisher	January 1, 1983
Sr. Director – Operations Officer	David Garcia	July 31, 1999
Sr. Director – Operations Officer	Victoria Guster-Hines	June 1, 1987
Sr. Director – Operations Officer	Bridgette Hernandez	June 1, 2002
Sr. Director – Operations Officer	Joe Kowal	October 2, 1978
Sr. Director – Operations Officer	Christina Lewis-Cammack	September 1, 1994
Sr. Director – Operations Officer	Jessie Lopez	July 21, 1992
Sr. Director – Operations Officer	Doug Lorimer	November 1, 2007
Sr. Director – Operations Officer	Brad Miles	June 23, 2003
Sr. Director – Operations Officer	Lupe Morales-Christian	June 25, 1993
Sr. Director – Operations Officer	Domineca Neal	November 16, 2012
Sr. Director – Operations Officer	Charlie Newberger	July 20, 2009
Sr. Director – Operations Officer	Allyson Peck	January 27, 1997
Sr. Director – Operations Officer	Lynn Rudy	October 15, 1996
Sr. Director – Operations Officer	Jim Schugars	December 1, 1995
Sr. Director – Operations Officer	Steve Thatcher	June 27, 1986
Sr. Director – Operations Officer	Robert Turner	April 15, 2019 (3)
Sr. Director – Operations Officer	Silvia Vergani	May 24, 1991
Sr. Director – Operations Officer	Michelle Wherry	April 1, 1985
Sr. Director – Operations Officer	Anand Yalamanchi	November 5, 2000

(1) Brad Bogan is the U.S. Field Vice President for the Denver, Colorado Field Office effective June 2019. From September 2015 to June 2019, he was the Managing Director – Consumer/Retail Strategy, Operations and M&A Advisory for Deloitte in Chicago, Illinois. From January 2015 to March 2015, he was Divisional Vice President – Supply Chain, Private Brands, Replenishment and Supplier Collaboration in Deerfield, Illinois.

(2) Luis Quintiliano is a U.S. Field Vice President for the Dallas, Texas Field Office effective August 1, 2018. From January 2018 to July 2018, he was a Director in our Accelerated Development Program. From August 2016 to October 2017, he was the Managing Director for the Domestic Markets LATAM Cargo division of LATAM Airlines located in Sao Paulo, Brazil. From October 2014 to July 2016, he was the Managing Director for LATAM Cargo Brasil division of LATAM Airlines located in Sao Paulo, Brazil. From April 2012 to October 2014, he was the Vice President of Handling Operations, LATAM Cargo division, for LATAM Airlines located in Miami, Florida.

(3) Robert Turner is a Senior Director – Operations Officer for the Nashville, Tennessee Field Office effective April 2019. From November 2015 to June 2018, he was Finance Director for Frito Lay located in Oak Brook

Terrace, Illinois. From June 2018 to April 2019, he was Sales Director for Frito Lay located in Oak Brook Terrace, Illinois.

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) governs 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 ruled that Law 75 applies to the Puerto Rican franchises. In September 2012, the trial commenced on an intermittent schedule, but in early 2018, the parties agreed to a stay of the trial to explore settlement, which is a process that continues.

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.

Luis Canizares Gonzalez and Luis Canizares Restauracion, S.L., v. McDonald's Sistemas de España Inc, Sucursal en España (MSE) and McDonald's Corporation (Case No. 559/2014). On June 16, 2014, a franchisee in Spain and his operating entity filed a complaint against our affiliate, MSE, and our predecessor in Madrid's Civil Court No. 72 alleging promissory estoppel, breach of contract related to McDonald's alleged failure to meet its obligations under the franchise agreement and violations of Article 62 of the Ley de Ordenación del Comercio Minorista for the alleged failure to disclose pre-contractual information related to their franchise obligations. The plaintiffs are seeking money damages, compensation for lost earnings and mental anguish, interest and costs. On April 29, 2016, the court issued a judgment dismissing plaintiffs' claims against our affiliate and predecessor. On September 29, 2016, the plaintiffs appealed the court's judgment and on March 20, 2018, our affiliate filed its answer. The parties are awaiting the court's decision. Our affiliate and predecessor intend to continue to defend their interests vigorously in this case.

José Quijano and JCQ Foods, Inc. v. McDonald's USA, LLC, McDonald's Systems de Puerto Rico, Inc. h/n/c Arcos Dorados Puerto Rico, Inc., Golden Arch Development Corporation, Inc., et al. (Case No. CAC 402-2014-3456). On November 20, 2014, the owner of 14 McDonald's restaurants in Puerto Rico and his operating entity, filed a complaint against us, our predecessor's Puerto Rican companies, Arcos Dorados Puerto Rico LLC, and others in the Puerto Rico Court of First Instance, Arecibo, Puerto Rico, claiming that the defendants' conduct resulted in serious economic damage to the plaintiffs. The plaintiffs are seeking injunctive relief, monetary damages, and a declaration that defendants' alleged actions breached their obligations under the plaintiffs' franchise agreements, constitute a violation of the Puerto Rico franchise distribution law (Law 75), caused damages and losses for non-fulfillment of contract and unfair competition, and constitute fault and negligence and willful intent under the Civil Code of Puerto Rico. On February 10, 2015, the court granted the defendants' petition to transfer this lawsuit to San Juan Superior Court. The defendants intend to defend their interests vigorously in this case.

Farah Gohari v. McDonald's Corporation, et al. (Case No2016-CH-08261). On June 20, 2016, plaintiff filed a complaint against our predecessor and our former franchisee of two O'Hare airport restaurants in the Circuit Court of Cook County, Illinois, County Department, Chancery Division. Plaintiff alleges that the Digital Menu Board prices at the two restaurants were lower than the prices at the register. Plaintiff's initial complaint asserted claims for common law fraud and violations of the Illinois Consumer Fraud Act ("ICFA") and sought class certification, injunctive relief, actual and compensatory damages, and attorneys' fees and costs. On November 30, 2016, the court dismissed the common law fraud count with prejudice. On December 28, 2016, plaintiff filed an amended complaint asserting claims under the ICFA and the Racketeer Influenced and Corrupt Organizations Act ("RICO") and seeking the same relief as the initial complaint. On July 13, 2017, the court dismissed plaintiff's RICO claim. As a result, the ICFA claim is the only remaining claim. On April 23, 2019, after answering the complaint, our predecessor filed a motion for summary judgment. The former franchisee joined this motion on May 1, 2019. The Plaintiff then moved the court for leave to amend her complaint. Those motions are currently pending. Our former franchisee and predecessor intend to defend their interests vigorously in this case.

Antonio Bramante v. Les Restaurants McDonald du Canada Limitée (Case No. 500-06-000824-165). On November 15, 2016, the plaintiff filed a complaint in the Superior Court, Province of Québec against our affiliate alleging it breached the Québec Consumer Protection Act with respect to advertising of the Happy Meal program. The complaint was authorized to proceed as a class action on November 14, 2018. On February 12, 2019, the plaintiff filed its Originating Application. The plaintiff seeks injunctive relief, compensatory and punitive damages, interest and costs. Our affiliate intends to defend its interests vigorously in this case.

Gerald Collette d/b/a Truthinadvertisingenforcers.com v. McDonald's Corporation and Alexico, Inc. (Case No. 2017 CC 1545WS). On May 10, 2017, plaintiff, a consumer, filed a complaint against our predecessor and a franchisee in the County Court of the Sixth Judicial Circuit of Pasco County, Florida alleging that a local promotion constitutes misleading advertising as the offer of a free sandwich was allegedly not, in actuality, free, but instead required the purchase of another sandwich. Plaintiff alleges the promotion was misleading and constitutes fraud, negligent misrepresentation, unjust enrichment, and deceptive and unfair trade practices under Florida statutes and seeks a declaratory judgment, injunctive relief and a finding of liability and leave to request punitive damages. On August 17, 2017, plaintiff filed an amended complaint, and we filed our answer and affirmative defenses. After plaintiff failed to take any action in nearly a year, on February 19, 2019, the court ordered that it would dismiss the case if no record activity occurred within 60 days. On the 60th day, the plaintiff filed an amended complaint, but did not seek leave to do so. Our franchisee moved to strike plaintiff's amended complaint, but the court denied that motion. In October 2019, our franchisee filed a motion for summary judgment to dispose of the plaintiff's claims, which the court granted. Our predecessor and franchisee intend to defend our interests vigorously in this case.

Tadine Makran v. McDonald's France S.A.S. (Case No. 3170042). On May 26, 2017, plaintiff, a franchisee of our affiliate in France, filed a complaint against us in the Commercial Court of Paris asserting claims challenging our affiliate's decision to terminate the plaintiff's franchise agreement, seeking to reinstate plaintiff into the advertising co-op, and seeking summary disposition against McDonald's with respect to certain invoices. On October 11, 2017, the court rejected plaintiff's claim seeking reinstatement into the co-op, finding that the franchise agreement had been terminated and that plaintiff was occupying the premises illegally. On November 11, 2017, the court rejected plaintiff's claim with respect to the invoices and ordered him to pay €230,000. The appeals court upheld the lower court's decisions. The lower court has not ruled on whether our affiliate's decision to terminate the plaintiff's franchise agreement was lawful. Separately, our affiliate moved for summary disposition regarding plaintiff's illegal occupation of the premises, and the court ruled in our affiliate's favor and ordered plaintiff to leave the premises by April 8, 2018.The plaintiff vacated the premises on April 7, 2018. Our affiliate intends to defend its interests vigorously in this case.

Leinani Deslandes, et al. v. McDonald's USA, LLC, and McDonald's Corporation and Does 1-10 (Case No. 1:17-cv-04857). On June 28, 2017, plaintiff, a former franchisee employee, filed a complaint against us and our predecessor in the U.S. District Court, Northern District of Illinois, Eastern Division, alleging that a provision of McDonald's franchise agreement unlawfully prohibited her from obtaining a position at a nearby franchise that would have paid her more money and, as a consequence, she suffered reduced wages, loss of professional growth opportunities and illegal working conditions. Plaintiff asserts we and our predecessor engaged in unlawful contracts and unfair competition in violation of the Sherman Antitrust Act, the Illinois Antitrust Act, and the

Illinois Consumer Fraud and Deceptive Business Practices Act. Plaintiff seeks class certification, damages, restitution, attorneys' fees, costs and expenses and a permanent injunction enjoining McDonald's from enforcing the franchise agreement provision at issue in the complaint. On September 18, 2017, plaintiff filed an amended complaint. On October 2, 2017, McDonald's filed a motion to dismiss plaintiff's amended complaint, and on June 25, 2018 the court denied that motion. We and our predecessor intend to defend our interests vigorously in this case.

Vikram Bakshi, et al. v. McDonald's India Private Limited, McDonald's Corporation, et al. (Company Appeal No. 280 of 2017). On August 28, 2017, plaintiff, McDonald's India Private Limited's former joint venture partner in North & East India, filed an appeal in the National Company Law Appellate Tribunal in New Delhi seeking to modify a judgment that a lower court had entered as part of a prior contract dispute between the parties. Specifically, plaintiff seeks an order requiring McDonald's India Private Limited to purchase his shares in the former joint venture entity at a valuation for his franchises based on a calculation methodology that defendants dispute. We intend to vigorously defend our interests in this matter.

Vikram Bakshi, et al. v. McDonald's India Private Limited, McDonald's Corporation, et al. (Contempt Application No. 300 (PB) of 2017). On August 31, 2017, plaintiff, McDonald's India Private Limited's former joint venture partner in North & East India, filed a contempt application in the National Company Law Tribunal in New Delhi, claiming that our predecessor, its affiliate and their respective officers violated an injunction that the court had issued as part of its judgment in a prior contract dispute between the parties. Specifically, plaintiff claims that the defendants violated the injunction by issuing a notice to plaintiff terminating franchises held by the former joint venture entity. Plaintiff is seeking an order that defendants rescind the notices terminating the franchises and other relief for the alleged violation of the order. We intend to vigorously defend our interests in this matter.

Sebastian E. Lentini, et al. v. McDonald's USA, LLC, et al. (Case No. LCV2017217171). On September 18, 2017, plaintiff, a current franchisee, and his operating companies, filed a complaint against us and certain current and former regional employees in Hudson County Superior Court, New Jersey. The complaint alleges a pattern and practice of age discrimination, constructive termination of plaintiff's franchises, and the existence of a widespread, corporate policy aimed at terminating older, long-term franchisees. Plaintiff alleges that he is being forced out of the McDonald's system due to unfeasible remodel requirements; the opening of new restaurants in close proximity to his existing restaurants; and denying him the opportunity to expand his organization by awarding him new restaurants. Plaintiffs seek an injunction prohibiting us from continuing this alleged discriminatory conduct, unspecified compensatory, consequential, and exemplary or punitive damages, and attorneys' fees and costs. Defendants filed a motion to dismiss on December 15, 2017. On March 16, 2018, the court denied our motion to dismiss the complaint against us, but granted dismissal of certain counts against the individual employees named as defendants. Thereafter, the plaintiff sought intervention from the court to preliminarily and permanently stop the rebuild of one of his restaurants alleging that the rebuild amounted to an unreasonable standard of performance in violation of the New Jersey Franchise Practices Act. The trial court disagreed with the plaintiff and denied his request to stop the rebuild. The New Jersey Appellate Court and New Jersey Supreme Court upheld the trial court's ruling. Defendants answered the complaint and filed a two-count counterclaim seeking, among other things, declarations that plaintiff's refusal to reinvest in his restaurants constitutes a breach of contract. Plaintiff's motion to dismiss the counterclaim was denied. On November 28, 2018, the parties attended court-ordered mediation but were unable to reach an amicable settlement. On January 11, 2019, the court granted plaintiff's motion for leave to file an amended complaint re-asserting his original claims and adding new claims for breach of contract, violation of federal and state RICO statutes, and civil conspiracy. On February 5, 2019, Defendants removed the case to federal court and, on February 25, 2019, filed a partial motion to dismiss the amended complaint. On September 30, 2019, the court granted our motion to dismiss plaintiffs' federal and state RICO claims and their civil conspiracy claim. The court declined to review the state court's prior rulings on plaintiffs' original claims and, therefore, denied our motion to dismiss those claims. The parties are currently engaged in written and oral discovery. We will continue vigorously defending our interests in this case.

Olivia Robertson, et al. v. McDonald's Corporation, et al. (Case No. 2:19-cv-10266-RHC-EAS). On January 25, 2019, plaintiffs, residents of the Cities of Detroit and Hamtramck, Michigan, filed a complaint against our predecessor, other local businesses, and a towing company in the United States District Court for the Eastern

District of Michigan. The complaint alleges that the defendant towing company engages in illegal and predatory towing of vehicles and that the defendant businesses have conspired with the defendant towing company in its practice of illegally towing vehicles in exchange for compensation. The complaint claims, among other things, that the defendants have violated federal racketeering laws and Michigan's consumer protection law and have engaged in fraud, misrepresentation, conversion, and trespass to chattels, as well as aiding and abetting the defendant towing company in these alleged actions. On April 24, 2019, plaintiffs filed an amended complaint naming all of the same parties but adding various municipalities as defendants. Our predecessor moved to dismiss this amended complaint. On August 29, 2019, the Court dismissed the case as to our predecessor, and the plaintiffs subsequently moved the Court to reconsider that order. That motion remains pending. Our predecessor intends to vigorously defend its interests in this case.

Coby Morales v. Paschen Management Corporation, McDonald's USA, LLC, and Does 1-10 (Case No. 56-2019-00525405-CU-OE-VTA). On February 27, 2019, the plaintiff, a former employee of a franchised restaurant, filed a lawsuit against us and a franchisee in the Superior Court of the State of California, County of Ventura, alleging violations of the California Labor Code and the California Business & Professions Code related to requiring off-the-clock work, failing to pay minimum and overtime wages, failing to provide required meal periods and rest breaks or pay missed, late, or interrupted meal period or rest break premiums, failing to timely pay all wages due to discharged and quitting employees, failing to keep accurate records and provide accurate itemized wage statements, failing to indemnify employees for necessary expenses, and unfair and unlawful business practices. The plaintiff also alleges that we are joint employers of the employees working at the franchisee's restaurants. The plaintiff seeks class certification, injunctive relief, actual and liquidated damages, interest, statutory penalties, declaratory judgment, disgorged profits and attorneys' fees and costs. On April 3, 2019, the Defendants removed the case to the United States District Court for the Central District of California. On April 22, 2019, Plaintiff filed his First Amended Class Action Complaint and, on June 3, 2019, we filed a Motion to Dismiss Plaintiff's First Amended Complaint. On July 9, 2019, the Court granted our motion to dismiss, in part, without prejudice. On July 29, 2019, plaintiff filed a second amended complaint, which we moved to dismiss on August 12, 2019. On September 27, 2019, the court granted our motion to dismiss one count of plaintiff's complaint, and plaintiff's claim for reimbursement of laundry expenses and his request for injunctive and declaratory relief. The Court denied our motion as to plaintiff's remaining claims. The parties are currently engaged in discovery. We intend to defend our interests vigorously in this case.

Stephanie Turner v. McDonald's USA, LLC and McDonald's Corporation (Case No. 1:19-cv-05524). On August 15, 2019, plaintiff, who worked in corporate-owned and franchisee-owned restaurants, filed a complaint against us and our predecessor in the U.S. District Court, Northern District of Illinois, Eastern Division. Her complaint alleges that a provision of McDonald's franchise agreement unlawfully prohibited her from obtaining a position at other McDonald's-brand restaurants that would have paid her more money and, as a consequence, she suffered reduced wages, loss of professional growth opportunities and illegal working conditions. Plaintiff asserts that we and our predecessor engaged in unlawful contracts and unfair competition in violation of the Sherman Antitrust Act. On October 15, 2019, we moved to dismiss plaintiff's claims, and we await the court's ruling. We intend to defend our interests vigorously in this case.

On December 19, 2014, the National Labor Relations Board ("NLRB") Office of the General Counsel issued consolidated complaints against certain of our franchisees and us, claiming that we were joint employers of those franchisees' employees. The NLRB alleges that we and certain of our franchisees violated rights of employees working at McDonald's restaurants at various locations by, among other things, making statements and taking actions against them for engaging in activities allegedly aimed at improving their wages and working conditions. The NLRB has scheduled consolidated hearings in three regional offices, with litigation that commenced on March 10, 2016 in New York. On January 19, 2018, the administrative law judge hearing the case issued a stay until March 19, 2018, so that the parties could pursue settlement discussions. On March 19, 2018, the General Counsel, us, and the franchisees presented settlement agreements resolving all of the complaints and moved for the administrative law judge to approve the settlements and dismiss the complaints. The franchisee employees objected to these settlement agreements on various grounds, and the administrative law judge held a hearing to examine the fairness of these settlements on April 5, 2018. On July 17, 2018, the administrative law judge denied our motion to approve the settlements. The General Counsel of the NLRB, McDonald's, and the charged franchisees appealed the administrative law judge's decision to the full Board. On December 12, 2019, the NLRB directed the administrative law judge to approve the settlement, which she did on December 30, 2019. On

January 7, 2020, the charging parties filed a motion to the NLRB to reconsider their decision, stay the settlement, and re-open the record, which motion is currently pending.

Additionally, we and our predecessor have been named as defendants in numerous additional labor and employment lawsuits brought by employees of our franchisees on an individual, class and collective basis, alleging that we are joint employers with our franchisees. These lawsuits allege racial discrimination, sexual harassment, wrongful termination, constructive discharge, wage and hour violations, and similar claims under Title VII of the Civil Rights Act of 1964 and 42 U.S.C. Section 1981, and the Fair Labor Standards Act or similar statutes. We strongly disagree with the joint employment allegations and intend to vigorously defend these actions.

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.

Concluded Cases

Primer Hispania, S.L. v. 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 sought an order that would have required our affiliate to cease the alleged violations and provide rent reductions and money damages. On January 25, 2013, the parties settled this litigation. The franchisee agreed to terminate his franchise and sell us the restaurant equipment for 420,000 Euros, and the parties exchanged mutual releases.

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. On April 17, 2013, our predecessor agreed to settle the case by paying $700,000 in damages, $25,000 of which went to the plaintiff and the rest to community groups and to attorneys' fees.

Dasmine Bell, et al. v. McDonald's USA, LLC, and McDonald's Restaurants of Florida, Inc. (Case 8:14-cv-02742-JSM-EAJ). On October 10, 2014, the plaintiff, a former employee of our affiliate, filed a complaint against us and our affiliate in the U.S. District Court for the Middle District of Florida, alleging that our affiliate, along with McDonald's as a joint employer, violated the Fair Credit Reporting Act by performing background checks without the required authorizations and disclosures. On January 26, 2015, we and our affiliate agreed to settle the case by paying $4,000 in damages and in exchange received a general release from the plaintiff.

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, one of our officers, and us in the Superior Court of California, Marin County, California. The complaint asserted that we refused to grant new term franchises for 3 of the plaintiffs' restaurants after allegedly entering into agreements to do so and alleged 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 sought an order directing McDonald's to grant new 20-year franchise terms for the 3 restaurants, compensatory damages, and costs. We and our predecessor filed a cross-complaint against the plaintiffs alleging that their rights to operate the 3 franchises expired, and seeking an order requiring the Husains to vacate the restaurants, compensatory damages, and attorneys' fees. On September 25, 2012, the court ordered the Husains to vacate the 3 restaurants and return possession to McDonald's. The case proceeded on the parties' remaining claims. In September 2014, the parties entered into a memorandum of understanding in which McDonald's agreed to pay

$22,375,000 for the plaintiffs' remaining franchises, in exchange for mutual releases of all claims, including resolution of this case. In January 2015, McDonald's acquired the remaining franchises and the court dismissed the case with prejudice. In addition, under the terms of the franchise agreements for the 3 expired franchises which were the subject of this case, McDonald's exercised its option to purchase the furniture, fixtures and equipment at those locations for the fair market value price of $270,015.

Zhuang Zhi-Xun and Qing-Yi Limited v. McDonald's Restaurants (Taiwan) Co., Ltd. (Case No. 105 Xu-Zhi No.710). On December 25, 2015, the plaintiff, an operator of a McDonald's restaurant in Taiwan and his operating entity, filed in Taipei District Court a complaint against our affiliate, McDonald's Restaurants (Taiwan) Co., Ltd., alleging it failed to comply with the pre-contractual disclosure requirements set forth in the Taiwan Fair Trade Commission's Guidelines on Franchisors' Business Practice. The plaintiff alleged our affiliate failed to disclose certain information related to our affiliate's plans to open new restaurants in the same business area as plaintiff's restaurant. For such claims, plaintiff sought compensation of $700,000 New Taiwan dollars, plus interest, court fees, and rescission. Plaintiff additionally requested the court to render the arbitration clause in the franchise agreement null and void based on the Taiwan Fair Trade Act and the Consumer Protection Act. On March 22, 2016, our affiliate entered into a settlement agreement with the franchisee. The franchisee agreed to terminate all of the franchises for his McDonald's restaurants, sell our affiliate the assets of those restaurants, and settle all claims for $111,172,552 New Taiwan Dollars.

Chris Howe v. McDonald's Corporation and Does 1-100 (Case No. 5:16-cv-00176). On January 29, 2016, plaintiff filed a complaint against our predecessor in the U.S. District Court, Central District of California – Eastern Division, on behalf of himself and purported classes of McDonald's customers in California and in 41 other states and the District of Columbia who purchased Mozzarella Cheese Sticks in McDonald's restaurants in California. Plaintiff alleged that McDonald's advertising of Mozzarella Cheese Sticks violated California's Unfair Competition Law, California's False Advertising Law, California's Consumers Legal Remedies Act, and various state warranty laws. Plaintiff also asserted a claim for unjust enrichment. Plaintiff sought, on behalf of himself and the purported classes, monetary damages, attorney's fees, costs and expenses, pre- and post-judgment interest, and injunctive relief. On October 10, 2016, our predecessor agreed to settle the case by paying $32,500 in damages, which included $30,500 in attorneys' fees and costs, and in exchange received a general release for us and our predecessor from the plaintiff.

Jade Berreau, as administrator of the Estate of Dashiell Snow v. McDonald's Corporation and Does 1-100 (Case No. 2:16-cv-07394). On October 3, 2016, plaintiff, as the administrator of Estate of Dashiell Snow, filed a complaint against our predecessor in the U.S. District Court, Central District of California, Western Division, alleging that McDonald's unlawfully copied Dashiell Snow's artwork and installed it in hundreds of McDonald's graffiti-themed restaurants around the world. Plaintiff asserts claims for copyright infringement, falsification of copyright management information, unfair competition under the Lanham Act and California law, and negligence, and seeks injunctive relief, monetary and punitive damages, attorney's fees, costs and expenses. The accused artwork was not installed in any restaurants in the United States. Our predecessor filed a motion to dismiss the case for lack of personal jurisdiction, which the court granted on January 30, 2017 without prejudice to the ability to refile the complaint in a different jurisdiction. On or about March 24, 2017, our predecessor settled this case by agreeing to pay $650,000 and remove the accused artwork in one restaurant in the United Kingdom. The parties exchanged releases.

Stephanie Ochoa, et al. v. McDonald's Corp., McDonald's USA, LLC, McDonald's Restaurants of California, Inc., The Edward J. Smith and Valerie S. Smith Family Limited Partnership d/b/a McDonald's and Does 1-100 (Case No. 3:14-cv-02098-JD). On March 12, 2014, the plaintiffs, various current and former employees of franchised restaurants, filed a lawsuit against us, our predecessor, an affiliate and franchisees in the Superior Court of the State of California, County of Alameda, alleging violations of the California Labor Code and the California Business & Professions Code related to altering time records, requiring off-the-clock work, failing to pay minimum and overtime wages, failing to provide required meal periods and rest breaks, failing to pay all wages due to discharged and quitting employees, failing to keep accurate records and provide accurate itemized wage statements, failing to indemnify employees for necessary expenses, negligence, unfair and unlawful business practices and retaliation for complaining about the alleged labor violations. The plaintiffs also alleged that the defendant McDonald's entities are joint employers of those employees. The plaintiffs sought class certification, injunctive relief, monetary and punitive damages, interest, statutory penalties, declaratory judgment, disgorged profits, and attorneys' fees and costs. On May 7, 2014, our franchisees removed this lawsuit to the U.S. District Court, Northern District of California. On September 25, 2015, the court dismissed all of plaintiffs' joint employer theories against the McDonald's entities except one based on ostensible agency theory. On November 14, 2016, the court granted final approval of a settlement of all claims between the plaintiffs and our franchisees. The defendant McDonald's entities and plaintiffs separately reached a settlement agreement wherein the McDonald's entities agreed to pay $3,750,000 and certain limited injunctive relief in exchange for dismissal of all remaining claims with prejudice. The court granted final approval and dismissed all claims against the defendant McDonald's entities with prejudice on August 4, 2017.

Paul Bledsoe v. McDonald's USA, LLC and Does 1-10 (Case No. 2:18-cv-09354-JFW-GJS). On September 28, 2018, plaintiff filed a complaint against us in California state court in Los Angeles County, on behalf of himself and purported classes of McDonald's customers in California who purchased extra value meals in McDonald's restaurants in California and were charged a "drink upcharge" for a drink advertised as being included in the extra value meal. Plaintiff alleged McDonald's practice of charging extra for beverages advertised as already being included in an extra value meal violated California's Unfair Competition Law, California's False Advertising Law, and California's Consumers Legal Remedies Act. Plaintiff sought, on behalf of himself and the purported class, monetary damages, attorney's fees, costs and expenses, pre- and post-judgment interest, and injunctive relief. On February 11, 2019, we agreed to settle the case by paying $2,500 in damages in exchange received a general release from the plaintiff.

Il Ristorante del Centro (Pandya) v. McDonald's Development Italy LLC (Case No. R.G. 30320/2017). On May 22, 2017, plaintiff, a franchisee of our affiliate in Italy, filed a complaint against us in the Court of Milan asserting claims for breach of the franchise agreement for abuse of dominant position and abuse of economic dependence. The plaintiff sought compensatory damages. On June 20, 2018, the parties settled this litigation. The plaintiff agreed to terminate his franchise and sell the restaurant to our affiliate for 1,671,680 Euros. The purchase price was reduced by 910,272 Euros for outstanding fees owed to our affiliate. Our affiliate also agreed to hire the plaintiff's employees, and the parties exchanged mutual releases..

Emily Knowles, et al. v. McDonald's USA, LLC, and McDonald's Corporation (Case 9:16-cv-81657-KAM). On September 29, 2016, plaintiff filed a complaint against us and our predecessor in the U.S. District Court, Southern District of Florida, on behalf of herself and a purported class of nationwide McDonald's customers who have allegedly paid a drink upcharge fee for healthy drink options with their purchase of a Happy Meal. Plaintiff asserted claims under the Florida Deceptive and Unfair Trade Practices Act or, in the alternative, under the Illinois Consumer Fraud Act if the court found that Illinois consumer laws apply to the allegations. Plaintiff sought entry of an order certifying the case as a class action, monetary damages, civil penalties, attorneys' fees, costs and expenses. In November 2018, McDonald's settled this case with Plaintiff by agreeing to pay $35,000 in exchange for a release of all claims.

Dieter Abt, et al. v. McDonald's Corp., McDonald's USA, LLC, The Marketing Store Worldwide, LLC, et al. (Case No. BC 552072). On July 18, 2014, the plaintiffs filed a complaint in California state court against us, our predecessor, The Marketing Store Worldwide, LLC and others, alleging the defendants used the plaintiffs' money and intellectual property to fund and further develop the McDonald's Channel, an in-store controlled television and media test, and made false representations that they intended to continue working with plaintiffs to implement the McDonald's Channel after McDonald's purportedly knew that it had no intention of doing so. Plaintiffs amended their initial complaint four times since the commencement of the case in July 2014, and their fourth amended complaint, filed in November 2015, alleged eight counts against our predecessor and us for fraud, negligent misrepresentation, promissory fraud, fraudulent concealment and unjust enrichment. Plaintiffs sought actual and punitive damages and costs. In March 2019, the defendants settled this case with plaintiffs by agreeing to pay $150,000 in exchange for a release of all claims.

Tavarua Restaurants, Inc. et al. v. McDonald's USA, LLC (Case No. 19-CV-0021-MMA-NLS). On January 4, 2019, the plaintiffs, the estate of a recently deceased franchisee and that franchisee's operating companies, filed a complaint in the U.S. District Court, Southern District of California against us. The complaint alleges that we improperly exercised a right of first refusal seeking to purchase the franchisee's restaurant franchises and violated California's franchise relations law. The complaint seeks an order declaring that we did not properly exercise our right of first refusal and to enjoin us from stopping a transaction for the sale of the restaurant franchises between the estate and another franchisee. We have filed an answer and counterclaims as well as a motion seeking declaratory judgment that we validly exercised our right of first refusal. On August 16, 2019, the Court ruled that we validly exercised our first option to purchase only the restaurant franchises. Following the ruling, the parties entered into a settlement agreement and mutual release that provided for the sale of the eight franchises to us for $15.6M.

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) in situations where we and a franchisee mutually agree on a term of 10 years or less, after considering such factors as the restaurant location and its business potential, franchisees will pay a prorated initial franchise fee based on the term of the franchise; (d) 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); (e) 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); (f) franchisees of STO and STR locations pay a $22,500 lump sum initial franchise fee; and (g) 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. Pass Thru Rent, if applicable: Payable on the 1st day of the month. Percentage Rent: Payable monthly on the 10th day of the next month.	 Where we lease the land and/or building, we will pass thru any rent escalations which occur throughout the lease term as pass thru rent.

Type of fee	Amount	Due Date	Remarks
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)(4)(7)	Same as Base, Pass Thru and Percentage Rent above.	
BFL Rent (1)	Varies (3)(8)	Same as Rent above.	
Relocation Contribution (1)(9)	$50,000	On opening of the relocated restaurant.	
POS Releases Fee (1)(10)	$1,000 integration fee (one-time fee)(11) $650 annual fee	 Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	 You pay the annual fee to us for the POS integration to store system platform.
Back Office Integration and Support Fee (1)(10)	$500 integration fee (one-time fee)(11) $1,002 annual fee	 Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	 You pay the annual fee to us for the back office integration to store system platform.
Restaurant Deployment and Execution (1)(10)	$425 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay the annual fee to us for software deployment and execution services
Restaurant File Maintenance (RFM) (1)(10)	$195 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us for the annual hosting and maintenance of RFM and we remit payment to our predecessor.
NewPOS NP[6] (1)(10)	$1,600 license fee (one-time fee)(11) $650 annual fee	 Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	 You pay the annual fee to us for NewPOS NP[6] software maintenance and support and we remit payment to our predecessor.
Integrated Cashless System Fee (1)(10)	$214 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay these fees to us and we remit payment to a third party supplier.

Type of fee	Amount	Due Date	Remarks
Microsoft Subscription (1)(10)	$490 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us and we remit payment to Microsoft.
Endpoint Security (1)(10)	$100 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us and we remit payment to a third party supplier.
Employee Experience Platform (OurLounge) (1)(10)	$300 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us for the annual support and maintenance of OurLounge solution.
Employee Experience Platform (Fred / Campus) (1)(10)	$209 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us for the annual support and maintenance of Campus, Fred solution and we remit payment to our predecessor.
McDelivery POS Integration (1)(10)(12)	$250 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us for the annual support and maintenance of McDelivery orders integration into our POS software and we remit payment to our predecessor.
Restaurant Systems Management (RSM) (1)(10)	$250 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us for the annual maintenance of RSM.
Restaurant Integrated Data Movement (RIDM) (1)(10)	$115 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us for the annual maintenance of RIDM.
Identity Management (1)(10)	$200 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us for the annual support and maintenance of restaurant crew identity security management software.
Store Mail (email accounts) Fee (10)	$73.80 annual fee	Payable annually within 30 days of billing.	You pay this fee to us for annual email account support for using the us.stores.mcd.com domain.
PCI Compliance / Security (1)(10)	$525 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us to ensure your technology is secure and reliable.
Restaurant Support (1)(10)	$1,100 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us for providing technology support.
Back Office (Cash / Inventory / DataPass) (1)(10)(12)	$498 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us for back office cash, inventory and DataPass software maintenance and we remit payment to QSRSoft.
Digital Platform - Localization (1)(10)	$900 one-time fee (11) $1,600 annual fee	 Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	 You pay this fee to us for supporting, enhancing and localizing digital technology software.
Digital Platform – Core Product (1) (10)	$1,100 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us for the annual maintenance, support and hosting of core digital technology software and we remit payment to our predecessor.

Type of fee	Amount	Due Date	Remarks
Experience of the Future (EOTF) (1)(10)(12)	$1,000 one-time licensing fee (11)*		
	$1,000 annual fee*	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us for EOTF technology integration and support. *For kiosk only restaurants without outdoor digital menu boards, the licensing fee and annual fees are each reduced to $500.
Kiosk – Core Product (1)(10)(12)	$1,500 one-time licensing fee (11)		Kiosk licensing fee is paid to us as part of the standard construction billing process and we remit payment to our predecessor.
	$350 annual fee	Drafted in 12 monthly installments on the 25th day of each month through iReceivables.	You pay this fee to us for core kiosk technology software and we remit payment to our predecessor.

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

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

(3) The following is the rent structure for new restaurants:

Fixed Percentage Rent with Monthly Base Rent and Pass Thru Rent, if applicable
Monthly Base Rent
Most 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 return 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 in the first year 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.

Pass Thru Rent
For a site where the land and/or building is leased by McDonald's, there may be rent escalations for which McDonald's is responsible under the lease which are above and beyond the original monthly rent we paid to the landlord. For these rent escalations, McDonald's will charge you pass thru rent which

must be paid every month the escalations are in effect. We do not apply a finance factor to the pass thru rent.

Fixed Percentage Rent
The Fixed Percentage Rent for new restaurants that opened on or after July 1, 2013, is generally computed as follows:

McDonald's Total Acquisition and Development Costs More Than	Up to	Franchisee's Fixed Percentage Rent Rate
$0.00	$1,020,000	8.50%
$1,020,000.01	$1,050,000	8.75%
$1,050,000.01	$1,080,000	9.00%
$1,080,000.01	$1,140,000	9.25%
$1,140,000.01	$1,170,000	9.50%
$1,170,000.01	$1,200,000	9.75%
$1,200,000.01	$1,230,000	10.00%
$1,230,000.01	$1,260,000	10.25%
$1,260,000.01	$1,290,000	10.50%
$1,290,000.01	$1,320,000	10.75%
$1,320,000.01	$1,350,000	11.00%
$1,350,000.01	$1,410,000	11.25%
$1,410,000.01	$1,470,000	11.50%
$1,470,000.01	$1,570,000	11.75%
$1,570,000.01	$1,630,000	12.00%
$1,630,000.01	$1,690,000	12.25%
$1,690,000.01	$1,750,000	12.50%
$1,750,000.01	$1,810,000	12.75%
$1,810,000.01	$1,910,000	13.00%
$1,910,000.01	$2,010,000	13.25%
$2,010,000.01	$2,110,000	13.50%
$2,110,000.01	$2,210,000	13.75%
$2,210,000.01	$2,310,000	14.00%
$2,310,000.01	$2,410,000	14.25%
$2,410,000.01	$2,510,000	14.50%
$2,510,000.01	$2,610,000	14.75%
$2,610,000.01	$2,710,000	15.00%
$2,710,000.01	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. If you are purchasing an existing restaurant from a franchisee, the chart will not apply as you will be assuming the Monthly Base Rent and Fixed Percentage Rent paid by the selling franchisee (except for any rent relief which is personal to the selling franchisee).

As set forth in Item 17, you have no right to renew or extend your franchise. However, if we offer you a new term franchise, the Fixed Percentage Rent associated with that franchise will be based on the then-current policies. Under our current policy, the Fixed Percentage Rent for new term franchises will not be lower than the Fixed Percentage Rent in the previous franchise term. Further, the Fixed Percentage Rent will remain the same unless the current Fixed Percentage Rent rate is below the lowest Fixed Percentage Rent rate in the chart above, in which case the rent for the new term franchise may be raised to match the lowest Fixed Percentage Rent rate. The Fixed Percentage Rent may also increase if: 1) McDonald's has made additional investments outside of our standard contributions to institutional programs such as rebuilds, relocations and major remodels; 2) the Fixed Percentage Rent in the previous franchise term was temporarily reduced to provide financial assistance and that temporary reduction does not extend to the entirety of the new franchise term; or 3) you, or a previous franchisee while licensed to operate this location, and McDonald's entered into a separate agreement that includes scheduled Fixed Percentage

Rent increases during the new franchise term. For sites leased by McDonald's, we may also charge you Pass Thru Rent for any additional lease costs charged to McDonald's in the new term franchise that are above the average lease costs over the previous 20 years.

While the table shown above references total acquisition and development costs, you should be aware that the table is the end result 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 return on investment, the ratio between what we think might be our potential return and yours, and the amount which we have at risk.

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 light 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 outlined in this Item 6.

(4) We have adopted a policy that allows co-investment in the building and site improvements of new and relocated traditional, STO and STR restaurants for a reduction in the Fixed Percentage Rent and Monthly Base Rent, if certain eligibility conditions are met. You are not required to participate under this policy. If the eligibility 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 traditional, STO and STR restaurants and are listed below. We may apply, modify, or terminate this policy at any time at our discretion.

Terms:
For new and relocated traditional, STO and STR restaurants, the general terms are as follows: (a) you have the ability to reduce your stated percentage rent in increments of .25% ("quarters"), 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 applicable Fixed Percentage Rent Chart and will be no less than $30,000 per quarter for new and relocated traditional restaurants or no less than $30,000 in total for new and relocated STO and STR restaurants; (c) you must pay the additional 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. For new and relocated traditional restaurants, if our investment is over $2,710,000, or for new and relocated STO and STR restaurants, if our investment is over $1,000,000, these terms will be decided on a case-by-case basis.

Co-Investment Criteria and Calculation for New Traditional 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 $1,350,000; (c) the Fixed Percentage Rent is over 11%; (d) your franchise for the restaurant is 20 years; (e) if the restaurant is on property leased by us, we do not pay any percentage rent to our landlord; and (f) decision to co-invest must be made before the restaurant opens.

For new restaurants, the co-investment floor for the calculation (to determine the number of quarters available and maximum rent reduction) is 11%. When you select the actual co-investment amount, the corresponding percentage rent reduction 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 11%.

Co-Investment Criteria and Calculation for Relocated Traditional 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 calculation to determine the 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 reduction 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%.

Co-Investment Criteria and Calculation for New and Relocated STO and STR Restaurants:
For new and relocated STO and STR restaurants, the following criteria apply: (a) our real estate tenure at the location is at least 10 years; (b) our development costs are more than $640,000; (c) the Fixed Percentage Rent is over 9.0% for STR and 9.5% for STO; (d) your franchise for the restaurant is 10 years; and (e) if the restaurant is on property leased by us, we do not pay any uncapped percentage rent to our landlord.

For new and relocated STO and STR restaurants, the co-investment floor (for the calculation to determine the number of quarters available and maximum rent reduction) is 9.0% for STR and 9.5% for STO. When you select the actual co-investment amount, the corresponding percentage rent reduction is applied to the rent structure that was established for the restaurant prior to the co-investment decision, but the rent may not be reduced below 9.0% for STR and 9.5% for STO.

(5) Not payable to 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 (other than McDonald's in Walmart (MIW) restaurants) will have an Annual or Monthly Base Rent. The rent charged is determined on a case-by-case basis by our management. The rent will vary depending on our investment, rent paid to the head landlord, length of term, projected profitability, and return on investment. MIW restaurants will pay Fixed Percentage Rent, which generally ranges from 14% to 15½% of Gross Sales, and is based on the actual sales volume for the MIW restaurant.

(7) The following is the rent structure 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 and STR locations that opened on or after May 28, 2014, is generally computed as follows:

McDonald's Total Acquisition and Development Costs		Fixed Percentage Rent	
More Than	**Up to**	**STO**	**STR**
$0.00	$640,000	9.50%	9.00%
$640,000.01	$670,000	9.75%	9.25%
$670,000.01	$700,000	10.00%	9.50%
$700,000.01	$730,000	10.25%	9.75%
$730,000.01	$760,000	10.50%	10.00%
$760,000.01	$820,000	10.75%	10.25%
$820,000.01	$880,000	11.00%	10.50%

McDonald's Total Acquisition and Development Costs		Fixed Percentage Rent	
More Than	**Up to**	**STO**	**STR**
$880,000.01	$940,000	11.25%	10.75%
$940,000.01	$1,000,000	11.50%	11.00%
$1,000,000.01	and above	Established on a case by case basis	

Pass Thru Rent
For leased locations, restaurants may have a monthly pass thru rent, which is calculated in the same manner as described above in Note 3.

(8) The rent structure for BFLs is 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) These fees shall remain fixed through December 2020, but may increase thereafter.

(11) One-time fees are paid for new and existing restaurants that adopt the specified technology.

(12) Fees apply to participating restaurants only.

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 $0 to $229,000 (6) $0 to $60,000 (2) (6) $0 to $75,000 (3) (6) Percentage Rent 0.00% to 28.00% (7) 0.00% to 15.00% (2) 0.00% to 20.25% (3)	Monthly	Base: Current month Base Rent due 1st of the month Percent: 10th of following month	McDonald's
Signs, Seating, Equipment, and Decor	$950,000 to $1,550,000 (8) $640,000 to $1,150,000 (2) (8) $325,000 to $495,000 (3) (8)	Lump Sum	Before Opening	Vendors
Opening Inventory	$20,000 to $35,000 $13,500 to $29,000 (2) $10,000 to $26,000 (3)	Lump Sum	Before Opening	Vendors
Miscellaneous Opening Expenses	$46,500 to $56,500	As Incurred	As Incurred	Vendors Utilities
Travel and Living Expenses While Traveling	$3,000 to $36,000 (9)	As Incurred	As Incurred	Airlines Hotels Restaurants
Additional Funds – 3 Months	$250,000 to $355,000 (10) $185,000 to $225,000 (2) (10) $80,000 to $110,000 (3) (10)	As Incurred	As Incurred	Employee Suppliers Utilities
TOTAL (11)	$1,314,500 to $2,306,500 (5) (11) $910,500 to $1,579,000 (2) (11) $464,500 to $799,000 (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 current Store Systems range from $108,000 to $118,500, which includes the POS, Integrated Cashless System, kiosks, table locators, computer hardware, software, and related equipment.

(9) Cost varies due to distances from Field Offices and headquarters in Chicago, 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 supplies, 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 structure; 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 65 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. Of all of the sales of restaurants by McOpCo companies in 2019, one sale exceeded the high end of the initial investment range by $75,543.

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 supplies to our franchisees; and none of our officers own any interest in any of our approved suppliers. 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 gaining approval status 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 applies 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, NP^6. The computer hardware for NP^6 is purchased through our approved POS suppliers. The NP^6 computer software is owned and maintained by our predecessor. Included in the payments you make for the NP^6 computer software is a one-time license fee and a payment for the NP^6 software maintenance for the first year, both of which are paid to us and which we will pay to our predecessor. After the first year, you are billed by McDonald's for an annual maintenance fee that is paid to our predecessor for providing periodic updates and enhancements to the NP^6 software (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 2019, we and our predecessor received $31,960,326 in loan guarantee service fees, cashless incentives, and beverage supplier rebates.

In 2019, our total revenue was about $7.84 billion and revenue from the sale or lease of real estate and services to franchisees was about $5.35 billion. This represents 68% 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 90% to 95% of your total purchases in connection with the establishment of the restaurant and approximately 55% to 65% 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 & 11
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.	Item 11
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 Section 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-competition 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 external 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 external 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.

Our predecessor may, at its discretion, guarantee loans made by a third party lender, Bank of America, N.A., a National Banking Association-(the "Lender"), to franchisees for remodeling existing restaurants, working capital, refinancing existing restaurant loans, acquiring restaurant businesses, 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 obligations and in return will receive a guarantee fee (currently equal to 1.25% of average outstanding balance) in consideration for the risks and costs associated with the guaranteed loans. The rate on these loans will typically be 1 month LIBOR plus 2.50% per annum for floating rate loans which may be prepaid with no penalty. As of January 31, 2020, 1 month LIBOR was 1.66%. 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. The loan amount will vary depending on the purpose for which the loan is to be used. 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 an Operator Assistance Program Agreement with us (see Exhibit M). As part of the Operator Assistance Program Agreement, the franchisee agrees to waive all claims against McDonald's. As of January 31, 2020, the annual percentage rate (APR) was 4.16%. All loan participants will be required to permit electronic debiting of accounts for payment. The financing documents are typically a Promissory Note, Security Agreement, Authorization for ACH Drafting of Loan Payments, and Operator Assistance Program Agreement similar to the documents in Exhibit M.

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:

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).

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.

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).

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:

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 accomplished by visits by operations consultants, printed reports, seminars, newsletter mailings, emails, 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).

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 consultants 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 Internet. 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, unless otherwise agreed to by us. For new, rebuilt, 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 funds on the same basis. Each franchisee member of OPNAD pledges the same contribution rate, currently 2.00% 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 redemption of gift certificates sold to customers at McDonald's restaurants. Charges for certain other accounting personnel who provide services to the fund and the gift certificate program are included in the administrative costs for the OPNAD fund. 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 manner. Since we do not administer or maintain an advertising or marketing fund, 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.

<u>Computer Systems</u>:

The term "Store Systems" describes the combined hardware and software application suite deployed at the restaurant. The Store Systems are generally used in the restaurant to efficiently and accurately process customer orders by integrating production and service systems and to compile information including sales, transactions, product mix, and cash control. The Store Systems also may be used to compile inventory, labor, and timekeeping information about the restaurant. All new restaurants must install the current Store Systems except for the ISP as described below, though usage of some functionality available through the Store Systems is optional and up to your discretion. The cost of current Store Systems range from $108,000 to $118,500, which includes the POS, Integrated Cashless System, kiosks, table locators, computer hardware, software, and related equipment. See Item 6 for software-related fees.

Enhancements to hardware and software components of Store Systems are made available by McDonald's and McDonald's-approved suppliers for purchase by you, and you may be required to update or upgrade the Store Systems periodically to meet McDonald'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, you must pay a one-time fee if the Store Systems change significantly. You may choose from an approved supplier or an approved independent third party for installation, maintenance, repair, and support services of Store Systems at varying costs.

One component of Store Systems is the POS platform. McDonald's requires new restaurants to use the current version of the POS platform, NP^6. The hardware and software for NP^6 are purchased through McDonald's-approved POS suppliers. The hardware and software components for NP^6 have been integrated into the service and production systems of the restaurant. NP^6 is the proprietary property of McDonald's predecessor. Restaurants that are currently operating older, previously-approved POS systems (such as Panasonic II+, PAR II, 386 based PcPOS, PcPOS without ISP software, or PcPOS with ISP software but not running the current version of Store Systems) are required to replace or upgrade to the current version of the POS platform.

The restaurant's transaction-level information generated by the POS, including sales, transactions, and product mix information, is stored on your server hardware and transmitted to McDonald's and held on its servers. McDonald's has independent access to this information and there are no contractual limits on its right to access such information.

Another component of the Store Systems is the Integrated Cashless System, which is used to accept credit and debit card purchases by customers. You must purchase the Integrated Cashless System hardware and software that McDonald's specifies (including card readers, cables, and related hardware) from its designated supplier. The required hardware and software, which is not proprietary to McDonald's or any affiliate, has been used continuously in McDonald's restaurants since June 2003. You must also sign an agreement with McDonald's designated transaction processor (see Item 8), and McDonald's recommends that the restaurant has McDonald's approved high-speed internet access. The Integrated Cashless System that is compatible with the current Store Systems is Cashless 3.0. McDonald's charges an annual fee for maintenance and hosting of cashless transaction data (see Item 6). Your POS system and the transaction processor will collect your cashless transaction information. McDonald's has independent access to aggregated transaction-level information, along with information on the number and dollar amount of specific cashless transactions.

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

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.

Another component of the Store Systems for existing restaurants is the In Store Processor (ISP) software, which runs on server hardware and operates with other software that is the proprietary property of McDonald's and other third-party software providers. McDonald's is currently in the process of transitioning from the ISP software and its server-based applications to web-based applications. As such, the ISP software will eventually be retired from all existing restaurants. However, restaurants will still be required to have the server hardware that runs the ISP software even after the ISP software is retired.

Beyond Store Systems, McDonald's makes the Regional Restaurant Data Diagnostics system (R2D2) available for those existing restaurants that have not yet transitioned away from ISP software. R2D2 provides you, at your option, with highly focused, actionable reports about the restaurant. If the restaurant has ISP software, you may elect to install R2D2 software, which runs on your server hardware and operates with the ISP software to collect and transmit sales and other information to McDonald's servers. McDonald's uses the information collected and transmitted via R2D2 software to provide the reports you request and also uses the sales data to verify the sales information you report through other means to McDonald's. If the restaurant has transitioned away from ISP software, McDonald's approved third-party web-based applications are available to provide you, at your option, with similar actionable reports about the restaurant that you may use.

Finally, pursuant to the franchise agreement, you must provide McDonald's with monthly statements of all receipts from the restaurant operation and additional financial, operating, and other information on forms and in the manner McDonald's reasonably requests. To that end, 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 McDonald's web-based Franchisee Financial System (FFS).

Site Selection:

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 sites. You will not sign a Franchise Agreement unless we have already selected the site.

We utilize our judgment and experience in selecting locations for McDonald's restaurants based upon population density, traffic patterns, 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 attention through independent canvassing of highways and urban, suburban, small town, and other neighborhoods.

Restaurant Opening:

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.

The restaurant opening may occasionally be delayed by weather conditions, delayed delivery, or installation of equipment, fixtures and signs, labor disputes, governmental 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:

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 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 guest satisfaction, operational standards, financial controls, and leading people. The basic minimum core training, which you must complete to be qualified to operate a McDonald's restaurant, is known as the Restaurant Leadership curriculum. Existing franchisees will not be required to complete the curriculum to acquire an additional restaurant.

Our Restaurant Leadership curriculum is deployed through Campus and Fred, which allows you to complete and track the progress of your assigned learning online. You are also assigned a coach who helps with your assigned learning, monitors your training, and verifies the skills acquired. It takes approximately two years to complete all learning plans, from Shift Leader through Restaurant Leader. The time needed to complete a learning plan may vary due to previous classes you have completed, and the amount of time you dedicate to training each week.

The complete training program and materials include many elements. There are various instructor-led classes, computer-based learning (e-learning), coaching sessions, visual job aids, practical simulations, and verifications 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. 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 field office training centers.

You are required to complete all curricula, including the Leading Great Restaurants Class conducted at HU in Chicago, to McDonald's satisfaction to be qualified to operate a McDonald's restaurant. You must be fully trained, in McDonald's sole judgment, before you operate a restaurant.

At the opening of your restaurant, a franchise business partner will spend time with you providing assistance and refinement of previous training and instruction.

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

The experience of the instructors in the McDonald's restaurant business averages 5 or more years. Instructors include HU-facilitators and field training consultants. Rob Lauber, Senior Vice President and Chief Learning Officer, has been the head of our training program since July 2014. Prior to this role, from March 2006 to July 2014, he was the Vice President of Yum! University at Yum! Brands in Louisville, Kentucky.

McDonald's bears the cost of maintaining HU and other designated training centers associated with providing basic and advanced instruction in the Restaurant Leadership 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 connection with attendance at 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 Leadership curriculum. You are not an employee of McDonald's and are not compensated by McDonald's for or during any training described in this Item.

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 field office, 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.

In addition to 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 attend training offered at a remote location, McDonald's may require you to pay for the costs associated with that training.

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.

The Restaurant Leadership curriculum is described in the following tables and includes, but is not limited to:

(1) Self-Study Modules and Coaching: Self-directed modules and coaching provide initial training, practice, and verification.

(2) Facilitated 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.

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

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 training program table generally describes the minimum classroom and in-restaurant training 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 PLAN SUBJECT	Classroom Training	Training in a Restaurant	Location
Shift Leadership Curriculum			
➢ Shift Leadership Foundations			
- ServSafe*		Varies by State	Classroom/Online
- Shift into Overdrive		7-8 hours	Restaurant, coaching
- Journal		10-15 min per shift	Restaurant, self-study, coaching, e-learning
- Shift Leadership Coach Guide		10-15 min per shift	Restaurant, coaching,
- Shift Simulation		125 min total in 10-20 minute increments	Restaurant, self-study, coaching, e-learning
- Shift leadership e-learning modules		3-4 hours	Restaurant, self-study, coaching, e-learning
➢ Leadership Transitions Course	2 days		Classroom at Field Office or Remote facility
Department Leader Curriculum			
➢ Leading Hospitality Functional Training		12 hours	Restaurant, self-study, coaching, e-learning
➢ Leading Quality Functional Training		26 hours	Restaurant, self-study, coaching, e-Learning
➢ Leading People Functional Training		26 hours	Restaurant, self-study, coaching, e-learning
➢ Department Leader Getting Started		4 hours	Restaurant, self-study, coaching, e-learning
➢ Leading Technology		4 hours	Restaurant, self-study, coaching, e-learning
➢ Developing the Leader in Me Course	3 days		Classroom at Field Office or Remote facility
Restaurant Leader Curriculum			
➢ Restaurant Leader Functional track		15-16 hours	Restaurant, self-study, coaching, e-learning
➢ Leading Great Restaurants Course	4 days		Classroom at Hamburger University in Chicago, IL

*ServSafe – administered by the National Restaurant Association (certification requirements vary by state/county – with regard to the instruction/delivery of the class)

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. For example, McCafe packaged coffee is being sold in supermarkets and other retail outlets and via e-commerce. McDonald's reserves the right to sell other similar goods and services under the Marks or under different 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	Int. Class
THE GOLDEN ARCHES LOGO	893,440	06/23/70	43
McDONALD'S (Name)	743,572	01/08/63	43
McDONALD'S and GOLDEN ARCHES LOGO (Sign Design)	1,287,408	07/24/84	43

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. Currently 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. Although 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 discontinuance 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 information. 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 except as otherwise described in Item 5. Satellite term varies. STO and STR terms are generally 10 years. BFL term is generally 3 years.
b. Renewal or extension of the term	Section 28(a) See Exhibit K 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 K.
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 defaults	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.
i. Franchisee's obligations on termination/non-renewal	Section 20	For 30 days and at McDonald's request you must: sell us the furniture, 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 Applicable	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.

Provision	Section in franchise or other agreement	Summary
m. Conditions for franchisor approval of transfer	Sections 15 and 19	New franchisee qualifies; service fee increases to the current fee; new franchisee assumes full 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 qualified 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 Applicable	Not Applicable
v. Choice of forum	Not Applicable	Not Applicable
w. Choice of law	Section 27	The Franchise Agreement is interpreted and governed 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 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.

Provision	Section in Operator's Lease	Summary
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.
u. Dispute resolution by arbitration or mediation	Not Applicable	
v. Choice of forum	Not Applicable	
w. Choice of law	Section 8.06	The Franchise Agreement and Operator's Lease are interpreted and governed by Illinois law (with specific 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 information 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 outlet 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 12,032 domestic traditional McDonald's restaurants opened at least 1 year as of December 31, 2019, approximately 79% had annual sales volumes in excess of $2,300,000; approximately 70% had annual sales volumes in excess of $2,500,000; and approximately 60% had annual sales volumes in excess of $2,700,000. The average annual sales volume of domestic traditional McDonald's restaurants open at least 1 year as of December 31, 2019, was $3,009,000 during 2019. The highest and lowest annual sales volume in 2019 for these domestic traditional McDonald's restaurants was $12,654,000 and $654,000, respectively. The median annual sales volume of domestic traditional McDonald's restaurants open at least 1 year as of December 31, 2019, was $2,910,000 during 2019.

Of the approximately 11,435 domestic traditional franchised McDonald's restaurants opened at least 1 year as of December 31, 2019, approximately 78% had annual sales volumes in excess of $2,300,000; approximately 68% had annual sales volumes in excess of $2,500,000; and approximately 58% had annual sales volumes in excess of $2,700,000. The average annual sales volume of domestic traditional franchised McDonald's restaurants open at least 1 year as of December 31, 2019, was $2,970,000 during 2019. The highest and lowest annual sales volume in 2019 for these domestic traditional McDonald's restaurants was $12,654,000 and $654,000, respectively. The median annual sales volume of domestic traditional franchised McDonald's restaurants open at least 1 year as of December 31, 2019, was $2,867,000 during 2019.

Of the approximately 597 domestic traditional McOpCo restaurants opened at least 1 year as of December 31, 2019, approximately 99% had annual sales volumes in excess of $2,300,000; approximately 98% had annual sales volumes in excess of $2,500,000; and approximately 95% had annual sales volumes in excess of $2,700,000. The average annual sales volume of domestic traditional McOpCo restaurants open at least 1 year as of December 31, 2019, was $3,758,000 during 2019. The highest and lowest annual sales volume in 2019 for these domestic traditional McOpCo restaurants was $8,182,000 and $2,047,000, respectively. The median annual sales volume of domestic traditional McOpCo restaurants open at least 1 year as of December 31, 2019, was $3,629,000 during 2019.

The pro forma statements included below show annual sales volumes of $2,300,000, $2,500,000, and $2,700,000. These pro forma statements have been derived from independent franchisee traditional restaurant financial statements to provide information relevant to a prospective franchisee (see Note 1). Specific 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 10,676 independent franchisee traditional restaurants open and operated by a franchisee for at least 1 year and do not include restaurants operated by McOpCo companies, Satellites or the domestic traditional franchised restaurants that changed owners in 2019 and for which we had complete financial statements. 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 earnings claims, including computations of all actual or average profit or earnings, 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 financial results or "profit" 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 benefits (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)	$2,300,000	100.0%	$2,500,000	100.0%	$2,700,000	100.0%
TOTAL COST OF SALES	655,000	28.5%	708,000	28.3%	761,000	28.2%
GROSS PROFIT	1,648,000	71.7%	1,792,000	71.7%	1,935,000	71.7%
OTHER OPERATING EXPENSES (excluding rent, service fees, depreciation and amortization (D&A), interest, and income taxes)*	1,041,000	45.3%	1,112,000	44.5%	1,187,000	44.0%
OPERATING INCOME BEFORE OCCUPANCY COSTS (excluding rent, service fees, D&A, interest, and income taxes) (see Note 3)**	607,000	26.4%	680,000	27.2%	748,000	27.7%

Of the 10,676 independent franchisee traditional restaurants included in the pro forma statements above, approximately 75% had operating income before occupancy costs greater than $607,000; approximately 66% had operating income before occupancy costs greater than $680,000; and approximately 58% had operating income before occupancy costs greater than $748,000.

*** 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.

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 $606,000 to $743,000.

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. The Operating Income Before Occupancy Costs numbers were determined using restaurants with product sales between $2,200,000 to $2,400,000; $2,400,000 to $2,600,000; and $2,600,000 to $2,800,000, respectively.

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 2019 for franchised restaurants was 0.00% to 31.54%. Refer to Item 6 for a description of rents.

Some McDonald's restaurants have achieved these sales, profits or earnings. Your individual results may differ. There is no assurance that you will sell or earn as much.

Item 20
Outlets and Franchisee Information

Table No. 1
Systemwide Outlet Summary
For years 2017 to 2019

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2017	13,047	13,145	+98
	2018	13,145	13,229	+84
	2019	13,229	13,185	-44
Company-Owned	2017	1,106	884	-222
	2018	884	683	-201
	2019	683	659	-24
Total Outlets	2017	14,153	14,029	-124
	2018	14,029	13,912	-117
	2019	13,912	13,844	-68

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) (1)
For years 2017 to 2019

State	Year	Number of Transfers
Alabama	2017	20
	2018	3
	2019	51
Alaska	2017	4
	2018	0
	2019	2
Arizona	2017	23
	2018	17
	2019	4
Arkansas	2017	19
	2018	38
	2019	0
California	2017	95
	2018	82
	2019	63
Colorado	2017	14
	2018	21
	2019	21
Connecticut	2017	11
	2018	11
	2019	12
Delaware	2017	7
	2018	0
	2019	5
District of Columbia	2017	0
	2018	3
	2019	0
Florida	2017	54
	2018	78
	2019	20

State	Year	Number of Transfers
Georgia	2017	39
	2018	46
	2019	43
Hawaii	2017	0
	2018	0
	2019	5
Idaho	2017	9
	2018	7
	2019	14
Illinois	2017	71
	2018	26
	2019	47
Indiana	2017	18
	2018	20
	2019	16
Iowa	2017	10
	2018	12
	2019	13
Kansas	2017	8
	2018	22
	2019	14
Kentucky	2017	15
	2018	13
	2019	14
Louisiana	2017	23
	2018	36
	2019	0
Maine	2017	1
	2018	6
	2019	4
Maryland	2017	22
	2018	12
	2019	6
Massachusetts	2017	16
	2018	15
	2019	10
Michigan	2017	32
	2018	40
	2019	15
Minnesota	2017	18
	2018	10
	2019	12
Mississippi	2017	16
	2018	12
	2019	13
Missouri	2017	23
	2018	50
	2019	12
Montana	2017	5
	2018	7
	2019	1
Nebraska	2017	11
	2018	8
	2019	1
Nevada	2017	3
	2018	6
	2019	0

State	Year	Number of Transfers
New Hampshire	2017	9
	2018	0
	2019	0
New Jersey	2017	15
	2018	12
	2019	31
New Mexico	2017	6
	2018	8
	2019	4
New York	2017	39
	2018	19
	2019	27
North Carolina	2017	45
	2018	32
	2019	31
North Dakota	2017	6
	2018	2
	2019	2
Ohio	2017	33
	2018	60
	2019	37
Oklahoma	2017	19
	2018	15
	2019	6
Oregon	2017	17
	2018	9
	2019	4
Pennsylvania	2017	36
	2018	41
	2019	57
Rhode Island	2017	12
	2018	0
	2019	1
South Carolina	2017	25
	2018	23
	2019	18
South Dakota	2017	0
	2018	0
	2019	10
Tennessee	2017	53
	2018	84
	2019	11
Texas	2017	83
	2018	113
	2019	31
Utah	2017	11
	2018	24
	2019	8
Vermont	2017	0
	2018	0
	2019	0
Virginia	2017	24
	2018	8
	2019	9
Washington	2017	12
	2018	11
	2019	8

State	Year	Number of Transfers
West Virginia	2017	4
	2018	9
	2019	5
Wisconsin	2017	28
	2018	10
	2019	10
Wyoming	2017	2
	2018	7
	2019	0
Guantanamo Bay	2017	0
	2018	0
	2019	0
Northern Mariana Islands	2017	0
	2018	0
	2019	0
Total	2017	1066
	2018	1088
	2019	728

(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 2017 to 2019

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	2017	254	0	5	2	0	0	247
	2018	247	0	0	2	0	0	245
	2019	245	0	1	0	0	0	244
Alaska	2017	31	0	0	0	0	0	31
	2018	31	0	0	0	0	0	31
	2019	31	0	0	0	0	0	31
Arizona	2017	280	1	1	0	0	1	279
	2018	279	0	0	1	0	0	278
	2019	278	1	0	5	0	0	274
Arkansas	2017	175	3	1	2	0	1	174
	2018	174	0	0	1	0	0	173
	2019	173	2	2	1	0	1	171
California	2017	1,216	15	6	18	0	0	1,207
	2018	1,207	14	9	2	0	0	1,210
	2019	1210	4	1	8	0	2	1203
Colorado	2017	200	14	1	1	0	0	212
	2018	212	0	0	1	0	0	211
	2019	211	1	0	3	0	0	209
Connecticut	2017	142	0	0	0	0	0	142
	2018	142	0	0	0	0	0	142
	2019	142	0	1	0	0	0	141
Delaware	2017	35	3	0	0	0	0	38
	2018	38	0	0	1	0	0	37
	2019	37	0	0	1	0	0	36
District of Columbia	2017	29	0	1	0	0	0	28
	2018	28	0	1	0	0	0	27
	2019	27	0	0	0	0	0	27

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
Florida	2017	793	7	0	0	0	3	797
	2018	797	9	0	0	0	2	804
	2019	804	6	4	1	0	1	804
Georgia	2017	443	5	6	4	0	1	437
	2018	437	27	3	7	0	0	454
	2019	454	0	1	1	0	0	452
Guam	2017	6	0	0	0	0	0	6
	2018	6	1	0	0	0	1	6
	2019	6	0	0	0	0	0	6
Hawaii	2017	51	2	0	0	0	0	53
	2018	53	0	0	1	0	0	52
	2019	52	0	0	0	0	0	52
Idaho	2017	63	1	2	0	0	0	62
	2018	62	0	0	0	0	0	62
	2019	62	0	0	0	0	0	62
Illinois	2017	579	27	12	1	0	1	592
	2018	592	29	3	1	0	0	617
	2019	617	3	2	0	0	2	616
Indiana	2017	292	9	2	1	0	0	298
	2018	298	19	1	2	0	0	314
	2019	314	9	1	0	0	1	321
Iowa	2017	149	5	1	1	0	0	152
	2018	152	0	3	2	0	0	147
	2019	147	1	0	1	0	1	146
Kansas	2017	148	0	0	0	0	0	148
	2018	148	0	0	0	0	0	148
	2019	148	0	0	0	0	0	148
Kentucky	2017	227	13	1	1	0	1	237
	2018	237	10	0	5	0	0	242
	2019	242	0	0	1	0	0	241
Louisiana	2017	244	0	1	2	0	0	241
	2018	241	0	1	0	0	0	240
	2019	240	1	1	2	0	1	237
Maine	2017	62	0	0	0	0	0	62
	2018	62	0	0	0	0	0	62
	2019	62	0	0	0	0	0	62
Maryland	2017	233	3	2	2	0	0	232
	2018	232	1	3	0	0	0	230
	2019	230	4	0	0	0	0	234
Massachusetts	2017	240	0	2	0	0	0	238
	2018	238	1	4	0	0	1	234
	2019	234	0	0	0	0	0	234
Michigan	2017	458	27	3	1	0	0	481
	2018	481	5	5	1	0	0	480
	2019	480	10	1	1	0	0	488
Minnesota	2017	194	33	0	0	0	0	227
	2018	227	0	1	0	0	0	226
	2019	226	0	0	0	0	0	226
Mississippi	2017	148	0	1	2	0	0	145
	2018	145	0	1	0	0	0	144
	2019	144	1	2	0	0	0	143
Missouri	2017	316	1	1	0	0	0	316
	2018	316	2	1	1	0	1	315
	2019	315	1	1	0	0	0	315

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
Montana	2017	48	0	0	0	0	0	48
	2018	48	0	0	0	0	0	48
	2019	48	0	0	0	0	0	48
Nebraska	2017	59	22	0	1	0	1	79
	2018	79	1	1	1	0	0	78
	2019	78	0	0	1	0	0	77
Nevada	2017	128	1	0	0	0	0	129
	2018	129	3	0	1	0	0	131
	2019	131	1	0	1	0	1	130
New Hampshire	2017	58	0	3	0	0	0	55
	2018	55	0	1	0	0	0	54
	2019	54	0	0	0	0	0	54
New Jersey	2017	260	4	1	0	0	1	262
	2018	262	4	2	0	0	0	264
	2019	264	1	2	0	0	0	263
New Mexico	2017	105	0	1	0	0	0	104
	2018	104	1	0	0	0	1	104
	2019	104	2	0	0	0	0	106
New York	2017	622	1	7	6	0	0	610
	2018	610	18	8	2	0	1	617
	2019	617	0	6	3	15	0	593
North Carolina	2017	454	4	2	0	0	1	455
	2018	455	20	4	5	0	0	466
	2019	466	2	1	7	0	1	459
North Dakota	2017	25	0	0	0	0	0	25
	2018	25	0	0	0	0	0	25
	2019	25	0	1	0	0	0	24
Ohio	2017	545	7	3	4	0	0	545
	2018	545	30	1	1	0	0	573
	2019	573	1	1	2	0	1	570
Oklahoma	2017	181	3	0	0	0	0	184
	2018	184	2	0	2	0	1	183
	2019	183	1	0	0	0	0	184
Oregon	2017	166	0	0	0	0	0	166
	2018	166	1	1	0	0	1	165
	2019	165	0	0	3	0	0	162
Pennsylvania	2017	500	5	2	2	0	0	501
	2018	501	7	5	9	0	0	494
	2019	494	2	2	3	0	0	491
Rhode Island	2017	31	0	0	0	0	0	31
	2018	31	0	0	0	0	0	31
	2019	31	0	0	0	0	0	31
South Carolina	2017	223	2	0	0	0	0	225
	2018	225	2	2	2	0	2	221
	2019	221	6	2	2	0	1	222
South Dakota	2017	30	0	0	0	0	0	30
	2018	30	0	0	0	0	0	30
	2019	30	0	0	0	0	0	30
Tennessee	2017	321	19	4	5	0	2	329
	2018	329	1	0	3	0	0	327
	2019	327	0	0	0	0	0	327
Texas	2017	1,131	16	5	8	0	0	1,134
	2018	1,134	16	8	7	0	1	1,134
	2019	1134	11	2	5	0	1	1137

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
Utah	2017	118	0	1	1	0	0	116
	2018	116	1	0	1	0	0	116
	2019	116	0	1	2	0	0	113
Vermont	2017	28	0	0	0	0	0	28
	2018	28	0	2	0	0	0	26
	2019	26	0	0	0	0	0	26
Virginia	2017	371	5	4	3	0	2	367
	2018	367	2	4	2	0	1	362
	2019	362	3	0	0	0	1	364
Washington	2017	226	5	1	2	0	0	228
	2018	228	13	1	2	0	0	238
	2019	238	0	0	0	0	0	238
West Virginia	2017	102	1	0	0	0	0	103
	2018	103	0	0	0	0	0	103
	2019	103	0	0	0	0	0	103
Wisconsin	2017	275	2	0	0	0	0	277
	2018	277	0	1	0	0	0	276
	2019	276	4	1	1	0	0	278
Wyoming	2017	29	0	0	0	0	0	29
	2018	29	0	0	0	0	0	29
	2019	29	0	0	0	0	0	29
Guantanamo Bay	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Northern Mariana Islands	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Total Outlets	2017	13,047	266	83	70	0	15	13,145
	2018	13,145	240	77	66	0	13	13,229
	2019	13,229	78	37	55	15	15	13,185

(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 at the end of the remaining term. 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 affiliate 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 mutually 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 2017 to 2019

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
Arizona	2017	11	0	0	0	0	11
	2018	11	0	0	0	0	11
	2019	11	0	0	0	0	11
California	2017	100	0	0	1	10	89
	2018	89	0	0	0	11	78
	2019	78	0	0	0	0	78
Colorado	2017	14	0	0	0	14	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Delaware	2017	3	0	0	0	3	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
District of Columbia	2017	2	0	0	2	0	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Florida	2017	107	1	0	1	0	107
	2018	107	0	0	0	3	104
	2019	104	0	0	0	6	98
Georgia	2017	31	0	0	1	3	27
	2018	27	0	0	0	27	0
	2019	0	0	0	0	0	0
Hawaii	2017	23	0	0	0	2	21
	2018	21	0	0	0	0	21
	2019	21	0	0	0	0	21
Illinois	2017	93	0	0	0	24	69
	2018	69	0	0	0	24	45
	2019	45	0	0	0	0	45
Indiana	2017	63	0	0	0	9	54
	2018	54	0	0	0	19	35
	2019	35	0	0	0	7	28
Iowa	2017	5	0	0	0	5	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Kentucky	2017	30	0	0	0	11	19
	2018	19	0	0	0	10	9
	2019	9	0	0	0	0	9
Maryland	2017	62	0	0	0	3	59
	2018	59	0	0	0	1	58
	2019	58	0	0	0	4	54
Michigan	2017	95	0	0	0	27	68
	2018	68	0	0	0	3	65
	2019	65	0	0	0	8	57
Minnesota	2017	33	0	0	0	33	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Nebraska	2017	21	0	0	0	21	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
Nevada	2017	16	0	0	0	0	16
	2018	16	0	0	0	3	13
	2019	13	0	0	0	0	13

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
New Jersey	2017	5	0	0	0	2	3
	2018	3	0	0	0	3	0
	2019	0	0	0	0	0	0
New York	2017	17	0	0	0	0	17
	2018	17	0	0	0	17	0
	2019	0	1	15	1	0	15
North Carolina	2017	41	0	0	0	1	40
	2018	40	0	0	0	17	23
	2019	23	0	0	0	1	22
Ohio	2017	79	0	0	0	7	72
	2018	72	0	0	0	30	42
	2019	42	0	0	0	0	42
Oklahoma	2017	24	0	0	0	2	22
	2018	22	0	0	0	1	21
	2019	21	0	0	0	1	20
Pennsylvania	2017	12	0	0	0	5	7
	2018	7	0	0	0	7	0
	2019	0	0	0	0	0	0
South Carolina	2017	9	0	0	0	0	9
	2018	9	0	0	0	0	9
	2019	9	0	0	0	5	4
Tennessee	2017	21	0	0	0	17	4
	2018	4	0	0	0	0	4
	2019	4	0	0	0	0	4
Texas	2017	78	0	0	0	9	69
	2018	69	0	0	1	11	57
	2019	57	1	0	0	3	55
Virginia	2017	41	0	0	0	2	39
	2018	39	0	0	0	0	39
	2019	39	0	0	0	1	38
Washington	2017	43	0	0	0	5	38
	2018	38	0	0	0	13	25
	2019	25	0	0	0	0	25
West Virginia	2017	2	0	0	0	1	1
	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
Wisconsin	2017	25	0	0	0	2	23
	2018	23	0	0	0	0	23
	2019	23	0	0	0	4	19
Total Outlets	2017	1,106	1	0	5	218	884
	2018	884	0	0	1	200	683
	2019	683	2	15	1	40	659

(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, 2019 (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	0	0
Alaska	0	0	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
Arizona	0	5	0
Arkansas	0	0	0
California	0	2	0
Colorado	0	2	0
Connecticut	0	0	0
Delaware	0	0	0
District of Columbia	0	0	0
Florida	0	9	0
Georgia	0	1	0
Hawaii	0	1	0
Idaho	0	1	0
Illinois	0	0	0
Indiana	0	2	0
Iowa	0	0	0
Kansas	0	0	0
Kentucky	0	1	0
Louisiana	0	1	0
Maine	0	0	0
Maryland	0	1	0
Massachusetts	0	0	0
Michigan	0	1	0
Minnesota	0	0	0
Mississippi	0	0	0
Missouri	0	4	0
Montana	0	0	0
Nebraska	0	0	0
Nevada	0	2	0
New Hampshire	0	0	0
New Jersey	0	0	0
New Mexico	0	1	0
New York	0	0	0
North Carolina	0	1	0
North Dakota	0	0	0
Ohio	0	2	0
Oklahoma	0	5	0
Oregon	0	1	0
Pennsylvania	0	0	0
Rhode Island	0	0	0
South Carolina	0	4	0
South Dakota	0	1	0
Tennessee	0	1	0
Texas	0	14	0
Utah	0	0	0
Vermont	0	0	0
Virginia	0	1	0
Washington	0	0	0
West Virginia	0	0	0
Wisconsin	0	0	0
Wyoming	0	0	0
Guam	0	0	0
Guantanamo Bay	0	0	0
Northern Mariana Islands	0	0	0
Total	0	64	0

(1) Reflects projections of gross restaurant openings. As of the date of this disclosure document, McDonald's anticipates closing approximately 58 restaurants in 2020.

Attached to this disclosure document as Exhibit Q is a list of U.S. franchised restaurants as of December 31, 2019.

Attached to this disclosure document as Exhibit R is a list of the 353 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-specific franchisee organizations created, sponsored, or endorsed by McDonald's:

1. National Franchisee Leadership Alliance (NFLA)
Address: 110 N. Carpenter Street
Chicago, IL 60607
NFLA is endorsed by McDonald's.

2. Asian McDonald's Operators Association (AMOA)
Address: c/o Carol Chin
150 Staniford Street, Suite #3
Boston, MA 02114
E-Mail Address: jimmy.ferguson@partners.mcd.com
cc E-Mail: carol.chin@partners.mcd.com
AMOA is endorsed by McDonald's.

3. McDonald's Hispanic Operators Association (MHOA)
Address: 26605 Kelvin Ct., Suite A
Murrieta, CA 92562
E-Mail Address: ana.madan@partners.mcd.com
MHOA is endorsed by McDonald's.

4. National Black McDonald's Operators Association (NBMOA)
Address: 401 N. Michigan Ave., Suite 1200
Chicago, IL 60611
Telephone #: (312) 822-3363
E-Mail Address: execdirector@nbmoa.org
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@us.stores.mcd.com
WON is endorsed by McDonald's.

6. McDonald's Owner Operator Pride Network (MOOPN)
Address: 2140 Hall Johnson Road
Suite 102-301
Grapevine, TX 76051

E-Mail Address: martha.ball@partners.mcd.com
MOOPN is endorsed by McDonald's.

The following independent franchisee organization has asked to be included in this disclosure document:

National Owners Association (NOA)

Address:	4908 West Nassau Street Tampa, FL 33607
Telephone #	(813) 769-4960
E-Mail Address:	info@nationalownersassociation.com
Web Address:	https://nationalownersassocation.com

Item 21
Financial Statements

Attached to this disclosure document as Exhibit A are the consolidated balance sheets of McDonald's USA, LLC as of December 31, 2019, and December 31, 2018, and the related consolidated statements of income, member's equity, and cash flows for the years ended December 31, 2019, December 31, 2018, and December 31, 2017.

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, and L.

Item 23
Receipts

See the Receipts at the end of this disclosure document.

EXHIBITS

EXHIBIT A

Report of Independent Auditors

The Board of Directors
McDonald's USA, LLC

We have audited the accompanying consolidated financial statements of McDonald's USA, LLC, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, cash flows and member's equity for each of the three years in the period ended December 31, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of McDonald's USA, LLC at December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Chicago, Illinois

March 13, 2020

McDonald's USA, LLC
Consolidated statement of income

IN MILLIONS	Years ended December 31, 2019	2018	2017
REVENUES			
Sales by Company-operated restaurants	**$2,489.7**	$2,664.6	$3,260.4
Revenues from franchised restaurants	**5,353.0**	5,001.2	4,745.9
Total revenues	**7,842.7**	7,665.8	8,006.3
OPERATING COSTS AND EXPENSES			
Company-operated restaurant expenses			
Food & paper	**724.2**	798.6	965.3
Payroll & employee benefits	**828.5**	907.1	1,082.7
Occupancy & other operating expenses	**548.9**	561.8	689.8
Franchised restaurants – occupancy expenses	**1,125.7**	930.9	833.4
Selling, general & administrative expenses	**586.8**	591.4	624.4
Other operating (income) expense, net	**(40.1)**	(139.6)	(211.7)
Total operating costs and expenses	**3,774.0**	3,650.2	3,983.9
Operating income before royalty to parent	**4,068.7**	4,015.6	4,022.4
Royalty expense to parent	**811.6**	770.5	752.7
Operating income	**3,257.1**	3,245.1	3,269.7
Interest expense – net of capitalized interest of $3.5; $3.3 and $2.8	**97.5**	76.7	56.5
Non-operating (income) expense, net	**(4.1)**	(3.0)	(0.6)
Income before provision for income taxes	**3,163.7**	3,171.4	3,213.8
Provision for income taxes	**782.7**	744.0	614.9
Net income	**$2,381.0**	$2,427.4	$2,598.9

See Notes to consolidated financial statements.

McDonald's USA, LLC
Consolidated balance sheet

IN MILLIONS	December 31, 2019	2018
ASSETS		
Current assets		
Cash	**$42.0**	$51.5
Accounts and notes receivable, net	**1,060.3**	1,440.4
Due from parent, net	**-**	-
Inventories, at cost, not in excess of market	**14.2**	14.8
Prepaid expenses and other current assets	**54.1**	133.3
Total current assets	**1,170.6**	1,640.0
Other assets		
Investments in affiliates	**(2.1)**	(2.7)
Goodwill	**1,277.3**	1,276.5
Lease right of use assets	**6,257.4**	-
Miscellaneous	**180.1**	189.8
Total other assets	**7,712.7**	1,463.6
Property and equipment		
Property and equipment, at cost	**19,392.8**	17,952.2
Accumulated depreciation and amortization	**(6,783.4)**	(6,596.8)
Net property and equipment	**12,609.4**	11,355.4
Total assets	**$21,492.7**	$14,459.0
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	**$237.9**	$449.3
Due to parent, net	**-**	323.8
Lease liability current	**170.1**	-
Other taxes	**29.1**	27.1
Accrued interest, due to parent	**55.7**	45.7
Accrued payroll and other liabilities	**217.1**	193.1
Total current liabilities	**709.9**	1,039.0
Due to parent	**2,400.0**	2,400.0
Other long-term liabilities	**706.4**	744.1
Lease liability long term	**6,138.6**	-
Deferred income taxes	**1,309.8**	1,148.3
Member's equity		
Member's capital	**5,588.1**	5,588.1
Retained earnings	**4,639.9**	3,539.5
Total member's equity	**10,228.0**	9,127.6
Total liabilities and member's equity	**$21,492.7**	$14,459.0

See Notes to consolidated financial statements.

McDonald's USA, LLC
Consolidated statement of cash flows

IN MILLIONS	Years ended December 31, 2019	2018	2017
Operating activities			
Net income	**$2,381.0**	$2,427.4	$2,598.9
Adjustments to reconcile to cash provided by operations			
Charges and credits:			
Depreciation and amortization	**726.7**	598.4	524.1
Deferred income taxes	**151.2**	158.6	(511.8)
Other	**(137.8)**	(183.4)	(208.2)
Changes in working capital items:			
Accounts receivable	**121.7**	(465.1)	(332.6)
Inventories, prepaid expenses and other current assets	**25.7**	3.1	3.5
Accounts payable	**(26.3)**	30.9	0.8
Income taxes, state	**2.8**	(9.6)	88.3
Other accrued liabilities	**14.2**	(13.6)	0.7
Due (to) from parent, net	**(279.9)**	236.4	(67.7)
Cash provided by operations	**2,979.3**	2,783.1	2,096.0
Investing activities			
Property and equipment expenditures	**(1,480.5)**	(1,849.8)	(861.2)
Purchases of restaurant businesses	**(6.7)**	(57.6)	(12.5)
Sales of restaurant businesses and property	**126.7**	361.3	341.6
Other, net	**(333.5)**	(63.6)	(35.2)
Cash used for investing activities	**(1,694.0)**	(1,609.7)	(567.3)
Financing activities			
Long-term financing issuances	**0.1**	0.1	0.2
Long-term financing repayments	**(0.4)**	(0.5)	(0.3)
Other Financing	**(13.9)**	-	-
Dividends to parent	**(1,280.6)**	(1,178.8)	(1,524.2)
Cash used for financing activities	**(1,294.8)**	(1,179.2)	(1,524.3)
Cash and equivalents increase (decrease)	**(9.5)**	(5.8)	4.4
Cash and equivalents at beginning of year	**51.5**	57.3	52.9
Cash and equivalents at end of year	**$42.0**	$51.5	$57.3
Supplemental cash flow disclosures			
Interest paid (excluding amounts paid to parent)	**$0.3**	$0.3	$0.6
State income taxes paid (excluding amounts paid to parent)	**$64.8**	$77.7	$55.1

See Notes to consolidated financial statements.

McDonald's USA, LLC
Consolidated statement of member's equity

IN MILLIONS	Member's capital	Retained earnings	Total member's equity
Balance at January 1, 2017	$ 5,588.1	$ 1,432.8	$ 7,020.9
Net income	--	2,598.9	2,598.9
Dividends to parent	--	(1,524.2)	(1,524.2)
Balance at December 31, 2017	$ 5,588.1	$ 2,507.5	$ 8,095.6
Net income	--	2,427.4	2,427.4
Dividends to parent	--	(1,178.8)	(1,178.8)
Adoption of ASC 606	--	(216.6)	(216.6)
Balance at December 31, 2018	$ 5,588.1	$ 3,539.5	$ 9,127.6
Net income	**--**	**2,381.0**	**2,381.0**
Dividends to parent	**--**	**(1,280.6)**	**(1,280.6)**
Balance at December 31, 2019	**$ 5,588.1**	**$ 4,639.9**	**$ 10,228.0**

See Notes to consolidated financial statements.

McDonald's USA, LLC

Notes to consolidated financial statements

Summary of significant accounting policies

Nature of business

McDonald's USA, LLC (the "Company") is a limited liability company that franchises and operates McDonald's restaurants in the restaurant industry in the United States.

All restaurants are operated either by the Company or by franchisees, including conventional franchisees under franchise arrangements, and affiliates under license agreements.

The following table presents restaurant information by ownership type:

Restaurants at December 31,	**2019**	2018	2017
Franchised	**13,185**	13,229	13,149
Company-operated	**661**	685	887
Systemwide restaurants	**13,846**	13,914	14,036

The results of operations of restaurant businesses purchased and sold in transactions with franchisees, were not material either individually or in the aggregate to the consolidated financial statements for periods prior to purchase and sale.

The Company is a wholly-owned subsidiary of McDonald's Corporation (McDonald's). On January 1, 2005, McDonald's contributed assets, net of liabilities, of $5,548.8 million to the Company. McDonald's has retained legal title to certain of the property and equipment assets, which are in turn used by the Company in accordance with extended intercompany agreements. McDonald's or its affiliates directly own the intellectual property rights in the U.S. and license or sublicense such rights to the Company.

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in affiliates owned 50% or less are accounted for by the equity method.

On an ongoing basis, the Company evaluates its business relationships such as those with franchisees, joint partners, suppliers, and advertising cooperatives to identify potential variable interest entities. Generally, these businesses qualify for a scope exception under the consolidation guidance. The Company has concluded that consolidation of any such entity is not appropriate for the periods presented.

Estimates in financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recently issued accounting standards

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Most prominent among the amendments is the recognition of assets and liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020, therefore we have elected to early adopt.

As discussed further in the "Franchise Arrangements" and "Leasing Arrangements" footnotes, the Company is engaged in a significant amount of leasing activity, both from a lessee and a lessor perspective. The Company has adopted the provisions of the new standard effective January 1, 2019, using the required modified retrospective approach.

The Company has elected the package of practical expedients, which allows the Company to retain the classification of existing leases; therefore, there will be minimal initial impact on the Consolidated statement of income. Moving forward, as the Company enters into new leases or as leases are modified, the expectation is that many of the Company's ground leases may be reclassified from operating classification to financing classification, which will change the timing and classification of a portion of lease expense between operating income and interest expense. It is not possible to quantify the impact at this time, due to the unknown timing of new leases and lease modifications, however the Company does not expect the impact to be material to any given year.

ASU 2016-02 will have a material impact on the Consolidated balance sheet due to the significance of the Company’s operating lease portfolio. The Company recorded a Right of Use Asset and Lease Liability of $6.3 billion upon adoption. The Lease Liability reflected the present value of the Company's estimated future minimum lease payments over the lease term, which includes options that are reasonably assured of being exercised, discounted using a collateralized incremental borrowing rate. The impact of the new lease guidance was non-cash in nature, therefore, it did not affect the Company’s cash flows. The Company has also made an accounting policy election to keep leases with an initial term of 12 months or less off the balance sheet. It will continue to recognize those lease payments in the Consolidated statement of income on a straight-line basis over the lease term.

Revenue recognition

The Company's revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees and affiliates. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales with minimum rent payments, and initial fees. Revenues from restaurants licensed to affiliates include a royalty based on a percent of sales, and generally include initial fees.

Sales by Company-operated restaurants are recognized on a cash basis at the time of the underlying sale and are presented net of sales tax and other sales-related taxes. Royalty revenues are based on a percent of sales and recognized at the time the underlying sales occur. Rental income includes both minimum rent payments, which are recognized straight-line over the franchise term, and variable rent payments based on a percent of sales, which are recognized at the time the underlying sales occur. The Company's accounting policy through December 31, 2017, was to recognize initial franchise fees when received, upon a new restaurant opening and at the start of a new franchise term. Beginning in January 2018, initial fees are recognized as the Company satisfies the performance obligation over the franchise term, which is generally 20 years.

Accounts and notes receivable, net

The amounts included in accounts and notes receivable, net primarily represent obligations from franchisees for outstanding sales-based royalties due to the Company as well as obligations from franchisees related to ongoing construction projects. These amounts are recorded at their realizable value and are net of an allowance for bad debts. Historically, the allowance for bad debts and associated write-offs of uncollectible accounts have been immaterial to the financial statements.

Advertising costs

Advertising costs included in operating expenses of Company-operated restaurants primarily consist of contributions to advertising cooperatives and were (in millions): 2019—$75.8; 2018—$78.9; 2017—$120.4. Production costs for radio and television advertising are expensed when the commercials are initially aired. These production costs as well as other marketing-related expenses included in Selling, general & administrative expenses were (in millions): 2019—$49.5; 2018—$60.3; 2017—$69.8. In addition, significant advertising costs are incurred by franchisees through contributions to advertising cooperatives in individual markets.

Share-based compensation

Share-based compensation includes the portion vesting of all share-based awards granted based on the grant date fair value.

The Company is charged for the share-based compensation expense by McDonald’s related to their employees, which was (in millions): 2019—$27.8; 2018—$32.1; 2017—$28.6. Compensation expense related to share-based awards is generally amortized on a straight-line basis over the vesting period in Selling, general & administrative expenses. As of December 31, 2019, there was $24.6 million of total unrecognized compensation cost related to non-vested share-based compensation that is expected to be recognized over a weighted-average period of 2.0 years.

The fair value of each stock option granted is estimated on the date of grant using a closed-form pricing model. The following table presents the weighted-average assumptions used in the option pricing model for the 2019, 2018, and 2017 stock option grants. The expected life of the options represents the period of time the options are expected to be outstanding and is based on historical trends. Expected stock price volatility is generally based on the historical volatility of the Company's stock for a period approximating the expected life. The expected dividend yield is based on the Company's most recent annual dividend rate. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant with a term equal to the expected life.

Weighted-average assumptions

	2019	2018	2017
Expected dividend yield	**2.7%**	2.6%	3.1%
Expected stock price volatility	**18.9%**	18.7%	18.4%
Risk-free interest rate	**2.5%**	2.7%	2.2%
Expected life of options (*in years)*	**5.8**	5.8	5.9
Fair value per option granted	**$25.60**	$23.80	$16.10
Number of options granted	**406,588**	641,841	971,661

The fair value of each RSU granted is equal to the market price of McDonald's stock at date of grant less the present value of expected dividends over the vesting period. Approximately 155,000, 127,000, and 150,000 RSUs were granted in 2019, 2018, and 2017, respectively. The fair value of each RSU granted is equal to the market price of the Company's stock at date of grant, and prior to 2019 included a reduction for the present value of expected dividends over the vesting period.

Property and equipment

Property and equipment are stated at cost, with depreciation and amortization provided using the straight-line method over the following estimated useful lives: buildings–up to 40 years; leasehold improvements–the lesser of useful lives of assets or lease terms which generally include certain option periods; and equipment–3 to 12 years. McDonald's has retained legal title to certain of the property and equipment assets, which are in turn used by the Company in accordance with extended intercompany agreements.

Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When reviewing the Company's restaurant assets for potential impairment, assets are initially grouped together at a Field Office level. The Company manages its restaurants as a group or portfolio with significant common costs and promotional activities; as such, an individual restaurant's cash flows are not generally independent of the cash flows of others in a market. If an indicator of impairment (e.g., negative operating cash flows for the most recent trailing 24-month period) exists for any Field Office grouped assets, an estimate of undiscounted future cash flows produced by each individual restaurant within the Field Office level is compared to its carrying value. If an individual restaurant is determined to be impaired, the loss is measured by the excess of the carrying amount of the restaurant over its fair value as determined by an estimate of discounted future cash flows.

Losses on assets held for disposal are recognized when management and McDonald's Board of Directors, as required, have approved and committed to a plan to dispose of the assets, the assets are available for disposal, the disposal is probable of occurring within 12 months, and the net sales proceeds are expected to be less than its net book value, among other factors. Generally, such losses relate to restaurants that have closed and ceased operations as well as other assets that meet the criteria to be considered "available for sale".

Goodwill

Goodwill represents the excess of cost over the net tangible assets and identifiable intangible assets of acquired restaurant businesses. The Company's goodwill primarily results from purchases of McDonald's restaurants from franchisees.

If a Company-operated restaurant is sold within 24 months of acquisition, the goodwill associated with the acquisition is written off in its entirety. If a restaurant is sold beyond 24 months from the acquisition, the amount of goodwill written-off is based on the relative fair value of the business sold compared to the fair value of the Company.

The Company conducts goodwill impairment testing in the fourth quarter of each year or whenever an indicator of impairment exists. If an indicator of impairment exists (e.g., estimated earnings multiple value of the Company is less than its carrying value), the goodwill impairment test compares the fair value of the Company, generally based on discounted future cash flows, with its carrying amount including goodwill. If the carrying amount of the Company exceeds its fair value, an impairment loss is measured as the difference between the implied fair value of the Company's goodwill and the carrying amount of goodwill. Historically, goodwill impairment has not significantly impacted the consolidated financial statements.

The following table presents the 2019 activity in goodwill:

IN MILLIONS	
Balance at December 31, 2018	$ 1,276.5
Net Restaurant purchases (sales)	0.8
Balance at December 31, 2019	**$ 1,277.3**

Income taxes

The Company's earnings will be included in McDonald's consolidated U.S. federal income tax return. For state income tax returns, depending on the laws of each state, the Company's earnings may be combined with the earnings of the McDonald's consolidated group or the Company may file its own state income tax return. The Company records its income tax provision on a separate-return basis and settlements are made through intercompany accounts with McDonald's. Deferred assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases are recorded in the Company's consolidated balance sheets.

Income tax uncertainties

McDonald's and the Company are regularly audited by federal and state tax authorities, and tax assessments may arise several years after tax returns have been filed. Accordingly, tax liabilities are recorded when, in management's judgment, a tax position does not meet the more likely than not threshold for recognition. For tax positions that meet the more likely than not threshold, a tax liability may still be recorded depending on management's assessment of how the tax position will ultimately be settled.

The Company records interest and penalties on unrecognized tax benefits in the provision for income taxes.

Fair value measurements

The Company measures certain non-financial assets and liabilities on a nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market
- Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability

Non-financial assets and liabilities measured at fair value on a nonrecurring basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). For the year ended December 31, 2019, no material fair value adjustments or fair value measurements were required for non-financial assets or liabilities.

Comprehensive income

The FASB Topic 220 – Comprehensive Income does not apply to the Company since there are no items of other comprehensive income in any period presented.

Property and equipment

Net property and equipment consisted of:

IN MILLIONS	**December 31, 2019**	December 31, 2018
Land	**$3,661.2**	$3,267.1
Buildings and improvements on owned land	**9,770.4**	8,249.6
Buildings and improvements on leased land	**4,830.0**	5,192.3
Equipment, signs and seating	**1,024.2**	1,112.7
Other	**107.0**	130.5
	19,392.8	17,952.2
Accumulated depreciation and amortization	**(6,783.4)**	(6,596.8)
Net property and equipment	**$12,609.4**	$11,355.4

Depreciation and amortization expense for property and equipment was (in millions): 2019—$687.8; 2018—$ 562.8; 2017—$492.3. McDonald's has retained legal title to certain of the property and equipment assets, which are in turn used by the Company in accordance with extended intercompany agreements. Such assets are included in the amounts above.

Other operating (income) expense, net

IN MILLIONS	**2019**	2018	2017
Gains on sales of restaurant businesses	**$(28.6)**	**$(179.6)**	$(185.0)
Equity in earnings of unconsolidated affiliates	**(0.2)**	**(0.2)**	(0.3)
Asset dispositions and other (income) expense	**(17.1)**	**(45.0)**	(24.4)
Other charges (income) expense	**5.8**	**85.2**	(2.0)
Total	**$(40.1)**	**$(139.6)**	$(211.7)

Gains on sales of restaurant businesses
The Company's purchases and sales of businesses with its franchisees are aimed at achieving an optimal ownership mix in each Field Office. Resulting gains or losses on sales of restaurant businesses are recorded in operating income because the transactions are a recurring part of our business.

Equity in earnings of unconsolidated affiliates
Unconsolidated affiliates and partnerships are businesses in which the Company actively participates but does not control. The Company records equity in earnings from these entities representing McDonald's share of results. These results are reported before income taxes. These partnership restaurants are operated under conventional franchise arrangements.

Asset dispositions and other (income) expense
Asset dispositions and other (income) expense, net consists of gains or losses on excess property and other asset dispositions, provisions for restaurant closings and uncollectible receivables, asset write-offs due to restaurant reinvestment, litigation settlements, and other miscellaneous income and expenses.

Other charges
These charges include costs associated with strategic initiatives, such as restructuring activities.

Contingencies

In the ordinary course of business, the Company is subject to proceedings, lawsuits and other claims primarily related to competitors, customers, employees, franchisees, government agencies, intellectual property, shareholders and suppliers. The Company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of accrual required, if any, for these contingencies is made after careful analysis of each matter. The required accrual may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters. The Company does not believe that any such matter currently being reviewed will have a material adverse effect on its financial condition or results of operations.

Franchise arrangements

Conventional franchise arrangements generally include a lease and a license and provide for payment of initial fees, as well as continuing rent and royalties to the Company based upon a percent of sales with minimum rent payments that parallel the Company's underlying leases and escalations (on properties that are leased). Under this arrangement, franchisees are granted the right to operate a restaurant using the McDonald's System and, in most cases, the use of a restaurant facility, generally for a period of 20 years. These franchisees pay related occupancy costs including property taxes, insurance and maintenance.

Revenues from franchised and affiliated restaurants consisted of:

IN MILLIONS	**2019**	2018	2017
Rents	**$3,815.6**	$3,547.8	$3,337.6
Royalties	**1,518.0**	1,435.3	1,376.0
Initial fees	**19.4**	18.1	32.3
Revenues from franchised restaurants	**$5,353.0**	$5,001.2	$4,745.9

Future gross minimum rent payments due to the Company under existing franchise arrangements are:

IN MILLIONS	Owned sites	Leased sites	Total
2020	$941.7	$666.7	$1,608.4
2021	908.7	634.2	1,542.9
2022	868.3	600.4	1468.7
2023	833.0	571.5	1404.5
2024	807.6	551.5	1,359.1
Thereafter	6,173.5	4,062.1	10,235.6
Total minimum payments	$10,532.7	$7,086.4	$ 17,619.1

At December 31, 2019, net property and equipment under franchise arrangements totaled $10.8 billion (including land of $3.3 billion) after deducting accumulated depreciation and amortization of $5.5 billion.

Leasing arrangements

The Company is the lessee in a significant real estate portfolio, primarily through ground leases (the Company leases the land and generally owns the building) and through improved leases (the Company leases land and buildings). The Company determines whether an arrangement is a lease at inception. Lease terms for most restaurants, where market conditions allow, are generally for 20 years and, in many cases, provide for rent escalations and renewal options. Renewal options are typically solely at the Company's discretion. Escalation terms vary by market with examples including fixed-rent escalations, escalations based on an inflation index and fair-value adjustments. The timing of these escalations generally ranges from annually to every five years.

The following table provides detail of rent expense:

IN MILLIONS	**2019**	2018	2017
Company-operated restaurants	**$42.9**	$29.4	$37.4
Franchised restaurants	**575.3**	504.9	488.6
Other	**31.5**	30.2	31.9
Total rent expense	**$649.7**	$564.5	$557.9

Rent expense included percent rents in excess of minimum rents (in millions) as follows—Company-operated restaurants: 2019—$3.7; 2018—$3.4; 2017—$4.8. Franchised restaurants: 2019—$106.6; 2018—$105.8; 2017—$102.5.

The amount of the Right of Use Asset and Lease Liability recorded at transition included known escalations and renewal option periods reasonably assured of being exercised. Typically, renewal options are considered reasonably assured of being exercised if the associated asset lives of the building or leasehold improvements exceed that of the initial lease term, and the sales performance of the restaurant remains strong. Therefore, the Right of Use Asset and Lease Liability include an assumption on renewal options that have not yet been exercised by the Company, and are not currently a future obligation.

The Company has elected not to separate non-lease components from lease components in our lessee portfolio. To the extent that occupancy costs, such as site maintenance, are included in the Asset and Liability, the impact is immaterial and is generally limited to Company-owned restaurant locations. For franchised locations, which represent the majority of the restaurant portfolio, the related occupancy costs including property taxes, insurance and site maintenance are generally required to be paid by the franchisees as part of the franchise arrangement.

In addition, the Company is the lessee under non-restaurant related leases such as office buildings, vehicles and office equipment. These leases are not a material subset of the Company's lease portfolio.

As the rate implicit in each lease is not readily determinable, the Company uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Company would incur to borrow on a collateralized basis over the term of a lease within a particular currency environment. The weighted average discount rate used for operating leases was 4.5% as of December 31, 2019.

As of December 31, 2019, maturities of lease liabilities for our operating leases were as follows:

In millions	**Total**
2020	**$465.7**
2021	**453.3**
2022	**442.9**
2023	**435.0**
2024	**423.7**
Thereafter	**7,791.3**
Total lease payments	**10,011.9**
Less: imputed interest	**(3,703.2)**
Present value of lease liability	**$6,308.7**

The increase in the present value of the lease liability since adoption of ASC 842 is approximately $29.9 million. The lease liability will continue to be impacted by new leases, lease modifications, lease terminations, reevaluation of likely-term due to new facts and circumstances, and foreign currency.

As of December 31, 2019, the Weighted Average Lease Term remaining that is included in the maturities of lease liabilities was 21 years.

As of December 31, 2018, prior to the adoption of ASC 842, future minimum payments required under existing operating leases with initial terms of one year or more were:

IN MILLIONS	Restaurant	Other	Total
2019	$ 426.9	$ 32.3	$ 459.2
2020	400.9	31.7	432.6
2021	367.8	28.9	396.7
2022	330.7	24.7	355.4
2023	297.4	19.5	316.9
Thereafter	2,372.0	139.9	2,511.9
Total minimum payments	$ 4,195.7	$ 277.0	$ 4,472.7

Income taxes

The Tax Cuts and Jobs Act ("Tax Act") was enacted in the U.S. on December 22, 2017. The Tax Act reduced the U.S. federal corporate income tax rate to 21% from 35% effective in 2018. In 2017, the Company recorded provisional amounts for certain enactment-date effects of the Tax Act by applying the guidance in Staff Accounting Bulletin 118 ("SAB 118") because the Company had not yet completed its enactment-date accounting for these effects. In 2018, the Company completed its accounting for all of the enactment-date income tax effects of the Tax Act.

SAB 118 measurement period
As of December 31, 2017, the Company remeasured certain U.S. deferred tax assets and liabilities based on the rates at which they were expected to reverse in the future (generally 21%), by recording a provisional amount of approximately $600 million. No adjustment to the provisional amount was made in 2018.

The provision for income taxes, classified by the timing and location of payment, was as follows:

IN MILLIONS	**2019**	2018	2017
U.S. federal	**$ 495.6**	$ 438.0	$ 972.4
U.S. state	**142.1**	148.8	154.3
Current tax provision	**637.7**	586.8	1,126.7
U.S. federal	**133.9**	146.3	(537.9)
U.S. state	**11.1**	10.9	26.1
Deferred tax provision	**145.0**	157.2	(511.8)
Provision for income taxes	**$ 782.7**	$ 744.0	$ 614.9

Net deferred tax liabilities consisted of:

IN MILLIONS	**December 31, 2019**	December 31, 2018
Property and equipment	**$ 1,139.0**	$ 1,040.3
Intangibles and tax-deductible goodwill	**320.0**	290.1
Lease right-of-use asset	**1,409.3**	--
Other	**59.8**	37.5
Total deferred tax liabilities	**2,928.1**	1,367.9
Employee benefit plans	**(58.6)**	(77.3)
Deferred Revenue	**(67.3)**	(71.3)
Lease liability	**(1,421.8)**	--
Other	**(70.6)**	(72.0)
Total deferred tax assets before valuation allowance	**(1,618.3)**	(220.6)
Valuation allowance	**--**	1.0
Net deferred tax liabilities	**$ 1,309.8**	$ 1,148.3

The statutory U.S. federal income tax rate reconciles to the effective income tax rate as follows:

	2019	2018	2017
Statutory U.S. federal income tax rate	**21.0%**	21.0%	35.0%
State income taxes, net of related federal income tax benefit	**3.8**	4.0	3.6
U.S. net deferred tax liability remeasurement	**--**	--	(18.5)
Other, net	**(0.1)**	(1.5)	(1.0)
Effective income tax rate	**24.7%**	23.5%	19.1%

As of December 31, 2019 and 2018, the Company's gross unrecognized tax benefits totaled $107.8 million and $115.8 million, respectively. After considering the federal impact on state issues, about $85 million of the total as of December 31, 2019 would favorably affect the effective tax rate if resolved in the Company's favor.

The following table presents a reconciliation of the beginning and ending amount of unrecognized tax benefits:

IN MILLIONS		**2019**		2018
Balance at January 1	**$**	**115.8**	$	110.2
Decreases for positions taken in prior years		**(12.4)**		(4.9)
Increases for positions taken in prior years		**7.3**		1.1
Increases for positions related to the current year		**10.6**		17.6
Settlements with taxing authorities		**(6.5)**		(2.9)
Lapsing of statutes of limitations		**(7.0)**		(5.3)
Balance at December 31[(1)]	**$**	**107.8**	$	115.8

(1) Of these amounts, $24.3 million and $9.3 million are included in current liabilities with the remainder in other long-term liabilities on the Consolidated balance sheet for 2019 and 2018, respectively.

It is reasonably possible that the total amount of unrecognized tax benefits could decrease up to $24.3 million within the next 12 months, of which $2.8 million could favorably affect the effective tax rate. This decrease would result from the completion of tax audits in multiple tax jurisdictions and the expiration of the statute of limitations.

The Company is generally no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2009.

The Company had $21.7 million and $19.3 million accrued for interest at December 31, 2019 and 2018 respectively, and no accrual for penalties in either year. The Company recognized interest and penalties (income)/expense related to tax matters of $2.4 million, $1.6 million, and $3.2 million of expense in 2019, 2018 and 2017 respectively, which are included in the provision for income taxes.

Employee benefit plans

Effective January 1, 2018 the Company's Profit Sharing and Savings Plan was renamed the McDonald's 401(k) Plan. The 401(k) Plan is maintained for U.S.-based employees and includes a 401(k) feature, as well as an employer match. The 401(k) feature allows participants to make pretax contributions that are matched each pay period (with an annual true-up) from shares released under the leveraged Employee Stock Ownership Plan ("ESOP") and employer cash contributions.

All current account balances, future contributions and related earnings can be invested in eight investment alternatives as well as McDonald's stock in accordance with each participant's investment elections. Future participant contributions are limited to 20% investment in McDonald's common stock. Participants may choose to make separate investment choices for current account balances and for future contributions.

The Company also maintains certain nonqualified supplemental benefit plans that allow participants to (i) make tax-deferred contributions and (ii) receive Company-provided allocations that cannot be made under the 401(k) Plan because of IRS limitations. The investment alternatives and returns are based on certain market-rate investment alternatives under the 401(k) Plan. Total liabilities were $190.4 million at December 31, 2019 and $200.5 million at December 31, 2018 and were primarily included in other long-term liabilities on the consolidated balance sheet.

McDonald's on behalf of McDonald's USA LLC has entered into derivative contracts to hedge market-driven changes in certain of the liabilities. All changes in liabilities for these nonqualified plans and in the fair value of the derivatives are recorded in the Selling, general & administrative expenses.

Total U.S. costs for the 401(k) Plan, including nonqualified benefits and related hedging activities, were (in millions): 2019—$18.7; 2018—$10.7; 2017—$10.9.

Related party transactions

In exchange for intellectual property license rights, the Company pays McDonald's a royalty equal to two percent of Company-operated and franchised restaurant sales. Royalty expense was (in millions): 2019— $811.6, 2018— $770.5; 2017—$752.7.

In addition, the Company paid dividends to McDonald's of (in millions): 2019—$1,280.6; 2018—$1,178.8, 2017—$1,524.2.

In 2019 and 2018, the Company had the following long-term payable arrangements with McDonald's, each of which accrue interest at Libor + 1% and mature on December 31, 2024.

Lender	Line of credit December 31		Outstanding amount December 31	
IN MILLIONS	**2019**	2018	**2019**	2018
McDonald's	**$1,500.0**	$1,500.0	**$1,500.0**	$1,500.0
McDonald's	**900.0**	900.0	**900.0**	900.0
McDonald's	**1,000.0**	1,000.0	**-**	-
Total	**$3,400.0**	$3,400.0	**$2,400.00**	$2,400.0

The Company incurred net interest related to the payables due to McDonald's as follows (in millions): 2019—$97.5; 2018—$76.7; 2017—$56.5. As of December 31, 2019 and 2018, the Company had accrued interest due to McDonald's, classified as a current liability of $55.7 million and $45.7 million respectively.

Additionally, the Company had a $675.0 million revolver available from McDonald's due in 2024, which may exceed $675.0 million from time to time but not on the maturity date, which accrues interest at LIBOR + 1% of which no amounts were outstanding at December 31, 2019 and 2018.

The Company did not have an intercompany balance as of December 31, 2019. The Company had a net intercompany payable balance of $323.8 million in the prior year ending December 31, 2018.

Subsequent events

The Company evaluated subsequent events through March 13, 2020, the date the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

EXHIBIT B

FRANCHISE AGREEMENT (TRADITIONAL)

[CITY, STATE]
[Address]
L/C: __________
File #: __________

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Franchise") made this _____ day of _______________, for the operation of a McDonald's restaurant located at ____ (the "Restaurant") by and between:

McDONALD'S USA, LLC,

a Delaware limited liability company,

("McDonald's")

and

____

____

(collectively "Franchisee")

for the purpose of granting the Franchisee the rights necessary to operate the Restaurant.

In consideration of the mutual rights and obligations contained herein McDonald's and Franchisee agree as follows:

1. ***Nature and Scope of Franchise***.

(a) McDonald's operates a restaurant system ("McDonald's System"). The McDonald's System is a comprehensive system for the ongoing development, operation, and maintenance of McDonald's restaurant locations which have been selected and developed for the retailing of a limited menu of uniform and quality food products, emphasizing prompt and courteous service in a clean, wholesome atmosphere which is intended to be attractive to children and families and includes proprietary rights in certain valuable trade names, service marks, and trademarks, including the trade names "McDonald's" and "McDonald's Hamburgers," designs and color schemes for restaurant buildings, signs, equipment layouts, formulas and specifications for certain food products, methods of inventory and operation control, bookkeeping and accounting, and manuals covering business practices and policies. The McDonald's System is operated and is advertised widely within the United States of America and in certain foreign countries.

(b) McDonald's holds the right to authorize the adoption and use of the McDonald's System at the Restaurant. The rights granted to the Franchisee to operate the Restaurant are set forth in this Franchise, including the Operator's Lease ("Lease") which is attached hereto as Exhibit A, incorporated in this Franchise.

(c) The foundation of the McDonald's System and the essence of this Franchise is the adherence by Franchisee to standards and policies of McDonald's providing for the uniform operation of all McDonald's restaurants within the McDonald's System including, but not limited to, serving only designated food and beverage products; the use of only prescribed equipment and building layout and designs; strict adherence to designated food and beverage specifications and to McDonald's prescribed standards of Quality, Service, and Cleanliness in the Restaurant operation. Compliance by Franchisee with the foregoing standards and policies in conjunction with the McDonald's trademarks and service marks provides the basis for the valuable goodwill and wide family acceptance of the McDonald's System. Moreover, the establishment and maintenance of a close personal working relationship with McDonald's in the conduct of Franchisee's McDonald's restaurant business, Franchisee's accountability for performance of the obligations contained in this Franchise, and Franchisee's adherence to the tenets of the McDonald's System constitute the essence of this Franchise.

(d) The provisions of this Franchise shall be interpreted to give effect to the intent of the parties stated in this paragraph 1 so that the Restaurant shall be operated in conformity to the McDonald's System through strict adherence to McDonald's standards and policies as they exist now and as they may be from time to time modified.

(e) Franchisee acknowledges Franchisee's understanding of McDonald's basic business policy that McDonald's will grant franchises only to those individuals who live in the locality of their McDonald's restaurant, actually own the entire equity interest in the business of the Restaurant and its profits, and who will work full time at their McDonald's restaurant business. Franchisee represents, warrants, and agrees that Franchisee actually owns the complete equity interest in this Franchise and the profits from the operation of the Restaurant, and that Franchisee shall maintain such interest during the term of this Franchise except only as otherwise permitted pursuant to the terms and conditions of this Franchise. Franchisee agrees to furnish McDonald's with such evidence as McDonald's may request, from time to time, for the purpose of assuring McDonald's that Franchisee's interest remains as represented herein.

(f) Franchisee agrees to pay to McDonald's all required payments under this Franchise, including, without limitation, the payments set forth in paragraphs 8 and 9 herein and paragraph 3.01 of the Lease. All payments hereby required constitute a single financial arrangement between Franchisee and McDonald's which, taken as a whole and without regard to any designation or descriptions, reflect the value of the authorization being made available to the Franchisee by McDonald's in this Franchise and the services rendered by McDonald's during the term hereof.

2. ***Franchise Grant and Term***.

(a) McDonald's grants to Franchisee for the following stated term the right, license, and privilege:

(i) to adopt and use the McDonald's System at the Restaurant;

(ii) to advertise to the public that Franchisee is a franchisee of McDonald's;

(iii) to adopt and use, but only in connection with the sale of those food and beverage products which have been designated by McDonald's at the Restaurant, the trade names, trademarks, and service marks which McDonald's shall designate, from time to time, to be part of the McDonald's System; and

(iv) to occupy the Restaurant as provided herein.

The rights granted under this Franchise are limited to the Restaurant's location only.

(b) The term of this Franchise shall begin on ______________ and end on ______________, unless terminated prior thereto pursuant to the provisions hereof.

3. ***General Services of McDonald's***. McDonald's shall advise and consult with Franchisee periodically in connection with the operation of the Restaurant and also, upon Franchisee's request, at other reasonable times. McDonald's shall communicate to Franchisee know-how, 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 shall be accomplished by visits by operations consultants, printed and filmed reports, seminars, and newsletter mailings. McDonald's shall also make available to Franchisee all additional services, facilities, rights, and privileges relating to the operation of the Restaurant which McDonald's makes generally available, from time to time, to all its franchisees operating McDonald's restaurants.

4. ***Manuals***. McDonald's shall provide Franchisee with the business manuals prepared for use by franchisees of McDonald's restaurants similar to the Restaurant. The business 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. Franchisee agrees to promptly adopt and use exclusively the formulas, methods, and policies contained in the business manuals, now and as they may be modified from time to time. Franchisee acknowledges that McDonald's or its affiliates own all proprietary rights in and to the McDonald's System and that the information revealed in the business manuals, in their entirety, constitute confidential trade secrets. Without the prior written consent of McDonald's, Franchisee shall not disclose the contents of the business manuals to any person, except employees of Franchisee for purposes related solely to the operation of the Restaurant, nor shall Franchisee reprint or reproduce the manuals in whole or in part for any purpose except in connection with instruction of employees in the operation of the Restaurant. Such manuals, as modified from time to time, and the policies contained therein, are incorporated in this Franchise by reference.

5. ***Advertising***. McDonald's employs both public relations and advertising specialists who formulate and carry out national and local advertising programs for the McDonald's System.

Franchisee shall use only advertising and promotional materials and programs provided by McDonald's or approved in advance, in writing, by McDonald's. Neither the approval by McDonald's of

Franchisee's advertising and promotional material nor the providing of such material by McDonald's to Franchisee shall, directly or indirectly, require McDonald's to pay for such advertising or promotion.

Franchisee shall expend during each calendar year for advertising and promotion of the Restaurant to the general public an amount which is not less than four percent (4%) of Gross Sales (as that term is defined in paragraph 7) for such year. Expenditures by Franchisee to national and regional cooperative advertising and promotion of the McDonald's System, or to a group of McDonald's restaurants which includes the Restaurant, shall be a credit against the required minimum expenditures for advertising and promotion to the general public.

6. ***Training***. McDonald's shall make available to Franchisee the services of Hamburger University, the international training center for the McDonald's System. Franchisee acknowledges the importance of quality of business operation among all restaurants in the McDonald's System and agrees to enroll Franchisee and Franchisee's managers, present and future, at Hamburger University or at such other training center as may be designated by McDonald's from time to time. McDonald's shall bear the cost of maintaining Hamburger University and any other training centers, including the overhead costs of training, staff salaries, materials, and all technical training tools, and agrees to provide to Franchisee both basic and advanced instruction for the operation of a McDonald's System restaurant. Franchisee shall pay all traveling, living, compensation, or other expenses incurred by Franchisee and Franchisee's employees in connection with attendance at Hamburger University or such other training centers.

7. ***Gross Sales***. For the purposes of this Franchise, the term "Gross Sales" shall mean all revenues from sales of the Franchisee based upon all business conducted upon or from the Restaurant, whether such sales be evidenced by check, cash, credit, charge account, exchange, or otherwise, and shall include, but not be limited to, the amounts received from the sale of goods, wares, and merchandise, including sales of food, beverages, and tangible property of every kind and nature, promotional or otherwise, and for services performed from or at the Restaurant, together with the amount of all orders taken or received at the Restaurant, whether such orders be filled from the Restaurant or elsewhere. Gross Sales shall not include sales of merchandise for which cash has been refunded, provided that such sales shall have previously been included in Gross Sales. There shall be deducted from Gross Sales the price of merchandise returned by customers for exchange, provided that such returned merchandise shall have been previously included in Gross Sales, and provided that the sales price of merchandise delivered to the customer in exchange shall be included in Gross Sales. Gross Sales shall not include the amount of any sales tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein and actually paid by the Franchisee to such governmental authority. Each charge or sale upon credit shall be treated as a sale for the full price in the month during which such charge or sale shall be made, irrespective of the time when the Franchisee shall receive payment (whether full or partial) therefor.

8. (a) ***Service Fee***. Franchisee shall pay a monthly service fee on or before the tenth (10th) day of the following month in an amount equal to four percent (4.0%) of the Gross Sales of the Restaurant for the preceding month immediately ended.

(b) ***Method of Payment***. Franchisee shall at all times participate in the McDonald's automatic debit/credit transfer program as specified by McDonald's from time to time for the payment of all amounts due McDonald's pursuant to this Franchise. Franchisee shall execute and deliver to McDonald's such documents and instruments as may be necessary to establish and maintain said automatic debit/credit transfer program.

(c) ***Interest on Delinquencies***. In the event that the Franchisee is past due on the payment of any amount due McDonald's under this Franchise, including accrued interest, the Franchisee shall be required, to the extent permitted by law, to pay interest on the past due amount to McDonald's for the period beginning with the original due date for payment to the date of actual payment at an annual rate equal to the highest rate allowed by law or, if there is no maximum rate permitted by law, then fifteen percent (15%). Such interest will be calculated on the basis of monthly compounding and the actual number of days elapsed divided by 365.

9. ***Initial Fee***. Franchisee acknowledges that: (a) the initial grant of this Franchise constitutes the sole consideration for the payment of an Initial Fee of Forty-Five Thousand Dollars ($45,000.00) paid by Franchisee to McDonald's; and (b) the fee has been earned by McDonald's (except where the construction of the Restaurant has not been completed within one (1) year from the date of the execution and delivery of this Franchise). If the Restaurant has not been constructed or is not ready for occupancy at the time of the execution of this Franchise, McDonald's shall use its best efforts to expedite the construction and lease of the Restaurant to Franchisee. However, McDonald's shall not be liable to Franchisee in any manner for any delays in or lack of completion of such construction for any reason. McDonald's shall be under no obligation to enforce performance or to seek other remedies for non-performance of any lease, clause, or contract necessary for the construction of the Restaurant and reserves the right, in case construction of the Restaurant should be abandoned, the lease assigned, or other interest in the premises be relinquished, to terminate this Franchise upon reimbursement to Franchisee of the Initial Fee. At such time as the Restaurant is completed and ready for occupancy, the Initial Fee shall be deemed to be earned. If the Restaurant is not ready for occupancy within one (1) year from the date of this Franchise, Franchisee shall have the right to terminate this Franchise and obtain an immediate refund of the Initial Fee upon written request to McDonald's.

10. ***Reports***. On or before 11:00 a.m. Central Standard Time on the first business day of each month, Franchisee shall render, in a manner specified by McDonald's, a statement, in such form as McDonald's shall reasonably require from time to time, of all receipts from the operation of the Restaurant for the preceding month immediately ended. On or before the twenty-fifth (25th) day of each month Franchisee shall submit to McDonald's an operating statement and a statistical report for the previous month in form satisfactory to McDonald's. Franchisee shall keep and preserve full and complete records of Gross Sales for at least three (3) years in a manner and form satisfactory to McDonald's and shall also deliver such additional financial and operating reports and other information as McDonald's may reasonably request on the forms and in the manner prescribed by McDonald's. Franchisee further agrees to submit within ninety (90) days following the close of each fiscal year of the Restaurant's operation, a profit and loss statement covering operations during such fiscal year and a balance sheet taken as of the close of such fiscal year, all prepared in accordance with generally accepted accounting principles. The profit and

loss statement and the balance sheet shall, if McDonald's shall request certification, be certified by a certified public accountant. Franchisee shall at Franchisee's expense cause Franchisee's public accountant and certified public accountant, if any, to consult with McDonald's concerning such statement and balance sheet. The original of each such report required by this paragraph 10 shall be mailed to McDonald's at the address indicated in paragraph 22 herein.

McDonald's shall have the right to inspect and/or audit Franchisee's accounts, books, records, and tax returns at all reasonable times to ensure that Franchisee is complying with the terms of this Franchise. If such inspection discloses that Gross Sales actually exceeded the amount reported by Franchisee as Gross Sales by an amount equal to two percent (2%) or more of Gross Sales originally reported to McDonald's, Franchisee shall bear the cost of such inspection and audit.

11. ***Restrictions***. Franchisee agrees and covenants as follows:

(a) During the term of this Franchise, Franchisee shall not, without the prior written consent of McDonald's, directly or indirectly, engage in, acquire any financial or beneficial interest (including interests in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, or become a landlord for any restaurant business, which is similar to the Restaurant.

(b) Franchisee shall not, for a period of eighteen (18) months after termination of this Franchise for any reason or the sale of the Restaurant, directly or indirectly, engage in or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, or become a landlord of any restaurant business which is similar to the Restaurant within a ten-mile radius of the Restaurant.

(c) Franchisee shall not appropriate, use, or duplicate the McDonald's System, or any portion thereof, for use at any other self-service, carry-out, or other similar restaurant business.

(d) Franchisee shall not disclose or reveal any portion of the McDonald's System to a non-franchisee other than to Franchisee's Restaurant employees as an incident of their training.

(e) Franchisee shall acquire no right to use, or to license the use of, any name, mark, or other intellectual property right granted or to be granted herein, except in connection with the operation of the Restaurant.

The restrictions contained in paragraphs 11(a) and 11(b) herein shall not apply to ownership of less than two percent (2%) of the shares of a company whose shares are listed and traded on a national or regional securities exchange.

12. ***Compliance With Entire System***. Franchisee acknowledges that every component of the McDonald's System is important to McDonald's and to the operation of the Restaurant as a McDonald's restaurant, including a designated menu of food and beverage products; uniformity of food specifications, preparation methods, quality, and appearance; and uniformity of facilities and service.

McDonald's shall have the right to inspect the Restaurant at all reasonable times to ensure that Franchisee's operation thereof is in compliance with the standards and policies of the McDonald's System.

Franchisee shall comply with the entire McDonald's System, including, but not limited to, the following:

(a) Operate the Restaurant in a clean, wholesome manner in compliance with prescribed standards of Quality, Service, and Cleanliness; comply with all business policies, practices, and procedures imposed by McDonald's; serve at the Restaurant only those food and beverage products now or hereafter designated by McDonald's; and maintain the building, fixtures, equipment, signage, seating and decor, and parking area in a good, clean, wholesome condition and repair, and well lighted and in compliance with designated standards as may be prescribed from time to time by McDonald's;

(b) Purchase kitchen fixtures, lighting, seating, signs, and other equipment in accordance with the equipment specifications and layout initially designated by McDonald's and, promptly after notice from McDonald's that the Restaurant premises are ready for occupancy, cause the installation thereof;

(c) Keep the Restaurant constructed and equipped in accordance with the building blueprints and equipment layout plans that are standard in the McDonald's System or as such blueprints and plans may be reasonably changed from time to time by McDonald's;

(d) Franchisee shall not, without the prior written consent of McDonald's: (i) make any building design conversion or (ii) make any alterations, conversions, or additions to the building, equipment, or parking area;

(e) Make repairs or replacements required: (i) because of damage or wear and tear or (ii) in order to maintain the Restaurant building and parking area in good condition and in conformity to blueprints and plans;

(f) Where parking is provided, maintain the parking area for the exclusive use of Restaurant customers;

(g) Operate the Restaurant seven (7) days per week throughout the year and at least during the hours from 7:00 a.m. to 11:00 p.m., or such other hours as may from time to time be prescribed by McDonald's (except when the Restaurant is untenantable as a result of fire or other casualty), maintain sufficient supplies of food and paper products, and employ adequate personnel so as to operate the Restaurant at its maximum capacity and efficiency;

(h) Cause all employees of Franchisee, while working in the Restaurant, to: (i) wear uniforms of such color, design, and other specifications as McDonald's may designate from time to time; (ii) present a neat and clean appearance; and (iii) render competent and courteous service to Restaurant customers;

(i) In the dispensing and sale of food products: (i) use only containers, cartons, bags, napkins, other paper goods, and packaging bearing the approved trademarks and which meet the McDonald's System specifications and quality standards which McDonald's may designate from time to time; (ii) use only those flavorings, garnishments, and food and beverage ingredients which meet the McDonald's System specifications and quality standards which McDonald's may designate from time to time; and (iii) employ only those methods of food handling and preparation which McDonald's may designate from time to time;

(j) To make prompt payment in accordance with the terms of invoices rendered to Franchisee on Franchisee's purchase of fixtures, signs, equipment, and food and paper supplies; and

(k) At Franchisee's own expense, comply with all federal, state, and local laws, ordinances, and regulations affecting the operation of the Restaurant.

13. ***Best Efforts***. Franchisee shall diligently and fully exploit the rights granted in this Franchise by personally devoting full time and best efforts and, in case more than one individual has executed this Franchise as the Franchisee, then ______________________________ shall personally devote full time and best efforts to the operation of the Restaurant. Franchisee shall keep free from conflicting enterprises or any other activities which would be detrimental to or interfere with the business of the Restaurant.

14. ***INTENTIONALLY DELETED***.

15. ***Assignment***. Without the prior written consent of McDonald's, Franchisee's interest in this Franchise shall not be assigned or otherwise transferred in whole or in part (whether voluntarily or by operation of law) directly, indirectly, or contingently, and then only in accordance with the terms of this paragraph 15.

(a) Death or Permanent Incapacity of Franchisee. Upon the death or permanent incapacity of Franchisee, the interest of Franchisee in this Franchise may be assigned either pursuant to the terms of paragraph 15(d) herein or to one or more of the following persons: Franchisee's spouse, heirs, or nearest relatives by blood or marriage, subject to the following conditions: (i) if, in the sole discretion of McDonald's, such person shall be capable of conducting the Restaurant business in accordance with the terms and conditions of this Franchise and (ii) if such person shall also execute an agreement by which the person personally assumes full and unconditional liability for and agrees to perform all the terms and conditions of this Franchise to the same extent as the original Franchisee. If, in McDonald's sole discretion, such person cannot devote full time and best efforts to the operation of the Restaurant or lacks the capacity to operate the Restaurant in accordance with this Franchise, McDonald's shall have an option to operate and/or manage the Restaurant for the account of Franchisee or of Franchisee's estate until the deceased or incapacitated Franchisee's interest is transferred to another party acceptable to McDonald's in accordance with the terms and conditions of this Franchise. However, in no event shall such McDonald's operation and management of the Restaurant continue for a period in excess of twelve (12) full calendar months without the consent of Franchisee or Franchisee's estate. In the event that McDonald's so operates and/or manages the Restaurant, McDonald's shall make a complete account to and return the net income from such operation to the Franchisee or to Franchisee's estate, less a reasonable management fee and expenses. If the disposition of the Restaurant to a party acceptable to McDonald's has not taken place within twelve (12) months from the date that McDonald's has commenced the operation or management of the Restaurant on behalf of the deceased or incapacitated Franchisee, then, in that event, McDonald's shall have the option to purchase the Restaurant at fair market value for cash or its common stock at its option.

(b) Assignment to Franchisee's Corporation. Upon Franchisee's compliance with such requirements as may from time to time be prescribed by McDonald's, including a Stockholders Agreement in the form prescribed by McDonald's, McDonald's shall consent to an assignment to a corporation whose shares are wholly owned and controlled by Franchisee. The corporate name of the corporation shall not include any of the names or trademarks granted by this Franchise. Any subsequent assignment or transfer, either voluntarily or by operation of law, of all or any part of said shares shall be made in compliance with the terms and conditions set forth in paragraphs 15(a) and 15(d) herein.

(c) First Option to Purchase. Franchisee or Franchisee's representative shall, at least twenty (20) days prior to the proposed effective date, give McDonald's written notice of intent to sell or otherwise transfer this Franchise pursuant to paragraph 15(d). The notice shall set forth the name and address of the proposed purchaser and all the terms and conditions of any offer. McDonald's shall have the first option to purchase the Restaurant by giving written notice to Franchisee of its intention to purchase on the same terms as the offer within ten (10) days following McDonald's receipt of such notice. However, if McDonald's fails to exercise its option and the Restaurant is not subsequently sold to the proposed purchaser for any reason, McDonald's shall continue to have, upon the same conditions, a first option to purchase the Restaurant upon the terms and conditions of any subsequent offer.

(d) Other Assignment. In addition to any assignments or contingent assignments contemplated by the terms of paragraphs 15(a) and 15(b), Franchisee shall not sell, transfer, or assign this Franchise to any person or persons without McDonald's prior written consent. Such consent shall not be arbitrarily withheld.

In determining whether to grant or to withhold such consent, McDonald's shall consider of each prospective transferee, by way of illustration, the following: (i) work experience and aptitude, (ii) financial background, (iii) character, (iv) ability to personally devote full time and best efforts to managing the Restaurant, (v) residence in the locality of the Restaurant, (vi) equity interest in the Restaurant, (vii) conflicting interests, and (viii) such other criteria and conditions as McDonald's shall then apply in the case of an application for a new franchise to operate a McDonald's restaurant. McDonald's consent shall also be conditioned each upon such transferee's execution of an agreement by which transferee personally assumes full and unconditional liability for and agrees to perform from the date of such transfer all obligations, covenants, and agreements contained in this Franchise to the same extent as if transferee had been an original party to this Franchise. Franchisee and each transferor shall continue to remain personally liable for all affirmative obligations, covenants, and agreements contained herein for the full term of this Franchise or for such shorter period as McDonald's may, in its sole discretion, determine. Upon each assignment or other transfer of this Franchise to any person or persons under the terms and conditions of this paragraph 15(d), the percentage service fee charge owing to McDonald's after the date of such assignment or transfer shall be automatically adjusted to the then prevailing percentage service fee charge required under new Franchises issued by McDonald's for similar McDonald's restaurants at the time of such assignment or transfer.

16. ***Franchisee Not an Agent of McDonald's***. Franchisee shall have no authority, express or implied, to act as agent of McDonald's or any of its affiliates for any purpose. Franchisee is, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Restaurant and its business, including any personal property, equipment, fixtures, or real property connected therewith, and for all

claims or demands based on damage or destruction of property or based on injury, illness, or death of any person or persons, directly or indirectly, resulting from the operation of the Restaurant. Further, Franchisee and McDonald's are not and do not intend to be partners, associates, or joint employers in any way and McDonald's shall not be construed to be jointly liable for any acts or omissions of Franchisee under any circumstances.

17. ***Insurance***. Franchisee shall, upon taking possession of the Restaurant, acquire and maintain in effect such insurance with such coverages as may be required by the terms of any lease of the Restaurant premises to McDonald's, and in any event, Franchisee shall acquire and maintain in effect not less than the following coverages in the following minimum amounts:

(a) Worker's Compensation insurance prescribed by law in the state in which the Restaurant is located and Employer's Liability Insurance with $100,000/$500,000/$100,000 minimum limit. If the state in which the Restaurant is located allows the option of not carrying Worker's Compensation Insurance, and Franchisee chooses to exercise that option, Franchisee shall nonetheless carry and maintain other insurance with coverage and limits as approved by McDonald's.

(b) Commercial general liability insurance in a form approved by McDonald's with a limit of $5,000,000 per occurrence/$5,000,000 aggregate.

(c) All such insurance as may be required under the Lease.

All insurance policies required to be carried hereunder shall name McDonald's and any party designated by McDonald's as additional insureds, as their interests may appear in this Franchise. All policies shall be effective on or prior to the date Franchisee is given possession of the Restaurant premises for the purpose of installing equipment or opening the Restaurant, whichever occurs first, and evidence of payment of premiums and duplicate copies of policies of the insurance required herein shall be delivered to McDonald's at least thirty (30) days prior to the date that Franchisee opens for business and/or thirty (30) days prior to the expiration date of an existing policy of insurance. All policies of insurance shall include a provision prohibiting cancellations or material changes to the policy thereof until thirty (30) days prior written notice has been given to McDonald's.

In the event Franchisee shall fail to obtain the insurance required herein, McDonald's may, but is not obligated to, purchase said insurance, adding the premiums paid to Franchisee's monthly rent. (Franchisee may authorize McDonald's to purchase and to administer the required minimum insurance on Franchisee's behalf. However, McDonald's, by placement of the required minimum insurance, assumes no responsibility for premium expense nor guarantees payment for any losses sustained by Franchisee.) McDonald's may relieve itself of all obligations with respect to the purchase and administration of such required insurance coverage by giving ten (10) days written notice to Franchisee.

All insurance shall be placed with a reputable insurance company licensed to do business in the state in which the Restaurant is located and having a Financial Size Category equal to or greater than IX and Policyholders Rating of "A+" or "A", as assigned by Alfred M. Best and Company, Inc., unless otherwise approved by McDonald's.

18. ***Material Breach***. The parties agree that the happening of any of the following events shall constitute a material breach of this Franchise and violate the essence of Franchisee's obligations and, without prejudice to any of its other rights or remedies at law or in equity, McDonald's, at its election, may terminate this Franchise upon the happening of any of the following events:

(a) Franchisee shall fail to maintain and operate the Restaurant in a good, clean, wholesome manner and in compliance with the standards prescribed by the McDonald's System;

(b) Franchisee shall be adjudicated a bankrupt, become insolvent, or a receiver, whether permanent or temporary, for all or substantially all of Franchisee's property, shall be appointed by any court, or Franchisee shall make a general assignment for the benefit of creditors, or a voluntary or involuntary petition under any bankruptcy law shall be filed with respect to Franchisee and shall not be dismissed within thirty (30) days thereafter;

(c) Any payment owing to McDonald's is not paid within thirty (30) days after the date such payment is due;

(d) Any judgment or judgments aggregating in excess of $5,000.00 against Franchisee or any lien in excess of $5,000.00 against Franchisee's property shall remain unsatisfied or unbonded of record in excess of thirty (30) days;

(e) Franchisee shall cause, suffer, or permit (voluntarily or involuntarily) Franchisee's right of possession as lessee or sublessee of the premises on which the Restaurant is located to be terminated prematurely for any cause whatever;

(f) Franchisee shall acquire any interest in a business in violation of paragraph 11(a);

(g) Franchisee shall duplicate the McDonald's System in violation of paragraph 11(c);

(h) Franchisee shall make or cause a disclosure of any portion of the McDonald's System in violation of paragraph 11(d) or shall make or cause a disclosure of part of the McDonald's System business manuals;

(i) Franchisee shall violate paragraph 11(e) by use of any name, trademark, service mark, or other intellectual property right exceeding the restrictions of said paragraph 11;

(j) Franchisee shall knowingly sell food or beverage products other than those designated by McDonald's or which fail to conform to McDonald's System specifications for those products, or which are not prepared in accordance with the methods prescribed by McDonald's, or fail to sell products designated by McDonald's;

(k) Any assignment or other transfer of any interest of the Franchisee in this Franchise shall occur in violation of paragraph 15(d) herein;

(l) Franchisee shall deny McDonald's the right to inspect the Restaurant at reasonable times;

(m) Franchisee shall fail to make or make repeated delays in the prompt payment of undisputed invoices from suppliers or in the remittance of payments as required by this Franchise;

(n) Franchisee makes any misrepresentations to McDonald's relating to the acquisition and/or ownership of this Franchise;

(o) Franchisee engages in public conduct which reflects materially and unfavorably upon the operation of the Restaurant, the reputation of the McDonald's System, or the goodwill associated with the McDonald's trademarks; provided that engaging in legitimate political activity (including testifying, lobbying, or otherwise attempting to influence legislation) shall not be grounds for termination;

(p) Franchisee is convicted of, pleads guilty or no contest to a felony, or any other crime that is reasonably likely to adversely affect the McDonald's System, the Restaurant, or the goodwill associated with the McDonald's trademarks; or

(q) Franchisee intentionally understates Gross Sales reported to McDonald's.

19. ***Other Breaches***. If Franchisee fails in the performance of any of the terms and conditions of this Franchise (other than performance of the terms and conditions listed in paragraph 18), Franchisee shall be guilty of a breach of this Franchise which shall not (except in the case of repeated breaches of the same or of different terms and conditions of this Franchise) constitute grounds for termination of this Franchise. McDonald's shall have the right to seek judicial enforcement of its rights and remedies, including, but not limited to, injunctive relief, damages, or specific performance. Notwithstanding any of the provisions of this paragraph 19, any uncured breach of the terms of this Franchise (whether of paragraph 18 or 19) shall be sufficient reason for McDonald's to withhold approval of its consent to any assignment or transfer of Franchisee's interest in this Franchise provided for herein.

20. ***Effect of Termination***.

(a) In the event of any material breach of this Franchise, McDonald's shall have an immediate right to enter and take possession of the Restaurant in order to maintain continuous operation of the Restaurant, to provide for orderly change of management and disposition of personal property, and to otherwise protect McDonald's interest.

(b) Upon termination of this Franchise due to any breach or breaches, Franchisee shall not, without the prior written consent of McDonald's, remove any furniture, fixtures, signs, equipment, other property, or leasehold improvements from the premises either prior to or for a period of thirty (30) days following such termination. McDonald's shall have the option for thirty (30) days following any such termination to purchase Franchisee's furniture, fixtures, signs, equipment, other property, and leasehold improvements or any portion thereof for a sum equal to the fair market value of such property. In the event of such a termination, there shall be no payment by McDonald's for intangible assets of Franchisee.

(c) Upon termination of this Franchise due to the expiration of its term or as a result of any eminent domain proceedings affecting the premises upon which the Restaurant is situated, Franchisee shall not remove any furniture, fixtures, signs, equipment, other property, or leasehold improvements within sixty (60) days prior to the date specified for termination or the date specified for takeover by any public authority. McDonald's shall, upon written notice of its intention to purchase said property at least thirty (30) days prior to such date of termination, have the option to purchase Franchisee's furniture, fixtures, signs, equipment, other property, and leasehold improvements or any portion thereof for a sum equal to the fair market value of such property. In the event of such a termination, there shall be no payment by McDonald's for intangible assets of Franchisee.

(d) Upon termination or expiration of this Franchise, Franchisee shall: (i) forthwith return to McDonald's the business manuals furnished to Franchisee, together with all other material containing trade secrets, operating instructions, or business practices; (ii) discontinue the use of the McDonald's System and its associated trade names, service marks, and trademarks or the use of any and all signs and printed goods bearing such names and marks, or any reference to them; (iii) not disclose, reveal, or publish all or any portion of the McDonald's System; and (iv) not thereafter use any trade name, service mark, or trademark similar to or likely to be confused with any trade name, service mark, or trademark used at any time in the McDonald's System.

21. ***Effect of Waivers***. No waiver by McDonald's or any breach or a series of breaches of this Franchise shall constitute a waiver of any subsequent breach or waiver of the terms of this Franchise.

22. ***Notices***. Any notice hereunder shall be in writing and shall be delivered by personal service or by United States certified or registered mail, with postage prepaid, addressed to Franchisee at the Restaurant or to McDonald's at **110 N. CARPENTER STREET, CHICAGO, ILLINOIS 60607**. Either party, by a similar written notice, may change the address to which notices shall be sent.

23. ***Cost of Enforcement***. If McDonald's institutes any action at law or in equity against Franchisee to secure or protect McDonald's rights under or to enforce the terms of this Franchise, in addition to any judgment entered in its favor, McDonald's shall be entitled to recover such reasonable attorneys' fees as may be allowed by the court together with court costs and expenses of litigation.

24. ***Indemnification***. If McDonald's shall be subject to any claim, demand, or penalty or become a party to any suit or other judicial or administrative proceeding by reason of any claimed act or omission by Franchisee or Franchisee's employees or agents, or by reason of any act occurring on the Restaurant premises, or by reason of an omission with respect to the business or operation of the Restaurant, Franchisee shall indemnify and hold McDonald's harmless against all judgments, settlements, penalties, and expenses, including attorneys' fees, court costs, and other expenses of litigation or administrative proceeding, incurred by or imposed on McDonald's in connection with the investigation or defense relating to such claim, litigation, or administrative proceeding and, at the election of McDonald's, Franchisee shall also defend McDonald's.

25. ***Construction and Severability***. All references in this Franchise to the singular shall include the plural where applicable. If any part of this Franchise for any reason shall be declared invalid, such decision shall not affect the validity of any remaining portion, which shall remain in full force and effect. In the event that any material provision of this Franchise shall be stricken or declared invalid, McDonald's reserves the right to terminate this Franchise.

26. ***Scope and Modification of Franchise***. This Franchise (including Exhibit A and any riders hereto) constitutes the entire agreement between the parties and supersedes all prior and contemporaneous, oral or written, agreements or understandings of the parties. Nothing in this Franchise or in any related agreement, however, is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee. No interpretation, change, termination, or waiver of any of the provisions hereof shall be binding upon McDonald's unless in writing signed by an officer or franchising director of McDonald's, and which is specifically identified as

an amendment hereto. No modification, waiver, termination, rescission, discharge, or cancellation of this Franchise shall affect the right of any party hereto to enforce any claim or right hereunder, whether or not liquidated, which occurred prior to the date of such modification, waiver, termination, rescission, discharge, or cancellation.

27. ***Governing Laws***. The terms and provisions of this Franchise shall be interpreted in accordance with and governed by the laws of the state of Illinois.

28. ***Acknowledgment***. Franchisee acknowledges that:

(a) The term of this Franchise is set forth in paragraph 2(b) hereof with no promise or representation as to the renewal of this Franchise or the grant of a new franchise;

(b) Franchisee hereby represents that Franchisee has received a copy of this Franchise, has read and understands all obligations being undertaken, and has had an opportunity to consult with Franchisee's attorney with respect thereto at least seven (7) calendar days prior to execution;

(c) No representation has been made by McDonald's as to the future profitability of the Restaurant;

(d) Prior to the execution of this Franchise, Franchisee has worked at a McDonald's restaurant and has had ample opportunity to contact existing franchisees of McDonald's and to investigate all representations made by McDonald's relating to the McDonald's System;

(e) This Franchise establishes the Restaurant at the location specified on page 1 hereof only and that no "exclusive," "protected," or other territorial rights in the contiguous market area of such Restaurant is hereby granted or inferred;

(f) This Franchise supersedes any and all other agreements and representations respecting the Restaurant and contains all the terms, conditions, and obligations of the parties with respect to the grant of this Franchise; however, nothing in this Franchise or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee;

(g) McDonald's or its affiliates are the sole owner(s) of the trademarks, trade names, service marks, and goodwill associated therewith, respectively, and Franchisee acquires no right, title, or interest in those names and marks other than the right to use them only in the manner and to the extent prescribed and approved by McDonald's;

(h) No future franchise or offers of franchises for additional McDonald's restaurants, other than this Franchise, have been promised to Franchisee and any other franchise offer shall only be in writing, executed by an officer or franchising director of McDonald's, and identified as a Franchise Agreement or Rewrite (New Term) Offer Letter;

(i) Neither McDonald's nor anyone acting on its behalf has made any representations, inducements, promises, or agreements, orally or otherwise, respecting the subject matter of this Franchise, which is not embodied herein or set forth in the Franchise Disclosure Document; and

(j) This Franchise is offered to Franchisee personally and to no others, and may not be accepted by any other person, partnership, or corporation, or transferred by assignment, will, or operation of law.

IN WITNESS WHEREOF, the parties hereto set their hands and seals, in duplicate, the day and year in this instrument first above written.

McDONALD'S USA, LLC	**Franchisee**
By: ______________________________	______________________________ Date
Prepared By: ______________________	______________________________ Date

The following changes are made to the Franchise Agreement in the following states:

Minnesota Paragraph 27 continues with, "Nothing in this Franchise or the Franchise Disclosure Document shall in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

A new Paragraph 28(h) is inserted (and remaining sub-paragraphs are renamed (i) through (k)) as follows: "McDonald's considers the trademarks, trade names, logo types, service marks, and commercial symbols to be valuable property rights and continually protects against infringement of these assets. It protects franchisees against claims of infringement or unfair competition to which the franchisees might become subjected because of their authorized use of the trademarks, service marks, logo types, or other commercial symbols in the United States."

Paragraph 28(l) is added as follows: "With respect to franchises governed by Minnesota law, McDonald's will comply with Minnesota Statutes Section 80C.14, Subdivisions 3, 4, and 5 which require, except in certain specified cases, that the Franchisee be given ninety (90) days notice of termination (with sixty (60) days to cure) and 180 days notice for non-renewal of this Franchise; and that consent to the transfer of this Franchise will not be unreasonably withheld."

North Dakota Paragraph 11(b) continues with, "Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, Franchisee and McDonald's agree to enforce these provisions to the extent allowed under law."

Paragraph 27 continues with, ", except that North Dakota law will govern with respect to claims arising under the North Dakota Franchise Investment Law."

Washington Paragraph 28(k) is added as follows: "In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, this Franchise shall be modified as follows:

The State of Washington has a statute, RCW 19.100.180, which might supersede this Franchise in Franchisee's relationship with McDonald's, including the areas of termination and renewal of this Franchise. There also might be court decisions which supersede this Franchise in Franchisee's relationship with McDonald's, including the areas of termination and renewal of this Franchise.

In the event of a conflict of laws, to the extent required by the Act, the provisions of the Act, Chapter 19.100 RCW, shall prevail.

To the extent required by the Act, a release or waiver of rights executed by a franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act, such as a right to a jury trial, might not be enforceable; however, McDonald's and Franchisee agree to enforce them to the maximum extent the law allows."

EXHIBIT C

FRANCHISE AGREEMENT (SATELLITE)

[CITY, STATE]
[Address]
L/C: __________
File #: __________

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Franchise") made this _____ day of _______________, for the operation of a McDonald's restaurant located at ____ (the "Restaurant") by and between:

McDONALD'S USA, LLC,

a Delaware limited liability company,

("McDonald's")

and

____

____

(collectively "Franchisee")

for the purpose of granting the Franchisee the rights necessary to operate the Restaurant.

In consideration of the mutual rights and obligations contained herein McDonald's and Franchisee agree as follows:

1. ***Nature and Scope of Franchise***.

(a) McDonald's operates a restaurant system ("McDonald's System"). The McDonald's System is a comprehensive system for the ongoing development, operation, and maintenance of McDonald's restaurant locations which have been selected and developed for the retailing of a limited menu of uniform and quality food products, emphasizing prompt and courteous service in a clean, wholesome atmosphere which is intended to be attractive to children and families and includes proprietary rights in certain valuable trade names, service marks, and trademarks, including the trade names "McDonald's" and "McDonald's Hamburgers," designs and color schemes for restaurant buildings, signs, equipment layouts, formulas and specifications for certain food products, methods of inventory and operation control, bookkeeping and accounting, and manuals covering business practices and policies. The McDonald's System is operated and is advertised widely within the United States of America and in certain foreign countries.

(b) McDonald's holds the right to authorize the adoption and use of the McDonald's System at the Restaurant. The rights granted to the Franchisee to operate the Restaurant are set forth in this Franchise, including the Operator's Lease ("Lease") which is attached hereto as Exhibit A, incorporated in this Franchise.

(c) The foundation of the McDonald's System and the essence of this Franchise is the adherence by Franchisee to standards and policies of McDonald's providing for the uniform operation of all McDonald's restaurants within the McDonald's System including, but not limited to, serving only designated food and beverage products; the use of only prescribed equipment and building layout and designs; strict adherence to designated food and beverage specifications and to McDonald's prescribed standards of Quality, Service, and Cleanliness in the Restaurant operation. Compliance by Franchisee with the foregoing standards and policies in conjunction with the McDonald's trademarks and service marks provides the basis for the valuable goodwill and wide family acceptance of the McDonald's System. Moreover, the establishment and maintenance of a close personal working relationship with McDonald's in the conduct of Franchisee's McDonald's restaurant business, Franchisee's accountability for performance of the obligations contained in this Franchise, and Franchisee's adherence to the tenets of the McDonald's System constitute the essence of this Franchise.

(d) The provisions of this Franchise shall be interpreted to give effect to the intent of the parties stated in this paragraph 1 so that the Restaurant shall be operated in conformity to the McDonald's System through strict adherence to McDonald's standards and policies as they exist now and as they may be from time to time modified.

(e) Franchisee acknowledges Franchisee's understanding of McDonald's basic business policy that McDonald's will grant franchises only to those individuals who live in the locality of their McDonald's restaurant, actually own the entire equity interest in the business of the Restaurant and its profits, and who will work full time at their McDonald's restaurant business. Franchisee represents, warrants, and agrees that Franchisee actually owns the complete equity interest in this Franchise and the profits from the operation of the Restaurant, and that Franchisee shall maintain such interest during the term of this Franchise except only as otherwise permitted pursuant to the terms and conditions of this Franchise. Franchisee agrees to furnish McDonald's with such evidence as McDonald's may request, from time to time, for the purpose of assuring McDonald's that Franchisee's interest remains as represented herein.

(f) Franchisee agrees to pay to McDonald's all required payments under this Franchise, including, without limitation, the payments set forth in paragraphs 8 and 9 herein and paragraph 3.01 of the Lease. All payments hereby required constitute a single financial arrangement between Franchisee and McDonald's which, taken as a whole and without regard to any designation or descriptions, reflect the value of the authorization being made available to the Franchisee by McDonald's in this Franchise and the services rendered by McDonald's during the term hereof.

2. ***Franchise Grant and Term***.

(a) McDonald's grants to Franchisee for the following stated term the right, license, and privilege:

(i) to adopt and use the McDonald's System at the Restaurant;

(ii) to advertise to the public that Franchisee is a franchisee of McDonald's;

(iii) to adopt and use, but only in connection with the sale of those food and beverage products which have been designated by McDonald's at the Restaurant, the trade names, trademarks, and service marks which McDonald's shall designate, from time to time, to be part of the McDonald's System; and

(iv) to occupy the Restaurant as provided herein.

The rights granted under this Franchise are limited to the Restaurant's location only.

(b) The term of this Franchise shall begin on ______________ and end on ______________, unless terminated prior thereto pursuant to the provisions hereof.

3. ***General Services of McDonald's***. McDonald's shall advise and consult with Franchisee periodically in connection with the operation of the Restaurant and also, upon Franchisee's request, at other reasonable times. McDonald's shall communicate to Franchisee know-how, 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 shall be accomplished by visits by operations consultants, printed and filmed reports, seminars, and newsletter mailings. McDonald's shall also make available to Franchisee all additional services, facilities, rights, and privileges relating to the operation of the Restaurant which McDonald's makes generally available, from time to time, to all its franchisees operating McDonald's restaurants.

4. ***Manuals***. McDonald's shall provide Franchisee with the business manuals prepared for use by franchisees of McDonald's restaurants similar to the Restaurant. The business 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. Franchisee agrees to promptly adopt and use exclusively the formulas, methods, and policies contained in the business manuals, now and as they may be modified from time to time. Franchisee acknowledges that McDonald's or its affiliates own all proprietary rights in and to the McDonald's System and that the information revealed in the business manuals, in their entirety, constitute confidential trade secrets. Without the prior written consent of McDonald's, Franchisee shall not disclose the contents of the business manuals to any person, except employees of Franchisee for purposes related solely to the operation of the Restaurant, nor shall Franchisee reprint or reproduce the manuals in whole or in part for any purpose except in connection with instruction of employees in the operation of the Restaurant. Such manuals, as modified from time to time, and the policies contained therein, are incorporated in this Franchise by reference.

5. ***Advertising***. McDonald's employs both public relations and advertising specialists who formulate and carry out national and local advertising programs for the McDonald's System.

Franchisee shall use only advertising and promotional materials and programs provided by McDonald's or approved in advance, in writing, by McDonald's. Neither the approval by McDonald's of Franchisee's advertising and promotional material nor the providing of such material by McDonald's to Franchisee shall, directly or indirectly, require McDonald's to pay for such advertising or promotion.

Franchisee shall expend during each calendar year for advertising and promotion of the Restaurant to the general public an amount which is not less than four percent (4%) of Gross Sales (as that term is defined in paragraph 7) for such year. Expenditures by Franchisee to national and regional cooperative advertising and promotion of the McDonald's System, or to a group of McDonald's restaurants which includes the Restaurant, shall be a credit against the required minimum expenditures for advertising and promotion to the general public.

6. ***Training***. McDonald's shall make available to Franchisee the services of Hamburger University, the international training center for the McDonald's System. Franchisee acknowledges the importance of quality of business operation among all restaurants in the McDonald's System and agrees to enroll Franchisee and Franchisee's managers, present and future, at Hamburger University or at such other training center as may be designated by McDonald's from time to time. McDonald's shall bear the cost of maintaining Hamburger University and any other training centers, including the overhead costs of training, staff salaries, materials, and all technical training tools, and agrees to provide to Franchisee both basic and advanced instruction for the operation of a McDonald's System restaurant. Franchisee shall pay all traveling, living, compensation, or other expenses incurred by Franchisee and Franchisee's employees in connection with attendance at Hamburger University or such other training centers.

7. ***Gross Sales***. For the purposes of this Franchise, the term "Gross Sales" shall mean all revenues from sales of the Franchisee based upon all business conducted upon or from the Restaurant, whether such sales be evidenced by check, cash, credit, charge account, exchange, or otherwise, and shall include, but not be limited to, the amounts received from the sale of goods, wares, and merchandise, including sales of food, beverages, and tangible property of every kind and nature, promotional or otherwise, and for services performed from or at the Restaurant, together with the amount of all orders taken or received at the Restaurant, whether such orders be filled from the Restaurant or elsewhere. Gross Sales shall not include sales of merchandise for which cash has been refunded, provided that such sales shall have previously been included in Gross Sales. There shall be deducted from Gross Sales the price of merchandise returned by customers for exchange, provided that such returned merchandise shall have been previously included in Gross Sales, and provided that the sales price of merchandise delivered to the customer in exchange shall be included in Gross Sales. Gross Sales shall not include the amount of any sales tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein and actually paid by the Franchisee to such governmental authority. Each charge or sale upon credit shall be treated as a sale for the full price in the month during which such charge or sale shall be made, irrespective of the time when the Franchisee shall receive payment (whether full or partial) therefor.

8. (a) ***Service Fee***. Franchisee shall pay a monthly service fee on or before the tenth (10th) day of the following month in an amount equal to four percent (4.0%) of the Gross Sales of the Restaurant for the preceding month immediately ended.

(b) ***Method of Payment***. Franchisee shall at all times participate in the McDonald's automatic debit/credit transfer program as specified by McDonald's from time to time for the payment of all amounts due

McDonald's pursuant to this Franchise. Franchisee shall execute and deliver to McDonald's such documents and instruments as may be necessary to establish and maintain said automatic debit/credit transfer program.

(c) ***Interest on Delinquencies***. In the event that the Franchisee is past due on the payment of any amount due McDonald's under this Franchise, including accrued interest, the Franchisee shall be required, to the extent permitted by law, to pay interest on the past due amount to McDonald's for the period beginning with the original due date for payment to the date of actual payment at an annual rate equal to the highest rate allowed by law or, if there is no maximum rate permitted by law, then fifteen percent (15%). Such interest will be calculated on the basis of monthly compounding and the actual number of days elapsed divided by 365.

9. ***Initial Fee and Annual Fee***. Franchisee acknowledges that: (a) the initial grant of this Franchise constitutes the sole consideration for the payment of (i) an Initial Fee of Five Hundred Dollars ($500.00) paid by Franchisee to McDonald's on the opening date of the Restaurant; and (ii) an Annual Fee of ____________________ ($__________) to be paid by Franchisee to McDonald's beginning on the first anniversary of the opening date of the Restaurant and on each subsequent anniversary; and (b) the fees have been earned by McDonald's (except where the construction of the Restaurant has not been completed within one (1) year from the date of the execution and delivery of this Franchise). If the Restaurant has not been constructed or is not ready for occupancy at the time of the execution of this Franchise, McDonald's shall use its best efforts to expedite the construction and lease of the Restaurant to Franchisee. However, McDonald's shall not be liable to Franchisee in any manner for any delays in or lack of completion of such construction for any reason. McDonald's shall be under no obligation to enforce performance or to seek other remedies for non-performance of any lease, clause, or contract necessary for the construction of the Restaurant and reserves the right, in case construction of the Restaurant should be abandoned, the lease assigned, or other interest in the premises be relinquished, to terminate this Franchise upon reimbursement to Franchisee of the Initial Fee. At such time as the Restaurant is completed and ready for occupancy, the Initial Fee shall be deemed to be earned. If the Restaurant is not ready for occupancy within one (1) year from the date of this Franchise, Franchisee shall have the right to terminate this Franchise and obtain an immediate refund of the Initial Fee upon written request to McDonald's.

10. ***Reports***. On or before 11:00 a.m. Central Standard Time on the first business day of each month, Franchisee shall render, in a manner specified by McDonald's, a statement, in such form as McDonald's shall reasonably require from time to time, of all receipts from the operation of the Restaurant for the preceding month immediately ended. On or before the twenty-fifth (25th) day of each month Franchisee shall submit to McDonald's an operating statement and a statistical report for the previous month in form satisfactory to McDonald's. Franchisee shall keep and preserve full and complete records of Gross Sales for at least three (3) years in a manner and form satisfactory to McDonald's and shall also deliver such additional financial and operating reports and other information as McDonald's may reasonably request on the forms and in the manner prescribed by McDonald's. Franchisee further agrees to submit within ninety (90) days following the close of each fiscal year of the Restaurant's operation, a profit and loss statement covering operations during such fiscal year and a balance sheet taken as of the close of such fiscal year, all prepared in accordance with generally accepted accounting principles. The profit and

loss statement and the balance sheet shall, if McDonald's shall request certification, be certified by a certified public accountant. Franchisee shall at Franchisee's expense cause Franchisee's public accountant and certified public accountant, if any, to consult with McDonald's concerning such statement and balance sheet. The original of each such report required by this paragraph 10 shall be mailed to McDonald's at the address indicated in paragraph 22 herein.

McDonald's shall have the right to inspect and/or audit Franchisee's accounts, books, records, and tax returns at all reasonable times to ensure that Franchisee is complying with the terms of this Franchise. If such inspection discloses that Gross Sales actually exceeded the amount reported by Franchisee as Gross Sales by an amount equal to two percent (2%) or more of Gross Sales originally reported to McDonald's, Franchisee shall bear the cost of such inspection and audit.

11. ***Restrictions***. Franchisee agrees and covenants as follows:

(a) During the term of this Franchise, Franchisee shall not, without the prior written consent of McDonald's, directly or indirectly, engage in, acquire any financial or beneficial interest (including interests in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, or become a landlord for any restaurant business, which is similar to the Restaurant.

(b) Franchisee shall not, for a period of eighteen (18) months after termination of this Franchise for any reason or the sale of the Restaurant, directly or indirectly, engage in or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, or become a landlord of any restaurant business which is similar to the Restaurant within a ten-mile radius of the Restaurant.

(c) Franchisee shall not appropriate, use, or duplicate the McDonald's System, or any portion thereof, for use at any other self-service, carry-out, or other similar restaurant business.

(d) Franchisee shall not disclose or reveal any portion of the McDonald's System to a non-franchisee other than to Franchisee's Restaurant employees as an incident of their training.

(e) Franchisee shall acquire no right to use, or to license the use of, any name, mark, or other intellectual property right granted or to be granted herein, except in connection with the operation of the Restaurant.

The restrictions contained in paragraphs 11(a) and 11(b) herein shall not apply to ownership of less than two percent (2%) of the shares of a company whose shares are listed and traded on a national or regional securities exchange.

12. ***Compliance With Entire System***. Franchisee acknowledges that every component of the McDonald's System is important to McDonald's and to the operation of the Restaurant as a McDonald's restaurant, including a designated menu of food and beverage products; uniformity of food specifications, preparation methods, quality, and appearance; and uniformity of facilities and service.

McDonald's shall have the right to inspect the Restaurant at all reasonable times to ensure that Franchisee's operation thereof is in compliance with the standards and policies of the McDonald's System.

Franchisee shall comply with the entire McDonald's System, including, but not limited to, the following:

(a) Operate the Restaurant in a clean, wholesome manner in compliance with prescribed standards of Quality, Service, and Cleanliness; comply with all business policies, practices, and procedures imposed by McDonald's; serve at the Restaurant only those food and beverage products now or hereafter designated by McDonald's; and maintain the building, fixtures, equipment, signage, seating and decor, and parking area in a good, clean, wholesome condition and repair, and well lighted and in compliance with designated standards as may be prescribed from time to time by McDonald's;

(b) Purchase kitchen fixtures, lighting, seating, signs, and other equipment in accordance with the equipment specifications and layout initially designated by McDonald's and, promptly after notice from McDonald's that the Restaurant premises are ready for occupancy, cause the installation thereof;

(c) Keep the Restaurant constructed and equipped in accordance with the building blueprints and equipment layout plans that are standard in the McDonald's System or as such blueprints and plans may be reasonably changed from time to time by McDonald's;

(d) Franchisee shall not, without the prior written consent of McDonald's: (i) make any building design conversion or (ii) make any alterations, conversions, or additions to the building, equipment, or parking area;

(e) Make repairs or replacements required: (i) because of damage or wear and tear or (ii) in order to maintain the Restaurant building and parking area in good condition and in conformity to blueprints and plans;

(f) Where parking is provided, maintain the parking area for the exclusive use of Restaurant customers;

(g) Operate the Restaurant seven (7) days per week throughout the year and at least during the hours from 7:00 a.m. to 11:00 p.m., or such other hours as may from time to time be prescribed by McDonald's (except when the Restaurant is untenantable as a result of fire or other casualty), maintain sufficient supplies of food and paper products, and employ adequate personnel so as to operate the Restaurant at its maximum capacity and efficiency;

(h) Cause all employees of Franchisee, while working in the Restaurant, to: (i) wear uniforms of such color, design, and other specifications as McDonald's may designate from time to time; (ii) present a neat and clean appearance; and (iii) render competent and courteous service to Restaurant customers;

(i) In the dispensing and sale of food products: (i) use only containers, cartons, bags, napkins, other paper goods, and packaging bearing the approved trademarks and which meet the McDonald's System specifications and quality standards which McDonald's may designate from time to time; (ii) use only those flavorings, garnishments, and food and beverage ingredients which meet the McDonald's System specifications and quality standards which McDonald's may designate from time to time; and (iii) employ only those methods of food handling and preparation which McDonald's may designate from time to time;

(j) To make prompt payment in accordance with the terms of invoices rendered to Franchisee on Franchisee's purchase of fixtures, signs, equipment, and food and paper supplies; and

(k) At Franchisee's own expense, comply with all federal, state, and local laws, ordinances, and regulations affecting the operation of the Restaurant.

13. ***Best Efforts***. Franchisee shall diligently and fully exploit the rights granted in this Franchise by personally devoting full time and best efforts and, in case more than one individual has executed this Franchise as the Franchisee, then ____________________ shall personally devote full time and best efforts to the operation of the Restaurant. Franchisee shall keep free from conflicting enterprises or any other activities which would be detrimental to or interfere with the business of the Restaurant.

14. ***INTENTIONALLY DELETED***.

15. ***Assignment***. Without the prior written consent of McDonald's, Franchisee's interest in this Franchise shall not be assigned or otherwise transferred in whole or in part (whether voluntarily or by operation of law) directly, indirectly, or contingently, and then only in accordance with the terms of this paragraph 15.

(a) Death or Permanent Incapacity of Franchisee. Upon the death or permanent incapacity of Franchisee, the interest of Franchisee in this Franchise may be assigned either pursuant to the terms of paragraph 15(d) herein or to one or more of the following persons: Franchisee's spouse, heirs, or nearest relatives by blood or marriage, subject to the following conditions: (i) if, in the sole discretion of McDonald's, such person shall be capable of conducting the Restaurant business in accordance with the terms and conditions of this Franchise and (ii) if such person shall also execute an agreement by which the person personally assumes full and unconditional liability for and agrees to perform all the terms and conditions of this Franchise to the same extent as the original Franchisee. If, in McDonald's sole discretion, such person cannot devote full time and best efforts to the operation of the Restaurant or lacks the capacity to operate the Restaurant in accordance with this Franchise, McDonald's shall have an option to operate and/or manage the Restaurant for the account of Franchisee or of Franchisee's estate until the deceased or incapacitated Franchisee's interest is transferred to another party acceptable to McDonald's in accordance with the terms and conditions of this Franchise. However, in no event shall such McDonald's operation and management of the Restaurant continue for a period in excess of twelve (12) full calendar months without the consent of Franchisee or Franchisee's estate. In the event that McDonald's so operates and/or manages the Restaurant, McDonald's shall make a complete account to and return the net income from such operation to the Franchisee or to Franchisee's estate, less a reasonable management fee and expenses. If the disposition of the Restaurant to a party acceptable to McDonald's has not taken place within twelve (12) months from the date that McDonald's has commenced the operation or management of the Restaurant on behalf of the deceased or incapacitated Franchisee, then, in that event, McDonald's shall have the option to purchase the Restaurant at fair market value for cash or its common stock at its option.

(b) Assignment to Franchisee's Corporation. Upon Franchisee's compliance with such requirements as may from time to time be prescribed by McDonald's, including a Stockholders Agreement in the form prescribed by McDonald's, McDonald's shall consent to an assignment to a corporation whose shares are wholly owned and controlled by Franchisee. The corporate name of the corporation shall not include any of the names or trademarks granted by this Franchise. Any subsequent assignment or transfer, either voluntarily or by operation of law, of all or any part of said shares shall be made in compliance with the terms and conditions set forth in paragraphs 15(a) and 15(d) herein.

(c) First Option to Purchase. Franchisee or Franchisee's representative shall, at least twenty (20) days prior to the proposed effective date, give McDonald's written notice of intent to sell or otherwise transfer this Franchise pursuant to paragraph 15(d). The notice shall set forth the name and address of the proposed purchaser and all the terms and conditions of any offer. McDonald's shall have the first option to purchase the Restaurant by giving written notice to Franchisee of its intention to purchase on the same terms as the offer within ten (10) days following McDonald's receipt of such notice. However, if McDonald's fails to exercise its option and the Restaurant is not subsequently sold to the proposed purchaser for any reason, McDonald's shall continue to have, upon the same conditions, a first option to purchase the Restaurant upon the terms and conditions of any subsequent offer.

(d) Other Assignment. In addition to any assignments or contingent assignments contemplated by the terms of paragraphs 15(a) and 15(b), Franchisee shall not sell, transfer, or assign this Franchise to any person or persons without McDonald's prior written consent. Such consent shall not be arbitrarily withheld.

In determining whether to grant or to withhold such consent, McDonald's shall consider of each prospective transferee, by way of illustration, the following: (i) work experience and aptitude, (ii) financial background, (iii) character, (iv) ability to personally devote full time and best efforts to managing the Restaurant, (v) residence in the locality of the Restaurant, (vi) equity interest in the Restaurant, (vii) conflicting interests, and (viii) such other criteria and conditions as McDonald's shall then apply in the case of an application for a new franchise to operate a McDonald's restaurant. McDonald's consent shall also be conditioned each upon such transferee's execution of an agreement by which transferee personally assumes full and unconditional liability for and agrees to perform from the date of such transfer all obligations, covenants, and agreements contained in this Franchise to the same extent as if transferee had been an original party to this Franchise. Franchisee and each transferor shall continue to remain personally liable for all affirmative obligations, covenants, and agreements contained herein for the full term of this Franchise or for such shorter period as McDonald's may, in its sole discretion, determine. Upon each assignment or other transfer of this Franchise to any person or persons under the terms and conditions of this paragraph 15(d), the percentage service fee charge owing to McDonald's after the date of such assignment or transfer shall be automatically adjusted to the then prevailing percentage service fee charge required under new Franchises issued by McDonald's for similar McDonald's restaurants at the time of such assignment or transfer.

16. ***Franchisee Not an Agent of McDonald's***. Franchisee shall have no authority, express or implied, to act as agent of McDonald's or any of its affiliates for any purpose. Franchisee is, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Restaurant and its business, including any personal property, equipment, fixtures, or real property connected therewith, and for all

claims or demands based on damage or destruction of property or based on injury, illness, or death of any person or persons, directly or indirectly, resulting from the operation of the Restaurant. Further, Franchisee and McDonald's are not and do not intend to be partners, associates, or joint employers in any way and McDonald's shall not be construed to be jointly liable for any acts or omissions of Franchisee under any circumstances.

17. ***Insurance***. Franchisee shall, upon taking possession of the Restaurant, acquire and maintain in effect such insurance with such coverages as may be required by the terms of any lease of the Restaurant premises to McDonald's, and in any event, Franchisee shall acquire and maintain in effect not less than the following coverages in the following minimum amounts:

(a) Worker's Compensation insurance prescribed by law in the state in which the Restaurant is located and Employer's Liability Insurance with $100,000/$500,000/$100,000 minimum limit. If the state in which the Restaurant is located allows the option of not carrying Worker's Compensation Insurance, and Franchisee chooses to exercise that option, Franchisee shall nonetheless carry and maintain other insurance with coverage and limits as approved by McDonald's.

(b) Commercial general liability insurance in a form approved by McDonald's with a limit of $5,000,000 per occurrence/$5,000,000 aggregate.

(c) All such insurance as may be required under the Lease.

All insurance policies required to be carried hereunder shall name McDonald's and any party designated by McDonald's as additional insureds, as their interests may appear in this Franchise. All policies shall be effective on or prior to the date Franchisee is given possession of the Restaurant premises for the purpose of installing equipment or opening the Restaurant, whichever occurs first, and evidence of payment of premiums and duplicate copies of policies of the insurance required herein shall be delivered to McDonald's at least thirty (30) days prior to the date that Franchisee opens for business and/or thirty (30) days prior to the expiration date of an existing policy of insurance. All policies of insurance shall include a provision prohibiting cancellations or material changes to the policy thereof until thirty (30) days prior written notice has been given to McDonald's.

In the event Franchisee shall fail to obtain the insurance required herein, McDonald's may, but is not obligated to, purchase said insurance, adding the premiums paid to Franchisee's monthly rent. (Franchisee may authorize McDonald's to purchase and to administer the required minimum insurance on Franchisee's behalf. However, McDonald's, by placement of the required minimum insurance, assumes no responsibility for premium expense nor guarantees payment for any losses sustained by Franchisee.) McDonald's may relieve itself of all obligations with respect to the purchase and administration of such required insurance coverage by giving ten (10) days written notice to Franchisee.

All insurance shall be placed with a reputable insurance company licensed to do business in the state in which the Restaurant is located and having a Financial Size Category equal to or greater than IX and Policyholders Rating of "A+" or "A", as assigned by Alfred M. Best and Company, Inc., unless otherwise approved by McDonald's.

18. ***Material Breach***. The parties agree that the happening of any of the following events shall constitute a material breach of this Franchise and violate the essence of Franchisee's obligations and, without prejudice to any of its other rights or remedies at law or in equity, McDonald's, at its election, may terminate this Franchise upon the happening of any of the following events:

(a) Franchisee shall fail to maintain and operate the Restaurant in a good, clean, wholesome manner and in compliance with the standards prescribed by the McDonald's System;

(b) Franchisee shall be adjudicated a bankrupt, become insolvent, or a receiver, whether permanent or temporary, for all or substantially all of Franchisee's property, shall be appointed by any court, or Franchisee shall make a general assignment for the benefit of creditors, or a voluntary or involuntary petition under any bankruptcy law shall be filed with respect to Franchisee and shall not be dismissed within thirty (30) days thereafter;

(c) Any payment owing to McDonald's is not paid within thirty (30) days after the date such payment is due;

(d) Any judgment or judgments aggregating in excess of $5,000.00 against Franchisee or any lien in excess of $5,000.00 against Franchisee's property shall remain unsatisfied or unbonded of record in excess of thirty (30) days;

(e) Franchisee shall cause, suffer, or permit (voluntarily or involuntarily) Franchisee's right of possession as lessee or sublessee of the premises on which the Restaurant is located to be terminated prematurely for any cause whatever;

(f) Franchisee shall acquire any interest in a business in violation of paragraph 11(a);

(g) Franchisee shall duplicate the McDonald's System in violation of paragraph 11(c);

(h) Franchisee shall make or cause a disclosure of any portion of the McDonald's System in violation of paragraph 11(d) or shall make or cause a disclosure of part of the McDonald's System business manuals;

(i) Franchisee shall violate paragraph 11(e) by use of any name, trademark, service mark, or other intellectual property right exceeding the restrictions of said paragraph 11;

(j) Franchisee shall knowingly sell food or beverage products other than those designated by McDonald's or which fail to conform to McDonald's System specifications for those products, or which are not prepared in accordance with the methods prescribed by McDonald's, or fail to sell products designated by McDonald's;

(k) Any assignment or other transfer of any interest of the Franchisee in this Franchise shall occur in violation of paragraph 15(d) herein;

(l) Franchisee shall deny McDonald's the right to inspect the Restaurant at reasonable times;

(m) Franchisee shall fail to make or make repeated delays in the prompt payment of undisputed invoices from suppliers or in the remittance of payments as required by this Franchise;

(n) Franchisee makes any misrepresentations to McDonald's relating to the acquisition and/or ownership of this Franchise;

(o) Franchisee engages in public conduct which reflects materially and unfavorably upon the operation of the Restaurant, the reputation of the McDonald's System, or the goodwill associated with the McDonald's trademarks; provided that engaging in legitimate political activity (including testifying, lobbying, or otherwise attempting to influence legislation) shall not be grounds for termination;

(p) Franchisee is convicted of, pleads guilty or no contest to a felony, or any other crime that is reasonably likely to adversely affect the McDonald's System, the Restaurant, or the goodwill associated with the McDonald's trademarks; or

(q) Franchisee intentionally understates Gross Sales reported to McDonald's.

19. ***Other Breaches***. If Franchisee fails in the performance of any of the terms and conditions of this Franchise (other than performance of the terms and conditions listed in paragraph 18), Franchisee shall be guilty of a breach of this Franchise which shall not (except in the case of repeated breaches of the same or of different terms and conditions of this Franchise) constitute grounds for termination of this Franchise. McDonald's shall have the right to seek judicial enforcement of its rights and remedies, including, but not limited to, injunctive relief, damages, or specific performance. Notwithstanding any of the provisions of this paragraph 19, any uncured breach of the terms of this Franchise (whether of paragraph 18 or 19) shall be sufficient reason for McDonald's to withhold approval of its consent to any assignment or transfer of Franchisee's interest in this Franchise provided for herein.

20. ***Effect of Termination***.

(a) In the event of any material breach of this Franchise, McDonald's shall have an immediate right to enter and take possession of the Restaurant in order to maintain continuous operation of the Restaurant, to provide for orderly change of management and disposition of personal property, and to otherwise protect McDonald's interest.

(b) Upon termination of this Franchise due to any breach or breaches, Franchisee shall not, without the prior written consent of McDonald's, remove any furniture, fixtures, signs, equipment, other property, or leasehold improvements from the premises either prior to or for a period of thirty (30) days following such termination. McDonald's shall have the option for thirty (30) days following any such termination to purchase Franchisee's furniture, fixtures, signs, equipment, other property, and leasehold improvements or any portion thereof for a sum equal to the fair market value of such property. In the event of such a termination, there shall be no payment by McDonald's for intangible assets of Franchisee.

(c) Upon termination of this Franchise due to the expiration of its term or as a result of any eminent domain proceedings affecting the premises upon which the Restaurant is situated, Franchisee shall not remove any furniture, fixtures, signs, equipment, other property, or leasehold improvements within sixty (60) days prior to the date specified for termination or the date specified for takeover by any public authority. McDonald's shall, upon written notice of its intention to purchase said property at least thirty (30) days prior to such date of termination, have the option to purchase Franchisee's furniture, fixtures, signs, equipment, other property, and leasehold improvements or any portion thereof for a sum equal to the fair market value of such property. In the event of such a termination, there shall be no payment by McDonald's for intangible assets of Franchisee.

(d) Upon termination or expiration of this Franchise, Franchisee shall: (i) forthwith return to McDonald's the business manuals furnished to Franchisee, together with all other material containing trade secrets, operating instructions, or business practices; (ii) discontinue the use of the McDonald's System and its associated trade names, service marks, and trademarks or the use of any and all signs and printed goods bearing such names and marks, or any reference to them; (iii) not disclose, reveal, or publish all or any portion of the McDonald's System; and (iv) not thereafter use any trade name, service mark, or trademark similar to or likely to be confused with any trade name, service mark, or trademark used at any time in the McDonald's System.

21. ***Effect of Waivers***. No waiver by McDonald's or any breach or a series of breaches of this Franchise shall constitute a waiver of any subsequent breach or waiver of the terms of this Franchise.

22. ***Notices***. Any notice hereunder shall be in writing and shall be delivered by personal service or by United States certified or registered mail, with postage prepaid, addressed to Franchisee at the Restaurant or to McDonald's at **110 N. CARPENTER STREET, CHICAGO, ILLINOIS 60607**. Either party, by a similar written notice, may change the address to which notices shall be sent.

23. ***Cost of Enforcement***. If McDonald's institutes any action at law or in equity against Franchisee to secure or protect McDonald's rights under or to enforce the terms of this Franchise, in addition to any judgment entered in its favor, McDonald's shall be entitled to recover such reasonable attorneys' fees as may be allowed by the court together with court costs and expenses of litigation.

24. ***Indemnification***. If McDonald's shall be subject to any claim, demand, or penalty or become a party to any suit or other judicial or administrative proceeding by reason of any claimed act or omission by Franchisee or Franchisee's employees or agents, or by reason of any act occurring on the Restaurant premises, or by reason of an omission with respect to the business or operation of the Restaurant, Franchisee shall indemnify and hold McDonald's harmless against all judgments, settlements, penalties, and expenses, including attorneys' fees, court costs, and other expenses of litigation or administrative proceeding, incurred by or imposed on McDonald's in connection with the investigation or defense relating to such claim, litigation, or administrative proceeding and, at the election of McDonald's, Franchisee shall also defend McDonald's.

25. ***Construction and Severability***. All references in this Franchise to the singular shall include the plural where applicable. If any part of this Franchise for any reason shall be declared invalid, such decision shall not affect the validity of any remaining portion, which shall remain in full force and effect. In the event that any material provision of this Franchise shall be stricken or declared invalid, McDonald's reserves the right to terminate this Franchise.

26. ***Scope and Modification of Franchise***. This Franchise (including Exhibit A and any riders hereto) constitutes the entire agreement between the parties and supersedes all prior and contemporaneous, oral or written, agreements or understandings of the parties. Nothing in this Franchise or in any related agreement, however, is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee. No interpretation, change, termination, or waiver of any of the provisions hereof shall be binding upon McDonald's unless in writing signed by an officer or franchising director of McDonald's, and which is specifically identified as

an amendment hereto. No modification, waiver, termination, rescission, discharge, or cancellation of this Franchise shall affect the right of any party hereto to enforce any claim or right hereunder, whether or not liquidated, which occurred prior to the date of such modification, waiver, termination, rescission, discharge, or cancellation.

27. ***Governing Laws***. The terms and provisions of this Franchise shall be interpreted in accordance with and governed by the laws of the state of Illinois.

28. ***Acknowledgment***. Franchisee acknowledges that:

(a) The term of this Franchise is set forth in paragraph 2(b) hereof with no promise or representation as to the renewal of this Franchise or the grant of a new franchise;

(b) Franchisee hereby represents that Franchisee has received a copy of this Franchise, has read and understands all obligations being undertaken, and has had an opportunity to consult with Franchisee's attorney with respect thereto at least seven (7) calendar days prior to execution;

(c) No representation has been made by McDonald's as to the future profitability of the Restaurant;

(d) Prior to the execution of this Franchise, Franchisee has worked at a McDonald's restaurant and has had ample opportunity to contact existing franchisees of McDonald's and to investigate all representations made by McDonald's relating to the McDonald's System;

(e) This Franchise establishes the Restaurant at the location specified on page 1 hereof only and that no "exclusive," "protected," or other territorial rights in the contiguous market area of such Restaurant is hereby granted or inferred;

(f) This Franchise supersedes any and all other agreements and representations respecting the Restaurant and contains all the terms, conditions, and obligations of the parties with respect to the grant of this Franchise; however, nothing in this Franchise or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee;

(g) McDonald's or its affiliates are the sole owner(s) of the trademarks, trade names, service marks, and goodwill associated therewith, respectively, and Franchisee acquires no right, title, or interest in those names and marks other than the right to use them only in the manner and to the extent prescribed and approved by McDonald's;

(h) No future franchise or offers of franchises for additional McDonald's restaurants, other than this Franchise, have been promised to Franchisee and any other franchise offer shall only be in writing, executed by an officer or franchising director of McDonald's, and identified as a Franchise Agreement or Rewrite (New Term) Offer Letter;

(i) Neither McDonald's nor anyone acting on its behalf has made any representations, inducements, promises, or agreements, orally or otherwise, respecting the subject matter of this Franchise, which is not embodied herein or set forth in the Franchise Disclosure Document; and

(j) This Franchise is offered to Franchisee personally and to no others, and may not be accepted by any other person, partnership, or corporation, or transferred by assignment, will, or operation of law.

IN WITNESS WHEREOF, the parties hereto set their hands and seals, in duplicate, the day and year in this instrument first above written.

McDONALD'S USA, LLC	**Franchisee**
By: ______________________________	______________________________ Date
Prepared By: ______________________________	______________________________ Date

The following changes are made to the Franchise Agreement in the following states:

Minnesota Paragraph 27 continues with, "Nothing in this Franchise or the Franchise Disclosure Document shall in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

A new Paragraph 28(h) is inserted (and remaining sub-paragraphs are renamed (i) through (k)) as follows: "McDonald's considers the trademarks, trade names, logo types, service marks, and commercial symbols to be valuable property rights and continually protects against infringement of these assets. It protects franchisees against claims of infringement or unfair competition to which the franchisees might become subjected because of their authorized use of the trademarks, service marks, logo types, or other commercial symbols in the United States."

Paragraph 28(l) is added as follows: "With respect to franchises governed by Minnesota law, McDonald's will comply with Minnesota Statutes Section 80C.14, Subdivisions 3, 4, and 5 which require, except in certain specified cases, that the Franchisee be given ninety (90) days notice of termination (with sixty (60) days to cure) and 180 days notice for non-renewal of this Franchise; and that consent to the transfer of this Franchise will not be unreasonably withheld."

North Dakota Paragraph 11(b) continues with, "Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, Franchisee and McDonald's agree to enforce these provisions to the extent allowed under law."

Paragraph 27 continues with, ", except that North Dakota law will govern with respect to claims arising under the North Dakota Franchise Investment Law."

Washington Paragraph 28(k) is added as follows: "In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, this Franchise shall be modified as follows:

The State of Washington has a statute, RCW 19.100.180, which might supersede this Franchise in Franchisee's relationship with McDonald's, including the areas of termination and renewal of this Franchise. There also might be court decisions which supersede this Franchise in Franchisee's relationship with McDonald's, including the areas of termination and renewal of this Franchise.

In the event of a conflict of laws, to the extent required by the Act, the provisions of the Act, Chapter 19.100 RCW, shall prevail.

To the extent required by the Act, a release or waiver of rights executed by a franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act, such as a right to a jury trial, might not be enforceable; however, McDonald's and Franchisee agree to enforce them to the maximum extent the law allows."

EXHIBIT D

FRANCHISE AGREEMENT (WALMART)

[CITY, STATE]
[Address]
L/C: __________
File #: __________

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Franchise") made this _____ day of _______________, for the operation of a McDonald's restaurant at the Walmart store located at ___________________________________ (the "Restaurant") by and between:

McDONALD'S USA, LLC,

a Delaware limited liability company,

("McDonald's")

and

____

____

(collectively "Franchisee")

for the purpose of granting the Franchisee the rights necessary to operate the Restaurant.

In consideration of the mutual rights and obligations contained herein McDonald's and Franchisee agree as follows:

1. ***Nature and Scope of Franchise***.

(a) McDonald's operates a restaurant system ("McDonald's System"). The McDonald's System is a comprehensive system for the ongoing development, operation, and maintenance of McDonald's restaurant locations which have been selected and developed for the retailing of a limited menu of uniform and quality food products, emphasizing prompt and courteous service in a clean, wholesome atmosphere which is intended to be attractive to children and families and includes proprietary rights in certain valuable trade names, service marks, and trademarks, including the trade names "McDonald's" and "McDonald's Hamburgers," designs and color schemes for restaurant buildings, signs, equipment layouts, formulas and specifications for certain food products, methods of inventory and operation control, bookkeeping and accounting, and manuals covering business practices and policies. The McDonald's System is operated and is advertised widely within the United States of America and in certain foreign countries.

(b) McDonald's holds the right to authorize the adoption and use of the McDonald's System at the Restaurant. McDonald's entered into a Master Lease Agreement with certain Wal-Mart entities (collectively "Walmart") dated February 1, 2011, as amended ("Master Lease"), a copy of which is attached hereto as Exhibit A and made a part hereof. The Master Lease provides McDonald's with the opportunity to operate the Restaurant within the Walmart store located at the above address ("Walmart Store"). The rights granted to the Franchisee to operate the Restaurant are set forth in this Franchise, including the Master Lease. The rights granted to Franchisee are subject to the Master Lease. Franchisee acknowledges receipt of a copy of the Master Lease, and Franchisee agrees to comply with all of the provisions of the Master Lease except for McDonald's rent, Utility Reimbursement, and Licensed Premise Improvement Charge obligations.

(c) The foundation of the McDonald's System and the essence of this Franchise is the adherence by Franchisee to standards and policies of McDonald's providing for the uniform operation of all McDonald's restaurants within the McDonald's System including, but not limited to, serving only designated food and beverage products; the use of only prescribed equipment and building layout and designs; strict adherence to designated food and beverage specifications and to McDonald's prescribed standards of Quality, Service, and Cleanliness in the Restaurant operation. Compliance by Franchisee with the foregoing standards and policies in conjunction with the McDonald's trademarks and service marks provides the basis for the valuable goodwill and wide family acceptance of the McDonald's System. Moreover, the establishment and maintenance of a close personal working relationship with McDonald's in the conduct of Franchisee's McDonald's restaurant business, Franchisee's accountability for performance of the obligations contained in this Franchise, and Franchisee's adherence to the tenets of the McDonald's System constitute the essence of this Franchise.

(d) The provisions of this Franchise shall be interpreted to give effect to the intent of the parties stated in this paragraph 1 so that the Restaurant shall be operated in conformity to the McDonald's System through strict adherence to McDonald's standards and policies as they exist now and as they may be from time to time modified.

(e) Franchisee acknowledges Franchisee's understanding of McDonald's basic business policy that McDonald's will grant franchises only to those individuals who live in the locality of their McDonald's restaurant, actually own the entire equity interest in the business of the Restaurant and its profits, and who will work full time at their McDonald's restaurant business. Franchisee represents, warrants, and agrees that Franchisee actually owns the complete equity interest in this Franchise and the profits from the operation of the Restaurant, and that Franchisee shall maintain such interest during the term of this Franchise except only as otherwise permitted pursuant to the terms and conditions of this Franchise. Franchisee agrees to furnish McDonald's with such evidence as McDonald's may request, from time to time, for the purpose of assuring McDonald's that Franchisee's interest remains as represented herein.

(f) Franchisee agrees to pay to McDonald's all required payments under this Franchise, including, without limitation, the payments set forth in paragraphs 8 and 9 herein. All payments hereby required constitute a single financial arrangement between Franchisee and McDonald's which, taken as a whole and without regard to any designation or descriptions, reflect the value of the authorization being made available to the Franchisee by McDonald's in this Franchise and the services rendered by McDonald's during the term hereof.

2. ***Franchise Grant and Term***.

(a) McDonald's grants to Franchisee for the following stated term the right, license, and privilege:

(i) to adopt and use the McDonald's System at the Restaurant;

(ii) to advertise to the public that Franchisee is a franchisee of McDonald's;

(iii) to adopt and use, but only in connection with the sale of those food and beverage products which have been designated by McDonald's at the Restaurant, the trade names, trademarks, and service marks which McDonald's shall designate, from time to time, to be part of the McDonald's System; and

(iv) to occupy the Restaurant as provided herein.

The rights granted under this Franchise are limited to the Restaurant's location only.

(b) The term of this Franchise shall begin on ______________, and end on the earlier of: (i) ______________, (ii) the termination of this Franchise pursuant to the provisions hereof, (iii) the closing of the Walmart Store, or (iv) the termination of the Master Lease.

3. ***General Services of McDonald's***. McDonald's shall advise and consult with Franchisee periodically in connection with the operation of the Restaurant and also, upon Franchisee's request, at other reasonable times. McDonald's shall communicate to Franchisee know-how, 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 shall be accomplished by visits by operations consultants, printed and filmed reports, seminars, and newsletter mailings. McDonald's shall also make available to Franchisee all additional services, facilities, rights, and privileges relating to the operation of the Restaurant which McDonald's makes generally available, from time to time, to all its franchisees operating McDonald's restaurants.

4. ***Manuals***. McDonald's shall provide Franchisee with the business manuals prepared for use by franchisees of McDonald's restaurants similar to the Restaurant. The business 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. Franchisee agrees to promptly adopt and use exclusively the formulas, methods, and policies contained in the business manuals, now and as they may be modified from time to time. Franchisee acknowledges that McDonald's or its affiliates own all proprietary rights in and to the McDonald's System and that the information revealed in the business manuals, in their entirety, constitute confidential trade secrets. Without the prior written consent of McDonald's, Franchisee shall not disclose the contents of the business manuals to any person, except employees of Franchisee for purposes related solely to the operation of the Restaurant, nor shall Franchisee reprint or reproduce the manuals in whole or in part for any purpose except in connection with instruction of employees in the operation of the Restaurant. Such manuals, as modified from time to time, and the policies contained therein, are incorporated in this Franchise by reference.

5. ***Advertising***. McDonald's employs both public relations and advertising specialists who formulate and carry out national and local advertising programs for the McDonald's System.

Franchisee shall use only advertising and promotional materials and programs provided by McDonald's or approved in advance, in writing, by McDonald's. Neither the approval by McDonald's of Franchisee's advertising and promotional material nor the providing of such material by McDonald's to Franchisee shall, directly or indirectly, require McDonald's to pay for such advertising or promotion.

Franchisee shall expend during each calendar year for advertising and promotion of the Restaurant to the general public an amount which is not less than four percent (4%) of Gross Sales (as that term is defined in paragraph 7) for such year. Expenditures by Franchisee to national and regional cooperative advertising and promotion of the McDonald's System, or to a group of McDonald's restaurants which includes the Restaurant, shall be a credit against the required minimum expenditures for advertising and promotion to the general public.

6. ***Training***. McDonald's shall make available to Franchisee the services of Hamburger University, the international training center for the McDonald's System. Franchisee acknowledges the importance of quality of business operation among all restaurants in the McDonald's System and agrees to enroll Franchisee and Franchisee's managers, present and future, at Hamburger University or at such other training center as may be designated by McDonald's from time to time. McDonald's shall bear the cost of maintaining Hamburger University and any other training centers, including the overhead costs of training, staff salaries, materials, and all technical training tools, and agrees to provide to Franchisee both basic and advanced instruction for the operation of a McDonald's System restaurant. Franchisee shall pay all traveling, living, compensation, or other expenses incurred by Franchisee and Franchisee's employees in connection with attendance at Hamburger University or such other training centers.

7. ***Gross Sales***. For the purposes of this Franchise, the term "Gross Sales" shall mean all revenues from sales of the Franchisee based upon all business conducted upon or from the Restaurant, whether such sales be evidenced by check, cash, credit, charge account, exchange, or otherwise, and shall include, but not be limited to, the amounts received from the sale of goods, wares, and merchandise, including sales of food, beverages, and tangible property of every kind and nature, promotional or otherwise, and for services performed from or at the Restaurant, together with the amount of all orders taken or received at the Restaurant, whether such orders be filled from the Restaurant or elsewhere. Gross Sales shall not include sales of merchandise for which cash has been refunded, provided that such sales shall have previously been included in Gross Sales. There shall be deducted from Gross Sales the price of merchandise returned by customers for exchange, provided that such returned merchandise shall have been previously included in Gross Sales, and provided that the sales price of merchandise delivered to the customer in exchange shall be included in Gross Sales. Gross Sales shall not include the amount of any sales tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers, provided that the amount thereof is added to the selling price or absorbed therein and actually paid by the Franchisee to such governmental authority. Each charge or sale upon credit shall be treated as

a sale for the full price in the month during which such charge or sale shall be made, irrespective of the time when the Franchisee shall receive payment (whether full or partial) therefor.

8. (a) ***System Fee***. Franchisee shall pay a monthly system fee, based upon the Gross Sales of the Restaurant for the preceding month immediately ended, on or before the tenth (10th) day of the following month. The system fee consists of a four percent (4.0%) service fee plus the percent rent in the amount calculated using the chart attached hereto as Schedule B and made a part hereof. Franchisee shall also pay a Common Area Maintenance Fee (as set forth in Master Lease).

(b) ***Method of Payment***. Franchisee shall at all times participate in the McDonald's automatic debit/credit transfer program as specified by McDonald's from time to time for the payment of all amounts due McDonald's pursuant to this Franchise. Franchisee shall execute and deliver to McDonald's such documents and instruments as may be necessary to establish and maintain said automatic debit/credit transfer program.

(c) ***Interest on Delinquencies***. In the event that the Franchisee is past due on the payment of any amount due McDonald's under this Franchise, including accrued interest, the Franchisee shall be required, to the extent permitted by law, to pay interest on the past due amount to McDonald's for the period beginning with the original due date for payment to the date of actual payment at an annual rate equal to the highest rate allowed by law or, if there is no maximum rate permitted by law, then fifteen percent (15%). Such interest will be calculated on the basis of monthly compounding and the actual number of days elapsed divided by 365.

9. ***Annual Fee***. Franchisee acknowledges that: (a) the initial grant of this Franchise constitutes the sole consideration for the payment of an Annual Fee of One Thousand Dollars ($1,000.00) to be paid by Franchisee to McDonald's on January 10 of each year this Franchise is in effect; and (b) the fee has been earned by McDonald's.

10. ***Reports***. On or before 11:00 a.m. Central Standard Time on the first business day of each month, Franchisee shall render, in a manner specified by McDonald's, a statement, in such form as McDonald's shall reasonably require from time to time, of all receipts from the operation of the Restaurant for the preceding month immediately ended. On or before the twenty-fifth (25th) day of each month Franchisee shall submit to McDonald's an operating statement and a statistical report for the previous month in form satisfactory to McDonald's. Franchisee shall keep and preserve full and complete records of Gross Sales for at least three (3) years in a manner and form satisfactory to McDonald's and shall also deliver such additional financial and operating reports and other information as McDonald's may reasonably request on the forms and in the manner prescribed by McDonald's. Franchisee further agrees to submit within ninety (90) days following the close of each fiscal year of the Restaurant's operation, a profit and loss statement covering operations during such fiscal year and a balance sheet taken as of the close of such fiscal year, all prepared in accordance with generally accepted accounting principles. The profit and loss statement and the balance sheet shall, if McDonald's shall request certification, be certified by a certified public accountant. Franchisee shall at Franchisee's expense cause Franchisee's public accountant and certified public accountant, if any, to consult with McDonald's concerning such statement and balance sheet. The original of each

such report required by this paragraph 10 shall be mailed to McDonald's at the address indicated in paragraph 22 herein.

McDonald's shall have the right to inspect and/or audit Franchisee's accounts, books, records, and tax returns at all reasonable times to ensure that Franchisee is complying with the terms of this Franchise. If such inspection discloses that Gross Sales actually exceeded the amount reported by Franchisee as Gross Sales by an amount equal to two percent (2%) or more of Gross Sales originally reported to McDonald's, Franchisee shall bear the cost of such inspection and audit.

11. ***Restrictions***. Franchisee agrees and covenants as follows:

(a) During the term of this Franchise, Franchisee shall not, without the prior written consent of McDonald's, directly or indirectly, engage in, acquire any financial or beneficial interest (including interests in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, or become a landlord for any restaurant business, which is similar to the Restaurant.

(b) Franchisee shall not, for a period of eighteen (18) months after termination of this Franchise for any reason or the sale of the Restaurant, directly or indirectly, engage in or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures) in, or become a landlord of any restaurant business which is similar to the Restaurant within a ten-mile radius of the Restaurant.

(c) Franchisee shall not appropriate, use, or duplicate the McDonald's System, or any portion thereof, for use at any other self-service, carry-out, or other similar restaurant business.

(d) Franchisee shall not disclose or reveal any portion of the McDonald's System to a non-franchisee other than to Franchisee's Restaurant employees as an incident of their training.

(e) Franchisee shall acquire no right to use, or to license the use of, any name, mark, or other intellectual property right granted or to be granted herein, except in connection with the operation of the Restaurant.

The restrictions contained in paragraphs 11(a) and 11(b) herein shall not apply to ownership of less than two percent (2%) of the shares of a company whose shares are listed and traded on a national or regional securities exchange.

12. ***Compliance With Entire System***. Franchisee acknowledges that every component of the McDonald's System is important to McDonald's and to the operation of the Restaurant as a McDonald's restaurant, including a designated menu of food and beverage products; uniformity of food specifications, preparation methods, quality, and appearance; and uniformity of facilities and service.

McDonald's shall have the right to inspect the Restaurant at all reasonable times to ensure that Franchisee's operation thereof is in compliance with the standards and policies of the McDonald's System.

Franchisee shall comply with the entire McDonald's System, including, but not limited to, the following:

(a) Operate the Restaurant in a clean, wholesome manner in compliance with prescribed standards of Quality, Service, and Cleanliness; comply with all business policies, practices, and procedures imposed by McDonald's; serve at the Restaurant only those food and beverage products now or hereafter designated by McDonald's; and maintain the building, fixtures, equipment, signage, seating and decor, and parking area in a good, clean, wholesome condition and repair, and well lighted and in compliance with designated standards as may be prescribed from time to time by McDonald's;

(b) Purchase kitchen fixtures, lighting, seating, signs, and other equipment in accordance with the equipment specifications and layout initially designated by McDonald's and, promptly after notice from McDonald's that the Restaurant premises are ready for occupancy, cause the installation thereof;

(c) Keep the Restaurant constructed and equipped in accordance with the building blueprints and equipment layout plans that are standard in the McDonald's System or as such blueprints and plans may be reasonably changed from time to time by McDonald's;

(d) Franchisee shall not, without the prior written consent of McDonald's: (i) make any building design conversion or (ii) make any alterations, conversions, or additions to the building, equipment, or parking area;

(e) Make repairs or replacements required: (i) because of damage or wear and tear or (ii) in order to maintain the Restaurant building and parking area in good condition and in conformity to blueprints and plans;

(f) Where parking is provided, maintain the parking area for the exclusive use of Restaurant customers;

(g) Operate the Restaurant seven (7) days per week throughout the year and at least during the greater of: (i) the hours from 7:00 a.m. to 11:00 p.m. or (ii) the hours of operation of the Walmart Store, or such other hours as may from time to time be prescribed by McDonald's (except when the Restaurant is untenantable as a result of fire or other casualty); maintain sufficient supplies of food and paper products; and employ adequate personnel so as to operate the Restaurant at its maximum capacity and efficiency;

(h) Cause all employees of Franchisee, while working in the Restaurant, to: (i) wear uniforms of such color, design, and other specifications as McDonald's may designate from time to time; (ii) present a neat and clean appearance; and (iii) render competent and courteous service to Restaurant customers;

(i) In the dispensing and sale of food products: (i) use only containers, cartons, bags, napkins, other paper goods, and packaging bearing the approved trademarks and which meet the McDonald's System specifications and quality standards which McDonald's may designate from time to time; (ii) use only those flavorings, garnishments, and food and beverage ingredients which meet the McDonald's System specifications and quality standards which McDonald's may designate from time to time; and (iii) employ only those methods of food handling and preparation which McDonald's may designate from time to time;

(j) To make prompt payment in accordance with the terms of invoices rendered to Franchisee on Franchisee's purchase of fixtures, signs, equipment, and food and paper supplies; and

(k) At Franchisee's own expense, comply with all federal, state, and local laws, ordinances, and regulations affecting the operation of the Restaurant.

13. ***Best Efforts***. Franchisee shall diligently and fully exploit the rights granted in this Franchise by personally devoting full time and best efforts and, in case more than one individual has executed this Franchise as the Franchisee, then ____________________ shall personally devote full time and best efforts to the operation of the Restaurant. Franchisee shall keep free from conflicting enterprises or any other activities which would be detrimental to or interfere with the business of the Restaurant.

14. ***INTENTIONALLY DELETED***.

15. ***Assignment***. Without the prior written consent of McDonald's, Franchisee's interest in this Franchise shall not be assigned or otherwise transferred in whole or in part (whether voluntarily or by operation of law) directly, indirectly, or contingently, and then only in accordance with the terms of this paragraph 15.

(a) Death or Permanent Incapacity of Franchisee. Upon the death or permanent incapacity of Franchisee, the interest of Franchisee in this Franchise may be assigned either pursuant to the terms of paragraph 15(d) herein or to one or more of the following persons: Franchisee's spouse, heirs, or nearest relatives by blood or marriage, subject to the following conditions: (i) if, in the sole discretion of McDonald's, such person shall be capable of conducting the Restaurant business in accordance with the terms and conditions of this Franchise and (ii) if such person shall also execute an agreement by which the person personally assumes full and unconditional liability for and agrees to perform all the terms and conditions of this Franchise to the same extent as the original Franchisee. If, in McDonald's sole discretion, such person cannot devote full time and best efforts to the operation of the Restaurant or lacks the capacity to operate the Restaurant in accordance with this Franchise, McDonald's shall have an option to operate and/or manage the Restaurant for the account of Franchisee or of Franchisee's estate until the deceased or incapacitated Franchisee's interest is transferred to another party acceptable to McDonald's in accordance with the terms and conditions of this Franchise. However, in no event shall such McDonald's operation and management of the Restaurant continue for a period in excess of twelve (12) full calendar months without the consent of Franchisee or Franchisee's estate. In the event that McDonald's so operates and/or manages the Restaurant, McDonald's shall make a complete account to and return the net income from such operation to the Franchisee or to Franchisee's estate, less a reasonable management fee and expenses. If the disposition of the Restaurant to a party acceptable to McDonald's has not taken place within twelve (12) months from the date that McDonald's has commenced the operation or management of the Restaurant on behalf of the deceased or incapacitated Franchisee, then, in that event, McDonald's shall have the option to purchase the Restaurant at fair market value for cash or its common stock at its option.

(b) Assignment to Franchisee's Corporation. Upon Franchisee's compliance with such requirements as may from time to time be prescribed by McDonald's, including a Stockholders Agreement in the form prescribed by McDonald's, McDonald's shall consent to an assignment to a corporation whose shares are wholly owned and controlled by Franchisee. The corporate name of the corporation shall not include any of the names or trademarks granted by this Franchise. Any subsequent assignment or transfer, either voluntarily or by operation of law, of all or any part of said shares shall be made in compliance with the terms and conditions set forth in paragraphs 15(a) and 15(d) herein.

(c) First Option to Purchase. Franchisee or Franchisee's representative shall, at least twenty (20) days prior to the proposed effective date, give McDonald's written notice of intent to sell or otherwise transfer this Franchise pursuant to paragraph 15(d). The notice shall set forth the name and address of the proposed purchaser and all the terms and conditions of any offer. McDonald's shall have the first option to purchase the Restaurant by giving written notice to Franchisee of its intention to purchase on the same terms as the offer within ten (10) days following McDonald's receipt of such notice. However, if McDonald's fails to exercise its option and the Restaurant is not subsequently sold to the proposed purchaser for any reason, McDonald's shall continue to have, upon the same conditions, a first option to purchase the Restaurant upon the terms and conditions of any subsequent offer.

(d) Other Assignment. In addition to any assignments or contingent assignments contemplated by the terms of paragraphs 15(a) and 15(b), Franchisee shall not sell, transfer, or assign this Franchise to any person or persons without McDonald's prior written consent. Such consent shall not be arbitrarily withheld.

In determining whether to grant or to withhold such consent, McDonald's shall consider of each prospective transferee, by way of illustration, the following: (i) work experience and aptitude, (ii) financial background, (iii) character, (iv) ability to personally devote full time and best efforts to managing the Restaurant, (v) residence in the locality of the Restaurant, (vi) equity interest in the Restaurant, (vii) conflicting interests, and (viii) such other criteria and conditions as McDonald's shall then apply in the case of an application for a new franchise to operate a McDonald's restaurant. McDonald's consent shall also be conditioned each upon such transferee's execution of an agreement by which transferee personally assumes full and unconditional liability for and agrees to perform from the date of such transfer all obligations, covenants, and agreements contained in this Franchise to the same extent as if transferee had been an original party to this Franchise. Franchisee and each transferor shall continue to remain personally liable for all affirmative obligations, covenants, and agreements contained herein for the full term of this Franchise or for such shorter period as McDonald's may, in its sole discretion, determine. Upon each assignment or other transfer of this Franchise to any person or persons under the terms and conditions of this paragraph 15(d), the percentage service fee charge owing to McDonald's after the date of such assignment or transfer shall be automatically adjusted to the then prevailing percentage service fee charge required under new Franchises issued by McDonald's for similar McDonald's restaurants at the time of such assignment or transfer.

16. ***Franchisee Not an Agent of McDonald's***. Franchisee shall have no authority, express or implied, to act as agent of McDonald's or any of its affiliates for any purpose. Franchisee is, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Restaurant and its business, including any personal property, equipment, fixtures, or real property connected therewith, and for all claims or demands based on damage or destruction of property or based on injury, illness, or death of any person or persons, directly or indirectly, resulting from the operation of the Restaurant. Further, Franchisee and McDonald's are not and do not intend to be partners, associates, or joint employers in any way and McDonald's shall not be construed to be jointly liable for any acts or omissions of Franchisee under any circumstances.

17. ***Insurance***. Franchisee shall, upon taking possession of the Restaurant, acquire and maintain in effect not less than the following coverages in the following minimum amounts:

(a) Worker's Compensation insurance prescribed by law in the state in which the Restaurant is located and Employer's Liability Insurance with $1,000,000 minimum limit. If the state in which the Restaurant is located allows the option of not carrying Worker's Compensation Insurance, and Franchisee chooses to exercise that option, Franchisee shall nonetheless carry and maintain other insurance with coverage and limits as approved by McDonald's.

(b) Commercial general liability insurance in a form approved by McDonald's with a limit of $10,000,000 per occurrence/$10,000,000 aggregate.

(c) All such insurance as may be required under the Master Lease.

All insurance policies required to be carried hereunder shall name McDonald's USA, LLC, the applicable Wal-Mart entity, and any party designated by McDonald's as additional insureds, as their interests may appear in this Franchise. All policies shall be effective on or prior to the date Franchisee is given possession of the Restaurant premises for the purpose of installing equipment or opening the Restaurant, whichever occurs first, and evidence of payment of premiums and duplicate copies of policies of the insurance required herein shall be delivered to McDonald's at least thirty (30) days prior to the date that Franchisee opens for business and/or thirty (30) days prior to the expiration date of an existing policy of insurance. All policies of insurance shall include a provision prohibiting cancellations or material changes to the policy thereof until thirty (30) days prior written notice has been given to McDonald's.

In the event Franchisee shall fail to obtain the insurance required herein, McDonald's may, but is not obligated to, purchase said insurance, adding the premiums paid to Franchisee's monthly rent. (Franchisee may authorize McDonald's to purchase and to administer the required minimum insurance on Franchisee's behalf. However, McDonald's, by placement of the required minimum insurance, assumes no responsibility for premium expense nor guarantees payment for any losses sustained by Franchisee.) McDonald's may relieve itself of all obligations with respect to the purchase and administration of such required insurance coverage by giving ten (10) days written notice to Franchisee.

All insurance shall be placed with a reputable insurance company licensed to do business in the state in which the Restaurant is located and having a Financial Size Category equal to or greater than IX and Policyholders Rating of "A+" or "A", as assigned by Alfred M. Best and Company, Inc., unless otherwise approved by McDonald's.

18. ***Material Breach***. The parties agree that the happening of any of the following events shall constitute a material breach of this Franchise and violate the essence of Franchisee's obligations and, without prejudice to any of its other rights or remedies at law or in equity, McDonald's, at its election, may terminate this Franchise upon the happening of any of the following events:

(a) Franchisee shall fail to maintain and operate the Restaurant in a good, clean, wholesome manner and in compliance with the standards prescribed by the McDonald's System;

(b) Franchisee shall be adjudicated a bankrupt, become insolvent, or a receiver, whether permanent or temporary, for all or substantially all of Franchisee's property, shall be appointed by any court, or Franchisee shall make a general assignment for the benefit of creditors, or a voluntary or involuntary petition under any bankruptcy law shall be filed with respect to Franchisee and shall not be dismissed within thirty (30) days thereafter;

(c) Any payment owing to McDonald's is not paid within thirty (30) days after the date such payment is due;

(d) Any judgment or judgments aggregating in excess of $5,000.00 against Franchisee or any lien in excess of $5,000.00 against Franchisee's property shall remain unsatisfied or unbonded of record in excess of thirty (30) days;

(e) Franchisee shall cause, suffer, or permit (voluntarily or involuntarily) Franchisee's right of possession as lessee or sublessee of the premises on which the Restaurant is located to be terminated prematurely for any cause whatever;

(f) Franchisee shall acquire any interest in a business in violation of paragraph 11(a);

(g) Franchisee shall duplicate the McDonald's System in violation of paragraph 11(c);

(h) Franchisee shall make or cause a disclosure of any portion of the McDonald's System in violation of paragraph 11(d) or shall make or cause a disclosure of part of the McDonald's System business manuals;

(i) Franchisee shall violate paragraph 11(e) by use of any name, trademark, service mark, or other intellectual property right exceeding the restrictions of said paragraph 11;

(j) Franchisee shall knowingly sell food or beverage products other than those designated by McDonald's or which fail to conform to McDonald's System specifications for those products, or which are not prepared in accordance with the methods prescribed by McDonald's, or fail to sell products designated by McDonald's;

(k) Any assignment or other transfer of any interest of the Franchisee in this Franchise shall occur in violation of paragraph 15(d) herein;

(l) Franchisee shall deny McDonald's the right to inspect the Restaurant at reasonable times;

(m) Franchisee shall fail to make or make repeated delays in the prompt payment of undisputed invoices from suppliers or in the remittance of payments as required by this Franchise;

(n) Franchisee makes any misrepresentations to McDonald's relating to the acquisition and/or ownership of this Franchise;

(o) Franchisee engages in public conduct which reflects materially and unfavorably upon the operation of the Restaurant, the reputation of the McDonald's System, or the goodwill associated with the McDonald's trademarks; provided that engaging in legitimate political activity (including testifying, lobbying, or otherwise attempting to influence legislation) shall not be grounds for termination;

(p) Franchisee is convicted of, pleads guilty or no contest to a felony, or any other crime that is reasonably likely to adversely affect the McDonald's System, the Restaurant, or the goodwill associated with the McDonald's trademarks;

(q) Franchisee intentionally understates Gross Sales reported to McDonald's; or

(r) Any default under the Master Lease by the Franchisee.

19. ***Other Breaches***. If Franchisee fails in the performance of any of the terms and conditions of this Franchise (other than performance of the terms and conditions listed in paragraph 18), Franchisee shall be guilty of a breach of this Franchise which shall not (except in the case of repeated breaches of the same or of different terms and conditions of this Franchise) constitute grounds for termination of this Franchise. McDonald's shall have the right to seek judicial enforcement of its rights and remedies, including, but not limited to, injunctive relief, damages, or specific performance. Notwithstanding any of the provisions of this paragraph 19, any uncured breach of the terms of this Franchise (whether of paragraph 18 or 19) shall be sufficient reason for McDonald's to withhold approval of its consent to any assignment or transfer of Franchisee's interest in this Franchise provided for herein.

20. ***Effect of Termination***.

(a) In the event of any material breach of this Franchise, McDonald's shall have an immediate right to enter and take possession of the Restaurant in order to maintain continuous operation of the Restaurant, to provide for orderly change of management and disposition of personal property, and to otherwise protect McDonald's interest.

(b) Upon termination of this Franchise due to any breach or breaches, Franchisee shall not, without the prior written consent of McDonald's, remove any furniture, fixtures, signs, equipment, other property, or leasehold improvements from the premises either prior to or for a period of thirty (30) days following such termination. McDonald's shall have the option for thirty (30) days following any such termination to purchase Franchisee's furniture, fixtures, signs, equipment, other property, and leasehold improvements or any portion thereof for a sum equal to the fair market value of such property. In the event of such a termination, there shall be no payment by McDonald's for intangible assets of Franchisee.

(c) Upon termination of this Franchise due to the expiration of its term or as a result of any eminent domain proceedings affecting the premises upon which the Restaurant is situated, Franchisee shall not remove any furniture, fixtures, signs, equipment, other property, or leasehold improvements within sixty (60) days prior to the date specified for termination or the date specified for takeover by any public authority. McDonald's shall, upon written notice of its intention to purchase said property at least thirty (30) days prior to such date of termination, have the option to purchase Franchisee's furniture, fixtures, signs, equipment, other property, and leasehold improvements or any portion thereof for a sum equal to the fair market value of such property. In the event of such a termination, there shall be no payment by McDonald's for intangible assets of Franchisee.

(d) Upon termination or expiration of this Franchise, Franchisee shall: (i) forthwith return to McDonald's the business manuals furnished to Franchisee, together with all other material containing trade secrets, operating instructions, or business practices; (ii) discontinue the use of the McDonald's System and its associated trade names, service marks, and trademarks or the use of any and all signs and printed goods bearing such names and marks, or any reference to them; (iii) not disclose, reveal, or publish all or any portion of the McDonald's System; and (iv) not thereafter use any trade name, service mark, or trademark similar to or likely to be confused with any trade name, service mark, or trademark used at any time in the McDonald's System.

21. ***Effect of Waivers***. No waiver by McDonald's or any breach or a series of breaches of this Franchise shall constitute a waiver of any subsequent breach or waiver of the terms of this Franchise.

22. ***Notices***. Any notice hereunder shall be in writing and shall be delivered by personal service or by United States certified or registered mail, with postage prepaid, addressed to Franchisee at the Restaurant or to McDonald's at **110 N. CARPENTER STREET, CHICAGO, ILLINOIS 60607**. Either party, by a similar written notice, may change the address to which notices shall be sent.

23. ***Cost of Enforcement***. If McDonald's institutes any action at law or in equity against Franchisee to secure or protect McDonald's rights under or to enforce the terms of this Franchise, in addition to any judgment entered in its favor, McDonald's shall be entitled to recover such reasonable attorneys' fees as may be allowed by the court together with court costs and expenses of litigation.

24. ***Indemnification***. If McDonald's shall be subject to any claim, demand, or penalty or become a party to any suit or other judicial or administrative proceeding by reason of any claimed act or omission by Franchisee or Franchisee's employees or agents, or by reason of any act occurring on the Restaurant premises, or by reason of an omission with respect to the business or operation of the Restaurant, Franchisee shall indemnify and hold McDonald's harmless against all judgments, settlements, penalties, and expenses, including attorneys' fees, court costs, and other expenses of litigation or administrative proceeding, incurred by or imposed on McDonald's in connection with the investigation or defense relating to such claim, litigation, or administrative proceeding and, at the election of McDonald's, Franchisee shall also defend McDonald's.

25. ***Construction and Severability***. All references in this Franchise to the singular shall include the plural where applicable. If any part of this Franchise for any reason shall be declared invalid, such decision shall not affect the validity of any remaining portion, which shall remain in full force and effect. In the event that any material provision of this Franchise shall be stricken or declared invalid, McDonald's reserves the right to terminate this Franchise.

26. ***Scope and Modification of Franchise***. This Franchise (including Exhibit A and any riders hereto) constitutes the entire agreement between the parties and supersedes all prior and contemporaneous, oral or written, agreements or understandings of the parties. Nothing in this Franchise or in any related agreement, however, is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee. No interpretation, change, termination, or waiver of any of the provisions hereof shall be binding upon McDonald's unless in writing signed by an officer or franchising director of McDonald's, and which is specifically identified as an amendment hereto. No modification, waiver, termination, rescission, discharge, or cancellation of this Franchise shall affect the right of any party hereto to enforce any claim or right hereunder, whether or not liquidated, which occurred prior to the date of such modification, waiver, termination, rescission, discharge, or cancellation.

27. ***Governing Laws***. The terms and provisions of this Franchise shall be interpreted in accordance with and governed by the laws of the state of Illinois.

28. ***Acknowledgment***. Franchisee acknowledges that:

(a) The term of this Franchise is set forth in paragraph 2(b) hereof with no promise or representation as to the renewal of this Franchise or the grant of a new franchise;

(b) Franchisee hereby represents that Franchisee has received a copy of this Franchise, has read and understands all obligations being undertaken, and has had an opportunity to consult with Franchisee's attorney with respect thereto at least seven (7) calendar days prior to execution;

(c) No representation has been made by McDonald's as to the future profitability of the Restaurant;

(d) Prior to the execution of this Franchise, Franchisee has worked at a McDonald's restaurant and has had ample opportunity to contact existing franchisees of McDonald's and to investigate all representations made by McDonald's relating to the McDonald's System;

(e) This Franchise establishes the Restaurant at the location specified on page 1 hereof only and that no "exclusive," "protected," or other territorial rights in the contiguous market area of such Restaurant is hereby granted or inferred;

(f) This Franchise supersedes any and all other agreements and representations respecting the Restaurant and contains all the terms, conditions, and obligations of the parties with respect to the grant of this Franchise; however, nothing in this Franchise or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Franchisee;

(g) McDonald's or its affiliates are the sole owner(s) of the trademarks, trade names, service marks, and goodwill associated therewith, respectively, and Franchisee acquires no right, title, or interest in those names and marks other than the right to use them only in the manner and to the extent prescribed and approved by McDonald's;

(h) No future franchise or offers of franchises for additional McDonald's restaurants, other than this Franchise, have been promised to Franchisee and any other franchise offer shall only be in writing, executed by an officer or franchising director of McDonald's, and identified as a Franchise Agreement or Rewrite (New Term) Offer Letter;

(i) Neither McDonald's nor anyone acting on its behalf has made any representations, inducements, promises, or agreements, orally or otherwise, respecting the subject matter of this Franchise, which is not embodied herein or set forth in the Franchise Disclosure Document; and

(j) This Franchise is offered to Franchisee personally and to no others, and may not be accepted by any other person, partnership, or corporation, or transferred by assignment, will, or operation of law.

IN WITNESS WHEREOF, the parties hereto set their hands and seals, in duplicate, the day and year in this instrument first above written.

McDONALD'S USA, LLC	**Franchisee**
By: ______________________________	______________________________ Date
Prepared By: ______________________________	______________________________ Date

The following changes are made to the Franchise Agreement in the following states:

Minnesota Paragraph 27 continues with, "Nothing in this Franchise or the Franchise Disclosure Document shall in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

A new Paragraph 28(h) is inserted (and remaining sub-paragraphs are renamed (i) through (k)) as follows: "McDonald's considers the trademarks, trade names, logo types, service marks, and commercial symbols to be valuable property rights and continually protects against infringement of these assets. It protects franchisees against claims of infringement or unfair competition to which the franchisees might become subjected because of their authorized use of the trademarks, service marks, logo types, or other commercial symbols in the United States."

Paragraph 28(l) is added as follows: "With respect to franchises governed by Minnesota law, McDonald's will comply with Minnesota Statutes Section 80C.14, Subdivisions 3, 4, and 5 which require, except in certain specified cases, that the Franchisee be given ninety (90) days notice of termination (with sixty (60) days to cure) and 180 days notice for non-renewal of this Franchise; and that consent to the transfer of this Franchise will not be unreasonably withheld."

North Dakota Paragraph 11(b) continues with, "Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, Franchisee and McDonald's agree to enforce these provisions to the extent allowed under law."

Paragraph 27 continues with, ", except that North Dakota law will govern with respect to claims arising under the North Dakota Franchise Investment Law."

Washington Paragraph 28(k) is added as follows: "In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, this Franchise shall be modified as follows:

The State of Washington has a statute, RCW 19.100.180, which might supersede this Franchise in Franchisee's relationship with McDonald's, including the areas of termination and renewal of this Franchise. There also might be court decisions which supersede this Franchise in Franchisee's relationship with McDonald's, including the areas of termination and renewal of this Franchise.

In the event of a conflict of laws, to the extent required by the Act, the provisions of the Act, Chapter 19.100 RCW, shall prevail.

To the extent required by the Act, a release or waiver of rights executed by a franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act, such as a right to a jury trial, might not be enforceable; however, McDonald's and Franchisee agree to enforce them to the maximum extent the law allows."

EXHIBIT E

NEW RESTAURANT RIDER

[CITY, STATE]
[Address]
L/C: __________
File #: __________

New Restaurant Rider

This Rider is attached to and incorporated into that certain Franchise Agreement, dated ____________________ ("Franchise"), by and between **McDonald's USA, LLC**, a Delaware limited liability company ("McDonald's") and _________________________ and _________________________ (collectively "Franchisee").

1. Franchisee represents and warrants that all of the financial terms relating to Franchisee's acquisition of the Restaurant have been disclosed in writing to McDonald's and that McDonald's grant of the Franchise to Franchisee is based on its evaluation of these financial terms. Franchisee agrees that the failure to disclose all financial terms to McDonald's will constitute a material breach of the Franchise pursuant, among other provisions, to paragraph 18(n) of the Franchise, thereby entitling McDonald's to all rights and remedies under the Franchise including, but not limited to, the right to terminate the Franchise.

2. Prior to the opening date of the Restaurant, all construction extras ordered or authorized by Franchisee for which McDonald's has paid the parties constructing the Restaurant must be paid by Franchisee to McDonald's.

3. The amount of the monthly base rental payment in the Operator's Lease (Exhibit A to this Franchise) is computed based in part on McDonald's total current real estate costs and its estimated construction costs. If those costs increase within 180 days after the opening date of the Restaurant, the monthly base rental payment will be recomputed and increased based on the increased costs, but only to a maximum monthly base rental increase of $325.00. The corresponding monthly base sales will be adjusted accordingly. The effective date of the increase will be 180 days after the opening date of the Restaurant.

[Additional paragraph to be used for Co-investment, if applicable.]

4. On or before the opening date of the Restaurant, Franchisee will pay to McDonald's a one-time contribution in the amount of $_______________ toward the costs of constructing the Restaurant ("Improvement Costs"). Improvement Costs means in the aggregate any and all costs associated with the design, permitting, materials, and construction of the building and site improvements (the building and site improvements are collectively referred to in this Rider as the "Improvements"), including, but not limited to, survey and design plans; zoning, subdivision, and other land use assessments, applications, permits, and approvals; title and other legal reviews; soil borings, environmental, and other physical studies and investigations; the demolition of the existing building and site improvements and proper disposal of any resulting debris; any interest expense incurred by McDonald's; and all fees, expenses, overhead, and profit payable to outside consultants (including attorneys, architects, engineers, contractors, suppliers, etc.) for services, labor, and materials in connection with the design, permitting, and construction of the Restaurant.

[Additional paragraph to be used for Co-investment, if applicable.]

5. Franchisee and McDonald's agree that Improvements attributable to Franchisee's share of total Improvement Costs will be treated for income tax purposes as lessee improvements; that Franchisee will be entitled to any cost recovery, depreciation, or amortization deductions available under

applicable income tax laws for Improvements; and that McDonald's will not claim any cost recovery, depreciation, or amortization deductions with respect to Improvements. Franchisee and McDonald's agree that Improvements attributable to McDonald's share of total Improvement Costs will be treated for income tax purposes as owned by McDonald's; that McDonald's will be entitled to any cost recovery, depreciation, or amortization deductions available under applicable income tax laws for Improvements; and that Franchisee will not claim any cost recovery, depreciation, or amortization deductions with respect to Improvements. Franchisee and McDonald's further agree that any Franchisee's share of total Improvement Costs is not intended to be, and will not be treated as, in whole or in part, a substitute for rent. Neither Franchisee nor McDonald's will take any position on any tax return or in any tax proceeding that is inconsistent with the tax treatment provided in this paragraph.

Franchisee and McDonald's will each be treated as incurring a pro rata portion of each cost item that constitutes an Improvement Cost. Franchisee's pro rata portion will be equal to the ratio of Franchisee's share to total Improvement Costs. McDonald's pro rata portion will be equal to the ratio of McDonald's share to total Improvement Costs. If Franchisee chooses to perform a cost segregation study with respect to Franchisee's share of Improvement Costs, Franchisee will be solely responsible for all costs and expenses incurred in connection with performing the study. Notwithstanding the preceding sentences, and except for any leasehold estate in the land granted Franchisee in connection with this Franchise, McDonald's will have the exclusive legal and equitable right, title, and interest in and to the land and Improvements.

Franchisee is solely responsible for preparing and filing all personal property, sales and use, and other tax returns and for paying all personal property, sales and use, and other taxes, if any, associated with Improvement Costs.

[Additional paragraphs to be used for Co-investment, if applicable.]

6. In connection with Franchisee's payment of a share of the Improvement Costs, Section 3.07 is hereby added to the Lease:

3.07 **Allocations of Rent**. Each payment of Basic Rent payable hereunder on a monthly basis shall be allocated to and accrue during the calendar month in which such Basic Rent payment is due (i.e., the commencement date, in the case of the first payment, and thereafter the first day of each month). Each payment of Percentage Rent payable hereunder shall be allocated to and accrue during the same period as the Gross Sales period used to compute the amount of such Percentage Rent. Payments of rent with respect to real estate taxes, assessments, other expenses and other charges shall be allocated to and accrue during the periods to which such real estate taxes, assessments, other expenses and other charges relate. Any other rent paid or deemed paid to Landlord and not otherwise appropriately attributable to a specific period shall be allocated to and accrue during the period beginning on the date of such payment or deemed payment and ending at the scheduled termination date of the term of this Lease.

[Additional paragraph to be used for Oil sites.]

7. Franchisee agrees to reimburse McDonald's each year for the premium to obtain pollution/environmental contamination insurance under the terms of Schedule A attached to this Rider.

Franchisee must obtain commercial general liability insurance as required by the Operator's Lease for the benefit of McDonald's and name the oil partner as an additional insured.

[Schedule to be used for Oil sites.]

SCHEDULE A

Pollution Coverage (rev. 6/19)

The standard commercial general liability insurance purchased by owner/operators excludes pollution and/or environmental contamination. Since the oil alliance sites have a pollution exposure if contamination is caused by negligence of McDonald's or the owner/operator, an Environmental Impairment Liability Policy (Pollution) has been purchased by McDonald's for the protection of the owner/operators and McDonald's.

This coverage is being purchased on behalf of the owner/operators because, individually, such insurance is either not available or the cost is prohibitive.

All Oil Alliance sites are covered under this policy.

A brief summary of the coverage follows:

Insurance Company:	Beazley Furlonge Ltd
Policy Period:	6/1/19-6/1/20 (renewed annually)
Limit of Liability:	$10,000,000 each loss
Policy Aggregate Limit:	$10,000,000
Deductible:	$50,000 per occurrence
Annual Premium:	$246.64 per location (includes taxes)*

*This is the premium in effect as of the date of this Franchise and it may increase with the renewal of the policy.

Insurance premiums will be collected via the base rent draft on the third workday of each month.

Owner/operator will be drafted one twelfth of the premium per month except for the first three months of operation. During the first three months of operation, the following will occur:

- The premium will not be charged for the month of store opening.
- The premium will be due but not drafted for the first full month of operation.
- The second full month's premium along with the first full month's premium will be drafted on the third workday of second month of operation.

Below is an example of how the premium will be drafted based on a June 15th open date and a $246.64 annual premium:

Month	Amount Due	Amount Drafted on 3rd Workday
June	$0	$0
July	$20.55	$0
August	$20.55	$41.10
September	$20.55	$20.55

THIS ADDITION TO THE DRAFT DOES NOT CHANGE BASE SALES CALCULATIONS.

Additional details of the coverage can be secured by contacting the McDonald's Insurance Department at 630-623-6594. For questions on the premium collection procedures, contact a Home Office Representative at 630-623-5319.

EXHIBIT F

BFL RIDER

[CITY, STATE]
[Address]
L/C: __________
File #: __________

BFL Rider

This Rider is attached to and incorporated into that certain Franchise Agreement, dated ____________________ ("Franchise"), by and between McDonald's USA, LLC, a Delaware limited liability company ("McDonald's") and ______________________________ and ______________________________ (collectively "Franchisee").

1. Franchisee is granted a conditional option to purchase the Business Facilities (as defined in the Operator's Lease, which is Exhibit A to this Franchise) for the Restaurant on the following terms:

[Alternate paragraph to be used for Fixed Option Price.]

a) After 12 months of operation of the Restaurant business and upon 60 days' notice to McDonald's, Franchisee may purchase: (i) the Business Facilities excluding real estate and building; (ii) the right to occupy the Restaurant premises and building in accordance with the Operator's Lease as amended by paragraph 1d); and (iii) the right to use the McDonald's System as defined in and in accordance with this Franchise (including payment of the initial franchise fee), as amended by paragraph 1d). The purchase price will be $_______________.

[Alternate paragraph and table to be used for Scale Option Price.]

a) After 12 months of operation of the Restaurant business and upon 60 days' notice to McDonald's, Franchisee may purchase: (i) the Business Facilities excluding real estate and building; (ii) the right to occupy the Restaurant premises and building in accordance with the Operator's Lease as amended by paragraph 1d); and (iii) the right to use the McDonald's System as defined in and in accordance with this Franchise (including payment of the initial franchise fee), as amended by paragraph 1d). The purchase price will be the greater of either 1) $_______________ or 2) the amount determined by the following table:

If the trailing 12 months gross sales are between:	Purchase Price
$_________ or less	$_____________
$_________ and $__________	$_____________
$_________ and up	$_____________

Any amounts paid by McDonald's for restaurant equipment or leasehold improvements (collectively add-ons) from the opening date of the Restaurant to the date of the exercise of the conditional option will be added to the purchase price determined above.

b) Franchisee will be responsible for payment of all taxes, including, but not limited to, state sales and bulk transfer taxes, which may be due as a result of the exercise of the conditional option.

c) Franchisee may not exercise the conditional option unless McDonald's has determined to its satisfaction that: (i) Franchisee's operation of the Restaurant has been in compliance with this Franchise; (ii) Franchisee is eligible for growth and rewrite; (iii) Franchisee injects 25% of the purchase price in unencumbered funds; and (iv) the cash flow from the operations of the Restaurant is sufficient.

d) Upon exercise of the conditional option, this Franchise will be amended to provide for the following term and rental:

(i) The term will expire 20 years after the opening date of the Restaurant, unless terminated earlier in accordance with this Franchise.

(ii) A monthly rental payment equal to the basic rent amount, plus the percentage of monthly gross sales in excess of the monthly gross sales amount, as shown on Schedule B1 attached to this Rider.

(iii) The amount of the monthly base rental payment shown on Schedule B1 attached to this Rider is computed based in part on McDonald's total current real estate costs and its estimated construction costs. If those costs increase within 180 days after the opening date of the Restaurant, the monthly base rental payment will be recomputed and increased based on the increased costs, but only to a maximum monthly base rental increase of $325.00. The corresponding monthly base sales will be adjusted accordingly. The effective date of the increase will be the date of the exercise of the conditional option.

e) Upon exercise of the conditional option, Franchisee must execute a Business Facilities Lease Option Exercise Agreement with McDonald's on McDonald's standard forms.

f) The conditional option will not survive the original term of this Franchise and is personal to Franchisee only.

[Additional paragraph to be used for Oil sites.]

2. Franchisee agrees to reimburse McDonald's each year for the premium to obtain pollution/environmental contamination insurance under the terms of Schedule A attached to this Rider.

Franchisee must obtain commercial general liability insurance as required by the Operator's Lease for the benefit of McDonald's and name the oil partner as an additional insured.

[Schedule to be used for Oil sites.]

SCHEDULE A

Pollution Coverage (rev. 6/19)

The standard commercial general liability insurance purchased by owner/operators excludes pollution and/or environmental contamination. Since the oil alliance sites have a pollution exposure if contamination is caused by negligence of McDonald's or the owner/operator, an Environmental Impairment Liability Policy (Pollution) has been purchased by McDonald's for the protection of the owner/operators and McDonald's.

This coverage is being purchased on behalf of the owner/operators because, individually, such insurance is either not available or the cost is prohibitive.

All Oil Alliance sites are covered under this policy.

A brief summary of the coverage follows:

Insurance Company:	Beazley Furlonge Ltd
Policy Period:	6/1/19-6/1/20 (renewed annually)
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Deductible:	$50,000 per occurrence
Annual Premium:	$246.64 per location (includes taxes)*

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Insurance premiums will be collected via the base rent draft on the third workday of each month.

Owner/operator will be drafted one twelfth of the premium per month except for the first three months of operation. During the first three months of operation, the following will occur:

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THIS ADDITION TO THE DRAFT DOES NOT CHANGE BASE SALES CALCULATIONS.

Additional details of the coverage can be secured by contacting the McDonald's Insurance Department at 630-623-6594. For questions on the premium collection procedures, contact a Home Office Representative at 630-623-5319.

EXHIBIT G

OPERATOR'S LEASE

[CITY, STATE]
[Address]
L/C: __________
File: __________

EXHIBIT A TO FRANCHISE AGREEMENT

OPERATOR'S LEASE

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OPERATOR'S LEASE

THIS LEASE shall be considered effective the same date as the Franchise Agreement to which it is attached (the "Franchise Agreement"). The term "Landlord," when used in this Lease, shall refer to McDonald's USA, LLC, a Delaware limited liability company, and the term "Tenant," when used in this Lease, shall refer to the undersigned Tenant.

In consideration of the mutual promises contained in this Lease, the parties agree as follows:

ARTICLE 1 SUMMARY OF FUNDAMENTAL LEASE PROVISIONS

1.01 **Term:** (See Article 2.02) The term of this Lease will begin on ______________ and end on ______________.

1.02 **Rent:** See Article 3.01 and Schedule B, attached.

1.03 **Legal Description:** See Schedule A and Article 2.01.

1.04 **Liability Insurance Limits:** $5,000,000 per occurrence/$5,000,000 aggregate.

1.05 **Attachments, Exhibits and Addenda:** This Lease includes the following Attachments, Schedules and Addenda which will take precedence over conflicting provisions (if any) of this Lease, and they are made an integral part of this Lease and are fully incorporated into it by this reference.

(i) Schedule A – Legal Description

(ii) Schedule B – Rent

(iii) Schedule C – Landlord's Interest Addendum

(iv) Schedule D – Head Lease dated ______________ with amendments dated ______________.

(v) Schedule E – ____

References in this Article to the other Articles in this Lease are for convenience and to designate some of the other Articles where references to particular Fundamental Lease Provisions will be made. If there is any conflict between a Fundamental Lease Provision and the balance of the Lease, the former will control.

ARTICLE 2 PREMISES AND TERM

2.01 **Premises:** Landlord leases to Tenant the real estate described in Schedule A, attached, together with all easements and appurtenances and all buildings and improvements located on the real estate (all of which are collectively referred to in this Lease as "the Premises"). The Premises are subject to any easements, conditions, encumbrances, restrictions, and party wall agreements, if any, of record and roads and highways and zoning and building code restrictions existing on the date of this Lease.

2.02 **Term:** The term of this Lease will be as indicated in Article 1.01, subject, however, to any rights set forth in this Lease for the earlier termination of the Lease term. At the request of either party, a supplement establishing the beginning and ending dates of this Lease shall be executed. Landlord may establish the beginning date by notifying the Tenant in writing of the date it recognizes as the beginning date of the term.

2.03 **Quiet Enjoyment:** Landlord promises that Tenant, upon paying the rent and all other charges provided for in this Lease, and upon observing and keeping all Tenant's obligations, will lawfully and quietly hold, occupy and enjoy the Premises during the term of this Lease, without hindrance or interference by anyone claiming by, through or under Landlord, subject to the terms of this Lease and any mortgage or encumbrance now or hereafter placed on the Premises by Landlord.

2.04 **Use of Premises:** Tenant will use and occupy the Premises solely for a McDonald's Restaurant selling only such products and operating in a manner that may be designated by McDonald's USA, LLC. Tenant agrees to continuously occupy the Premises during the term of this Lease and agrees not to vacate them. A breach of this provision will be deemed to be substantial. If Tenant vacates the Premises during the term of this Lease, Landlord will have the right, in addition to its other rights and remedies, to enter the Premises for the purpose of continuing the operation of the McDonald's Restaurant; and, if Landlord so elects, Landlord shall be entitled to all profits, if any, from the operation of the restaurant. Tenant further agrees to conduct its restaurant business in a manner that will maximize Gross Sales. Tenant agrees to purchase, install and maintain, all at its own expense, signs and trade fixtures and equipment in accordance with the plans, specifications and layouts of McDonald's USA, LLC, or any of its subsidiaries, unless these items have been furnished by Landlord.

2.05 **Rule Against Perpetuities:** If the term of this Lease or the accrual of rent have not commenced within one (1) year from date of execution of this Lease, this Lease will become null and void and of no further force and effect. The sole remedy of Tenant in such case is the return of any monies paid to Landlord in anticipation of this Lease.

2.06 **Construction and Delivery of Building and Other Improvements:** Landlord will construct or have others construct or remodel or otherwise prepare the Premises for a McDonald's Restaurant in accordance with the then current plans and specifications of McDonald's USA, LLC. The Premises will be delivered to Tenant when they are sufficiently completed to allow Tenant to install, at Tenant's sole cost and expense, the signs, trade fixtures, equipment and other personal property and improvements necessary to complete the Premises for the operation of a McDonald's Restaurant, unless otherwise provided in Article 1.03. Tenant will promptly and diligently perform its work in accordance with the plans and specifications previously submitted by or to Tenant and approved by Landlord and in compliance with all applicable federal, state and local statutes, codes and regulations. Tenant will do all that is reasonably necessary to promptly open the restaurant as soon as possible after delivery of the Premises to the Tenant.

2.07 **Acceptance of Premises:** By taking possession of the Premises, Tenant acknowledges that Tenant has inspected the Premises and the improvements thereon and found them to be in a safe, satisfactory, and completed condition, ready for occupancy and the installation of trade fixtures, equipment and signage. All warranties as to the condition of the Premises or its fitness for use, either expressed or implied, are expressly waived by Tenant. Tenant may, however, receive certain warranties and guarantees, by separate agreement, from McDonald's USA, LLC or one of its subsidiaries; but those warranties will be personal covenants, only, and will not be binding upon the successors and assigns of Landlord.

2.08 **Tenant's Compliance With Various Requirements:** Tenant may not use or permit any person to use the Premises or any part of it for any use in violation of federal, state or local laws, including, but not limited to, present and future ordinances or other regulations of any municipality in which the Premises are situated. Tenant will not use or permit any person to use the Premises or any building thereon for the manufacture or sale of intoxicating liquor of any kind whatsoever. Except as provided below, Tenant may not operate any coin or token operated vending or similar device for the sale of any goods, wares, merchandise, food, beverages or services, including but not limited to, pay telephones, pay lockers, pay toilets, scales, amusement devices, and machines for the sale of beverages, foods, candy, cigarettes or other commodities. One coin operated newspaper vending machine, Playplace games and one pay telephone may be installed, if they are in compliance with Landlord's current written policy on the installation and maintenance of these items. During the term of this Lease, Tenant will keep the Premises and all buildings in a clean and wholesome condition and repair and will maintain the Premises so that they fully comply with all lawful health and police regulations. Tenant will conduct the McDonald's Restaurant on the Premises strictly in accordance with the terms and provisions of the Franchise Agreement. Tenant will minimize all cooking odors and smoke, maintain the highest degree of sanitation and comply with all ordinances, orders, directives, rules and regulations of all governmental bodies, bureaus and offices having jurisdiction over Tenant and over the Premises. Landlord makes no warranties or representations as to the state of such ordinances, rules, orders and directives, regulations, and Tenant acknowledges that Tenant has independently investigated them and will comply with them. Landlord makes no warranties or representations that the Premises, when accepted by Tenant, conform with the Federal, State or Industrial Safety Codes. Tenant will obtain, keep in full force and effect, and strictly comply with, all governmental licenses and permits which may be required for Tenant's use and occupancy of the Premises and the operation of the McDonald's Restaurant.

ARTICLE 3 RENT, TAXES, RECORDS AND REPORTS

3.01 **Rent:** Tenant promises to pay rent to Landlord, without offset or deduction, as follows:

A. **Basic Rent and Pass Thru Rent:** Tenant will pay monthly to Landlord the Basic Rent and any Pass Thru Rent, if applicable, as indicated in Schedule B, attached. The first payment of Basic Rent and Pass Thru Rent, if applicable, will be due and payable on the commencement date of the term, and the subsequent monthly rental payments, including any Pass Thru Rent, will be due thereafter, in advance, on or before the first day of every succeeding calendar month. If the date of commencement of rent occurs on a day other than the first day of the month, the first rental payment (of Basic Rent, Pass Thru Rent, if any, and Percentage Rent, if any) will be adjusted for the proportionate fraction of the whole month so that all rental payments, other than the first, will be made and become due and payable on the first day of each month.

B. **Percentage Rent:** In addition to the Basic Rent and Pass Thru Rent, if applicable, Tenant promises to pay Percentage Rent to Landlord in the amount and during the periods set forth in Schedule B, attached, on all Gross Sales from the Premises in excess of the Monthly Base Sales set forth in Schedule B, attached. See Article 3.03 for the manner of payment of Percentage Rent.

C. **Definition of "Gross Sales":** For the purposes of this Lease, the term "Gross Sales" will mean all receipts (cash, cash equivalent, credit or redeemed gift certificates) or revenue from sales by Tenant, and of all others, from all business conducted upon or from the Premises, whether such sales be evidenced by check, cash, credit, charge account, exchange or otherwise, and will include, but not be limited to, the amount received from the sale of goods, wares and merchandise, including sales of food, beverages and tangible property of every kind and nature, promotional or otherwise, and for services performed at the Premises, together with the amount of all orders taken or received at the Premises, all as may be prescribed or approved by the Franchise Agreement. Gross Sales will not include sales of merchandise for which cash has been refunded, or allowances made on merchandise claimed to be defective or unsatisfactory, provided that such returned or exchanged merchandise will have been previously included in Gross Sales. Gross Sales will not include the amount of any sales tax imposed by any federal, state or other governmental authority directly on sales and collected from customers, provided that the amount of the tax is added to the selling price and actually paid by Tenant to such governmental authority. Each charge or sale upon installment or credit will be treated as a sale for the full price in the month during which such charge or sale is made irrespective of the time when Tenant receives payment (whether full or partial). In addition, Landlord may, from time to time, permit or allow certain other items to be excluded from Gross Sales. However, any such permission or allowance may be revoked or withdrawn at the discretion of Landlord and will not stop Landlord from requiring strict compliance with the terms of this Lease.

D. **Taxes and Assessments:** In addition to the Basic Rent, the Pass Thru Rent, if applicable, and the Percentage Rent, Tenant will pay directly to the taxing authority, when due, all real estate taxes and special and general assessments that are levied or assessed against the Premises during the term or any extension of this Lease. Tenant agrees to provide to Landlord, if requested, copies of paid invoices and such other documentation evidencing payment of taxes as may be reasonably requested by Landlord. If Tenant shall default in the payment of any obligation herein required to be paid by Tenant, then Landlord may pay the same together with any penalty or interest levied on the tax bill, and Tenant will be obligated to repay Landlord on demand for such payment, together with interest on all past due obligations, including interest on the penalty and interest levied under this provision.

(a) **First and Last Year**: All real estate taxes and general and special assessment payments of every nature paid during the first and last year of the term of this Lease will be prorated. This tax proration will be based upon the fiscal year of the taxing authority levying the tax, using the percentage of the taxes payable during the first or last tax fiscal year that Tenant actually occupies, or had the right to occupy, the demised Premises. The party paying such taxes shall be entitled to reimbursement from the other party for its pro rata share upon demand and the presentation of an itemized statement with copies of all appropriate documentation evidencing payment.

(b) **Rent Taxes:** Tenant will also pay promptly, when due, any tax which is levied or assessed against the rental, real or tangible personal property, whether or not called a rental tax, excise tax, sales tax, gross receipts tax, tax on services or otherwise; and Tenant will promptly reimburse Landlord for any similar tax which Landlord is required to pay or, in fact, does pay. Such payment or reimbursement will not be deducted from Gross Sales.

(c) **Personal Property Taxes:** Tenant agrees to pay all personal property taxes levied upon the fixtures, equipment and other improvements located on the Premises whether installed and paid for by Tenant or Landlord. The personal property taxes for the first and last year of the term of this Lease will be prorated in the same manner as the real estate taxes and assessments.

(d) **Appeal:** Subject to Landlord's rights, Tenant, at Tenant's sole expense, is authorized and hereby permitted to contest and appeal property tax assessments on the demised Premises, and Landlord will cooperate with and assist Tenant in any reasonable manner.

E. **Other Charges and Expenses:** Any other charge or expense of any nature which Landlord may be required to pay by virtue of Landlord's interest in the Premises (including, but not limited to, common area maintenance charges, merchant's association's dues, utility charges, fees and taxes and security service fees – collectively referred to as "other charges") will be promptly paid by Tenant to the party to whom they are due as additional charges. Landlord will provide Tenant with information necessary for Tenant to pay the other charges prior to, or as soon as possible after, the commencement of the term of this Lease. Until Tenant receives this information, Tenant will not be responsible for the other charges.

F. **Method and Proof of Payment:**

(a) Tenant shall, at all times, participate in Landlord's automatic debit/credit transfer program as specified by Landlord from time to time for the payment of all amounts due Landlord pursuant to this Lease. Tenant shall execute and deliver to Landlord such documents and instruments as may be necessary to establish and maintain said automatic debit/credit transfer program.

(b) With respect to Articles 3.01(D) and (E), above, or any other provision in this Lease which requires or contemplates Tenant first paying other charges or expenses, Landlord may, at its exclusive option, elect to make such payments directly to the taxing authority, Head Landlord (if applicable), utility company or other party due a payment for which Tenant is liable under this Lease. If Landlord wishes to exercise this option, Landlord will notify Tenant in writing of its election. From that time on, Landlord shall make such payments directly, and all penalties and expenses thereafter accruing shall be the responsibility of Landlord. If Landlord elects to make any payment directly, Tenant shall, nonetheless, be responsible for making payment to Landlord for any payment Landlord will make, or makes, within ten (10) days of Tenant's receipt of a billing advice from Landlord.

3.02 **Records:** Tenant will keep and preserve upon the Premises complete written records of all Gross Sales conducted in any calendar or business year for a period of three (3) years, in a manner and form satisfactory to Landlord. Tenant will permit Landlord or Landlord's representatives to examine or audit the records at any and all reasonable times, and will, upon Landlord's request, explain the method of keeping records. The books and records will include cash register tapes, properly identified, over-ring slips, sales journals, general ledger, profit and loss statements, balance sheets, purchase invoices, bank statements with canceled checks and deposit advices, corporate books and records, management company books, including, but not limited to, minute books and stock certificate books, state sales tax returns, federal income tax returns, retailer's occupation tax returns or similar returns required to be filed by the state in which the Premises are located.

3.03 **Reports:** By 11:00 a.m. Central Standard Time of the first business day of each month, Tenant will deliver to Landlord, in the manner specified by Landlord from time to time, a statement by Tenant or Tenant's authorized representative, reflecting Gross Sales during the preceding month. Tenant will pay to Landlord on or before ten (10) days after the end of each calendar month during this Lease all sums due based upon Gross Sales as shown in the statement for the period covered by the statement. Within thirty (30) days following the expiration of each calendar year of the term of this Lease, Tenant will deliver to Landlord at the place last fixed for the payment of rent, a statement of Gross Sales for the preceding calendar year (certified, at Tenant's expense, if requested by Landlord, by a Certified Public Accountant of good standing and reputation in the state in which the Premises are located) which will show Gross Sales separately for each monthly period during the preceding year.

A. **Default in Reporting:** Upon failure of Tenant to prepare and deliver promptly any monthly or annual statement required by this Lease or to make any required payment, Landlord may elect to treat Tenant's failure as a substantial breach of this Lease entitling Landlord to terminate this Lease and Tenant's right to possession of the Premises.

B. **Inspection of Records by Landlord:** If Landlord is dissatisfied with statements furnished by Tenant, Landlord may notify Tenant, and Landlord, at its option, may then examine Tenant's books or have a Certified Public Accountant selected by Landlord examine Tenant's books. If such examination discloses any underpayment of Percentage Rent, Tenant will promptly pay the deficient amount. If Tenant contests such deficiency, Landlord will then appoint an independent auditor to examine Tenant's books and records. If the independent audit confirms that there has been an underpayment exceeding two percent (2%) of the Percentage Rent, as represented by Tenant, Tenant will, in addition to the above, reimburse Landlord for the cost of the auditor's examination.

3.04 **No Abatement of Rent:** Except as provided in this Lease, damage to or destruction of any portion or all of the buildings, structures and fixtures upon the Premises, by fire, the elements or any other cause, whether with or without fault on the part of Tenant, will not terminate this Lease or entitle Tenant to surrender the Premises or entitle Tenant to any abatement of or reduction in the rent payable, or otherwise affect the respective obligations of the parties, any present or future law to the contrary notwithstanding, subject to Article 6.05 in this Lease.

3.05 **Interest on Delinquencies:** If the Tenant is past due on the payment of any amount due Landlord, under this Lease, including accrued interest, the Tenant shall be required, to the extent permitted by law, to pay interest on the past due amount to the Landlord for the period beginning with the original due date for payment to the date of actual payment at an annual rate equal to the highest rate allowed by law or, if there is no maximum rate permitted by law, then fifteen percent (15%). Such interest will be calculated on the basis of monthly compounding and the actual number of days elapsed divided by 365.

3.06 **Lien for Rent:** Tenant grants to Landlord a lien upon all Tenant's property located on the Premises, from time to time, for all rent and other sums due from Tenant to Landlord under the provisions of this Lease.

ARTICLE 4 OBLIGATIONS OF TENANT

4.01 **Utilities:** Tenant will pay directly all charges for gas, electricity, or other utilities, sewer charges, taxes and driveway fees, if applicable, and for all water used on the Premises as such charges become due. Tenant's obligation to pay the foregoing charges will commence five (5) days after Tenant's equipment is delivered to the Premises.

4.02 **Maintenance and Repair:** Tenant will, at its expense, (a) keep the entire Premises, all improvements, utility lines and Tenant's or Landlord's fixtures and equipment at all times in good repair, order or condition; (b) replace all broken, damaged or missing personal property, fixtures or equipment; and (c) at the expiration of the term of this Lease, whether by lapse of time or otherwise, surrender the Premises in good repair, order and condition, ordinary wear and tear excepted, and loss by fire and other casualty excepted to the extent that provision for such exception may elsewhere be made in this Lease. Upon request of Landlord, Tenant will remove all signs and other identifying features from the Premises. Tenant's obligation to make repairs to the Premises will include all repairs, whether ordinary or extraordinary, including structural repairs to the foundation, floors, walls and roof.

4.03 **Alterations:** Tenant shall not make any change in, alteration of, or addition to any part of the Premises, or remove any of the buildings or building fixtures without, in each instance, obtaining the prior written consent of Landlord and complying with all governmental rules, ordinances and regulations.

4.04 **Surety:** Before commencement of any construction or installation of any structure, fixture, equipment or other improvement on the Premises, or of any repairs, alterations, additions, replacement or restoration in, on or about the Premises, Tenant will give Landlord written notice specifying the nature and location of the intended work and the expected date of commencement. Tenant will deposit with Landlord, if requested by Landlord, a certificate or other evidence satisfactory to Landlord that Tenant has obtained a bond or that Tenant's building contractor, if any, has furnished a bond in favor of Landlord, with a surety approved by Landlord, guaranteeing the performance and completion of all work free and clear of all liens arising from such work. Landlord reserves the right to withhold its approval of any proposed construction, improvement, repair, alteration or replacement and, without limiting the generality of the foregoing, may require as a condition of its approval that it be permitted to review and approve any contract entered into by Tenant regarding such notices as may be necessary to protect Landlord against liability for liens and claims.

4.05 **Liens Against Property:** Nothing in this Lease will authorize Tenant to do any act which will in any way encumber the title of Landlord to the Premises. The interest or estate of Landlord or the fee owner in the Premises, if Landlord is not the fee owner, will not in any way be subject to any claim by lien or encumbrance, whether by operation of law or by virtue of any express or implied contract by Tenant. Tenant will not permit the Premises to become subject to any mechanics', laborers' or materialsmen's lien for labor or material furnished to Tenant in connection with work of any character performed or claimed to have been performed on the Premises by or at the direction of, or sufferance of, Tenant.

If any lien is filed against the Premises or Tenant's interest in this Lease, at Landlord's option, Tenant will either pay the amount of the lien in full or will, upon demand of Landlord, provide and pay for a non-cancelable bond, placed with a reputable company, approved by Landlord, in an amount deemed sufficient by Landlord, insuring the interest of Landlord and any mortgagee from any loss by reason of the filing of such lien. Tenant will immediately pursue in good faith its legal remedies to remove a lien on the Premises.

4.06 **Assignment by Tenant:** Tenant will not allow or permit any transfer of this Lease or any interest in this Lease by operation of law, or assign, convey, mortgage, pledge or encumber this Lease or any interest in this Lease, or permit the use or occupancy of the Premises or any part thereof without, in each case, obtaining Landlord's prior written consent. No assignment (with or without Landlord's consent) will release Tenant from any of its obligations in this Lease. Notwithstanding the foregoing, Landlord shall consent to an assignment by Tenant of his rights and interest in this Lease if the Tenant complies with the terms and conditions of the Franchise Agreement pertaining to the assignment of the Franchise Agreement.

4.07 **Franchise Agreement:** Tenant will comply with and perform all covenants contained in the Franchise Agreement. Tenant's breach of any of the terms and covenants of the Franchise Agreement will also constitute a breach of this Lease. Termination, expiration, default or revocation of the Franchise Agreement for any reason, either in whole or in part, will also terminate this Lease, without further notice being required.

ARTICLE 5 FIXTURES AND EQUIPMENT

5.01 **Fixtures:** All buildings and improvements and all plumbing, heating, lighting, electrical and air conditioning fixtures and equipment and all other articles of property which, at the date Tenant takes possession of the Premises, are the property of Landlord or of the fee owner of the Premises are and will remain a part of the real estate and be considered to be leased in this Lease. Any additions, alterations or remodeling of improvements made to the Premises will immediately become the property of Landlord and will not be removed by Tenant at the termination of this Lease by lapse of time or otherwise.

5.02 **Removal of Tenant's Property:** At or prior to the termination of this Lease, whether by lapse of time or otherwise, Tenant will, subject to any rights of Landlord under the Franchise Agreement, remove all of its personal property and trade fixtures from the Premises and will repair any damage to the Premises which may have been caused by such removal.

ARTICLE 6 INSURANCE AND DAMAGE TO PROPERTY

6.01 **Liability Insurance:** Tenant will pay for and maintain during the entire term of this Lease the following insurance:

A. Worker's Compensation Insurance prescribed by law in the state in which the Premises are located and Employer's Liability Insurance with \$100,000/\$500,000/\$100,000 minimum limit. If the state in which the Premises are located allows the option of carrying no Worker's Compensation, and Tenant chooses to exercise that option, Tenant shall nonetheless carry and maintain other insurance with coverage and limits as approved by the Landlord.

B. Commercial General Liability Insurance in a form approved by Landlord, on an occurrence basis, with limits as described in Article 1.04.

C. Fire Legal Liability Insurance with minimum limits of \$500,000 per occurrence.

6.02 **Rental Insurance:** Tenant will maintain and keep in force rental insurance in an amount equal to not less than the total of one (1) year's Basic Rent and Pass Thru Rent, if applicable, as specified in Article 1.02 of this Lease.

6.03 **Property Insurance:** Tenant will maintain and keep in force, all risk insurance, including flood, earthquake and earth movement coverage, upon the Premises, fixtures, operational equipment, signs, furnishings, decor, plate glass and supplies, in a full replacement cost form obligating the insurer to pay the full cost of repair or replacement. It is intended that neither Landlord nor Tenant will be a co-insurer, and to that end, if the insurance proceeds are not adequate to rebuild the building or other improvements located on the Premises, Tenant will be obligated for the difference between the proceeds obtained and the actual cost of the restoration of the Premises, fixtures, operational equipment, signs, furnishings, decor, plate glass and supplies.

6.04 **Placement and Policies of Insurance:** All insurance policies required to be carried in this Lease will name Landlord and any party designated by Landlord as additional insured. All policies will be effective on or prior to the date Tenant is given possession of the Premises for the purpose of installing equipment, and evidence of payment of Premiums and duplicate copies of policies of the insurance required in this Lease will be delivered to Landlord at least thirty (30) days prior to the date that Tenant opens for business or thirty (30) days prior to the expiration dates of an existing policy of insurance. All policies of insurance will include as an additional insured any mortgagee, as its interest may appear, and will include provisions prohibiting cancellations or material changes to the policy until thirty (30) days prior written notice has been given to Landlord.

If Tenant should fail to obtain the required insurance, Landlord may, but is not obligated to, purchase the insurance, adding the premiums paid to Tenant's monthly rent. Tenant may authorize Landlord to purchase and to administer the required minimum insurance on Tenant's behalf. However, Landlord, by placement of the required minimum insurance, assumes no responsibility for premium expense nor guarantees payment for any losses sustained by Tenant. Landlord may relieve itself of all obligations with respect to the purchase and administration of the required insurance coverage by giving ten (10) days written notice to Tenant.

All insurance will be placed with a reputable insurance company licensed to do business in the state in which the Premises are located and having a financial size category equal to or greater than IX and a policyholders rating of "A +" or "A", as assigned by Alfred M. Best and Company, Inc., unless otherwise approved by Landlord. Tenant further agrees to increase the various insurance coverages specified above from time to time upon the written request of Landlord to meet changing economic conditions and requirements imposed upon Landlord under the Landlord's Head Lease (if applicable) and loan agreements, if any.

6.05 **Repair and Replacement of Buildings:** If the building on the Premises is damaged by fire or any other casualty, Landlord will, within a reasonable time from the date of the damage or destruction, repair or replace the building so that Tenant may continue in occupancy. Landlord's obligation to rebuild or restore the Premises will, however, be only to the extent of insurance proceeds recovered. Basic Rent and any Pass Thru Rent required to be paid in this Lease will not abate during the period of untenantability. If the building cannot be replaced or repaired within a reasonable time due to the inability of Landlord to obtain materials and labor, or because of strikes, acts of God or governmental restrictions that would prohibit, limit or delay the construction, then the time for completion of the repair or replacement will be extended accordingly. However, in any event, if the repair or replacement of the building has not been commenced within a period of one (1) year from the date of the damage or destruction, Tenant or Landlord may, at their option, terminate this Lease. If any damage or destruction occurs during the last five (5) years of the term of this Lease to the extent of fifty percent (50%) or more of the insurable value of the building, Landlord may, by notice to Tenant within forty (40) days after the occurrence of the damage or destruction, in lieu of repairing or replacing the building, elect to terminate this Lease as of the date of the damage or destruction. Tenant hereby expressly waives and releases any and all claims against Landlord for damages in case of Landlord's failure to rebuild or restore the building in accordance with the provisions of this Article. Tenant's sole remedy for any such failure will be to elect to terminate this Lease as of the date of occurrence of the damage or destruction. If the building and other improvements are not repaired, restored or replaced, for any reason, all proceeds of the all risk coverage insurance applicable to the building and other permanent improvements will be paid and given to Landlord. Tenant agrees to execute and deliver any release or other document Landlord may request to obtain the release or control of the proceeds.

If Landlord repairs and restores the Premises, as required above, Tenant agrees to promptly repair, replace, restore or rebuild Tenant's leasehold improvements, equipment and furnishings ("Tenant's Improvements") in accordance with the current standards and specifications for McDonald's Restaurants upon notice from Landlord that the Premises are ready for Tenant's Improvements. Tenant agrees to submit for Landlord's approval, all plans and specifications for Tenant's Improvements to Landlord within thirty (30) days after Landlord delivers its plans and specifications for the restored Premises to Tenant.

ARTICLE 7 RIGHTS OF LANDLORD

7.01 **Inspection by Landlord:** Landlord or any authorized representative of Landlord may enter the Premises at all times during reasonable business hours for the purpose of inspecting the Premises.

7.02 **Indemnity for Litigation:** If Landlord becomes subject to any claim, demand or penalty or becomes a party to any suit or other judicial or administrative proceeding by reason of any act occurring on the Premises, or by reason of an omission with respect to the business or operation of the McDonald's Restaurant, Tenant will indemnify and hold Landlord harmless against all judgments, settlements, penalties, and expenses, including reasonable attorney's fees, court costs and other expenses of litigation or administrative proceeding incurred by or imposed on Landlord in connection with the investigation or defense relating to such claim or litigation or administrative proceeding. At the election of Landlord, Tenant will also defend Landlord.

Tenant will pay all costs and expenses, including reasonable attorney's fees, which may be incurred by Landlord in enforcing any of the covenants and agreements of this Lease. All such costs, expenses and attorney's fees will, if paid by Landlord, together with interest, be additional rent due on the next rent date after such payment or payments.

7.03 **Waiver of Claims:** Landlord and Landlord's agents and employees will not be liable for, and Tenant waives claims for, damage to persons or property sustained by Tenant or any person claiming through Tenant resulting from any accident or occurrence in or upon the Premises or the building of which they are a part, including, but not limited to, claims for damage resulting from: (a) equipment or appurtenances becoming out of repair; (b) Landlord's failure to keep the building or the Premises in repair; (c) injury done or occasioned by wind, water or other natural element; (d) any defect in or failure of plumbing, heating or air conditioning equipment, electric wiring or installation thereof, gas, water and steam pipes, stairs, porches, railings or walks; (e) broken glass; (f) the backing up of any sewer pipe or downspout; (g) the bursting, leaking or running of any tank, tub, washstand, water closet, waste pipe, drain or any other pipe or tank in, upon or about such building or Premises; (h) the escape of steam or hot water (it being agreed that all the foregoing are under the control of Tenant); (i) water being upon or coming through the roof, skylight, trapdoor, stairs, walks or any other place upon or near such building of the Premises or otherwise; (j) the falling of any fixture, plaster or stucco; (k) interruption of service of any utility.

7.04 **Re-entry Upon Default:** If (a) Tenant defaults in the payment of any installment of Basic Rent, Pass Thru Rent or Percentage Rent or any additional sum due in this Lease; (b) Tenant defaults in any of the covenants, agreements, conditions or undertakings to be performed by Tenant other than the payment of rent (Basic Rent, Pass Thru Rent, Percentage Rent or additional charges) and such default continues for ten (10) days after notice in writing to Tenant; (c) Tenant defaults in any of the terms of the Franchise Agreement or if the Franchise Agreement should terminate, whether by lapse of time or otherwise; (d) proceedings in bankruptcy or for liquidation, reorganization or rearrangement of Tenant's affairs are instituted by or against Tenant; (e) a receiver or trustee is appointed for all or substantially all of Tenant's business or assets on the grounds of Tenant's insolvency; (f) a trustee is appointed for Tenant after a petition has been filed for Tenant's reorganization under the Bankruptcy Act of the United States; (g) Tenant makes an assignment for the benefit of its creditors; or (h) Tenant vacates or abandons the Premises, then in any of the above events, Landlord, at its election, may declare the term of this Lease ended and, either with or without process of law, re-enter, expel, remove and put out Tenant and all persons occupying the Premises under Tenant, using such force as may be necessary in so doing, and repossess and enjoy the Premises. Such re-entry and repossession will not work a forfeiture of the rents to be paid or terminate the covenants to be performed by Tenant during the full term of this Lease.

Upon the expiration of the term of this Lease by reason of any of the events described above, or in the event of the termination of this Lease or right to possession by summary dispossession proceedings or under any provision of law now or at any time in force, whether with or without legal proceedings, Landlord may, at its option, relet the Premises or any part for the account of Tenant and collect the rents therefor, applying them first to the payment of expenses Landlord may have in recovering possession of the Premises, including legal expenses and attorney's fees, and for putting the Premises into good order or condition or preparing or altering the same for re-rental, expenses, commissions and charges paid, assumed or incurred by Landlord in reletting the Premises, and then to the fulfillment of the covenants of Tenant in this Lease. Any such reletting may be for the remainder of the term of this Lease or for a longer or shorter period. In any case and whether or not the Premises or any part thereof is relet, Tenant will pay to Landlord the Basic Rent, Pass Thru Rent, if applicable, Percentage Rent, any additional charges, and all other charges required to be paid by Tenant up to the time of termination of this Lease, or of recovery of possession of the Premises by Landlord, as the case may be. Thereafter, Tenant covenants and agrees, if required by Landlord, to pay to Landlord, until the end of the term of this Lease, the equivalent of the amount of all the Basic Rent and Pass Thru Rent, if applicable, reserved in this Lease, Percentage Rent, and all other charges required to be paid by Tenant, less the net income of reletting, if any. These payments will be due and payable by Tenant to Landlord on the rent days above specified. In any of the circumstances described above, Landlord will have the election to recover against Tenant, as damages for loss of the bargain and not as a penalty, an aggregate sum which, at the time of such termination of this Lease, or of such recovery of possession of the Premises by Landlord, represents the then present worth of the excess, if any, of the aggregate of the Basic Rent, Pass Thru Rent, if applicable, Percentage Rent, and all other charges payable by Tenant in this Lease that would have accrued for the balance of the term over the aggregate rental value of the Premises for the balance of the term. Percentage Rent for purposes of this Article shall be deemed to mean the Percentage Rent which Landlord can show could be generated from the Premises but in no event less than the greatest amount of Percentage Rent paid by Tenant during any year. Nothing in this Lease contained will limit or prejudice Landlord's right to prove and obtain as liquidated damages arising out of such breach or termination the maximum amount allowed by any statute or rule of law which may govern the proceeding in which such damages are to be proved.

7.05 **Holding Over:** Tenant will not hold over beyond the expiration or sooner termination of the term of this Lease. If Tenant does hold over, it will give rise to a tenancy at the sufferance of Landlord upon the same conditions as are provided for in this Lease with a monthly rental for the period of such holding over which is double the Basic Rent, Pass Thru Rent, if applicable, and Percentage Rent last paid by Tenant during the term of this Lease, and interest thereon, as liquidated damages, and not as a penalty. Landlord's acceptance of any rent after holding over begins does not renew this Lease. This provision does not waive Landlord's rights of re-entry or any other right in this Lease resulting from Tenant's breach of the covenant not to hold over or any other breach in this Lease.

7.06 **Remedies Cumulative:** The remedies in this Lease granted to Landlord will not be exclusive or mutually exclusive, and Landlord will have such other remedies against Tenant as may be permitted in law or in equity at any time. Any exercise of a right of termination by Landlord will not be construed to eliminate any right of Landlord to damages on account of any default of Tenant.

7.07 **Waiver:** No delay or omission of Landlord to exercise any right or power arising from any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence under this Lease. No waiver of any breach of any of the covenants of this Lease will be held to be a waiver of any other breach or waiver, acquiescence in or consent to any further or subsequent breach of the same covenant. The rights in this Lease given to receive, collect or sue for any rent, monies or payments or to enforce the terms, provisions and conditions of this Lease, or to prevent the breach or non-observance thereof, or to exercise any right or remedy in this Lease, will not in any way affect the right or power of Landlord to declare the term ended and to terminate this Lease because of any default in or breach of any of the covenants, provisions or conditions of this Lease.

7.08 **Accord and Satisfaction:** No payment by Tenant or receipt by Landlord of a lesser amount than the monthly rent in this Lease stipulated will be deemed to be other than on account of the earliest stipulated rent, nor will any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction. Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy provided for in this Lease.

7.09 **Right to Perform for Tenant:** If Tenant should fail to perform any of its obligations under the provisions of this Lease, Landlord, at its option, may (but will not be required to) do the same or cause the same to be done. In addition to any and all other rights and remedies of Landlord, the cost incurred by Landlord in connection with such performance by Landlord will be an additional charge due from Tenant to Landlord, together with interest thereon at the maximum rate permitted by law in the state in which the Premises are located on the next rent date after such expenditure or, if there is no maximum rate permitted by law, at fifteen percent (15%) per annum.

7.10 **Condemnation:** If the entire Premises are condemned under eminent domain, or acquired in lieu of condemnation, for any public or quasi-public use or purpose, all rentals and taxes or other charges will be paid to that date, and Tenant will have the right to make a claim for the value of its leasehold estate. Tenant will, also, have the right to claim and recover such compensation as may be separately awarded for any and all damage to Tenant's business by reason of the condemnation and for any cost or loss to which Tenant might be put in removing Tenant's merchandise, furniture, equipment and other personal property. Tenant specifically waives and releases any claim it may have, however, for the value of the building, fixtures and other improvements on the Premises whether or not installed or paid for by Tenant. Tenant further agrees to subordinate any claim it may have to Landlord's claim for the value of the improvements.

If only a part of the Premises is taken or condemned and Landlord determines that the operation of a McDonald's Restaurant on the Premises is no longer economically feasible or desirable, Landlord may at any time, either prior to or within a period of sixty (60) days after the date when possession of the Premises will be required by the condemning authority, elect to terminate this Lease. If Landlord fails to exercise its option to terminate this Lease or will not have any such option, Landlord will (1) with reasonable promptness, make necessary repairs to and alterations of the improvements on the Premises for the purpose of restoring it to substantially the same use as that which was in effect immediately prior to such taking, to the extent that may be necessary by the condemnation; and (2) be entitled to the entire award for such partial taking. If Landlord does not elect to terminate this Lease, Tenant's Basic Rent and Pass Thru Rent, if applicable, will be reduced by a fraction, the numerator of which will be the total condemnation award or settlement and the denominator of which will be the fair market value of the Premises, prior to the taking, as determined by an independent appraiser selected by the Landlord.

7.11 **Subordination and Non-Disturbance:** This Lease and all of Tenant's rights, title and interest under the Lease will be subject, subordinated and inferior to the lien of any and all mortgages and to the rights of all parties under any sale and leaseback of the Premises and to any and all terms, conditions, provisions, extensions, renewals or modifications of any such mortgage or mortgages or sale and leaseback which Landlord or any grantee of Landlord (collectively hereafter called "Fee Owner") has or may place upon the Premises and the improvements thereon, in the same manner and to the same extent as if this Lease had been executed subsequent to the execution, delivery and recording of such mortgage or of the deed and lease under the sale and leaseback. This provision is intended to include the right of any grantee or Landlord under a sale and leaseback to further encumber the property with one or more mortgages, all of which are declared to be superior to the interest of Tenant in this Lease.

If a mortgagee or any other person acquires title to the Premises pursuant to the exercise of any remedy provided for in such mortgage, or in the event of the default under the Lease related to a sale and leaseback of the Premises, Tenant's right of possession will not be disturbed provided (a) Tenant is not then in default under this Lease and (b) Tenant attorns to such title holder. Tenant agrees that upon a mortgage foreclosure it will attorn to any mortgagee or assignee or any purchaser at the foreclosure sale (collectively called "Purchaser") as its Landlord and in the case of a default under the terms of the lease used in a sale and leaseback, it will attorn to the Fee Owner of the Premises as its new Landlord and, in either event, this Lease will continue in full force and effect as a direct Lease between Tenant and such party under all of the terms of this Lease. If there is a foreclosure of a mortgage placed on the property by a grantee under a sale and leaseback, such attornment will be required only if, at the time of such foreclosure, the Lease used in the sale and leaseback is also in default.

The subordination of this Lease to any mortgagee of Fee Owner provided for in this Lease or to any Lease under a sale and leaseback arrangement will be automatic and self-operative, and no special instrument of subordination will be necessary. Without limiting such automatic and self-operative subordinations, however, Tenant will, on demand, at any time or times, execute, acknowledge and deliver to Fee Owner, without expense to Fee Owner, any and all instruments that may be necessary or proper to evidence the subordination of this Lease and all rights in this Lease to the lien of any such mortgage, or to any such lease under a sale and leaseback arrangement. If Tenant fails, at any time, to execute, acknowledge and deliver any such subordination instrument within five (5) days after receipt of the notice, in addition to any other remedies available, Landlord may execute, acknowledge and deliver the same as the attorney-in-fact on Tenant's behalf; and Tenant hereby irrevocably makes, constitutes and appoints Landlord, its successors and assigns, such attorney-in-fact for that purpose.

ARTICLE 8 MISCELLANEOUS

8.01 **No Agency Created:** Tenant will have no authority, express or implied, to act as agent of Landlord or any of its affiliates for any purpose. Tenant is, and will remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Premises, including any personal property, equipment, fixtures or real property connected with them and for all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of the McDonald's Restaurant located on the Premises.

8.02 **Recording of Lease:** Tenant will not record this Lease without the written consent of Landlord. However, upon the request of either party, the other party will join the execution of a memorandum or a so-called "short-form" of this Lease for the purpose of recordation. The memorandum or short form of this Lease will describe the parties, the Premises and the term of this Lease and will incorporate this Lease by reference. The party requesting execution of the memorandum will bear all costs for recording it.

8.03 **Force Majeure:** Whenever a period of time is provided in this Lease for either party to do or perform any act or thing, except the payment of monies, neither party will be liable for any delays due to strikes, lockouts, casualties, acts of God, war, governmental regulation or control or other causes beyond the reasonable control of the parties, and in any event the time period for the performance of an obligation in this Lease will be extended for the amount of time of the delay. This Article will not apply to, or result in, an extension of the term of this Lease.

8.04 **Paragraph Headings:** Headings in this Lease are for convenience only and are not to be construed as part of this Lease and will not be construed as defining or limiting in any way the scope or intent of the provisions of this Lease.

8.05 **Invalidity of a Provision:** If any term or provision of this Lease will to any extent be held invalid or unenforceable, the remaining terms and provisions of this Lease will not be affected, but each term and provision of this Lease will be valid and be enforced to the fullest extent permitted by law. If any material term of this Lease is stricken or declared invalid, Landlord reserves the right to terminate this Lease at its sole option.

8.06 **Law Governing:** The terms and provisions of this Lease will be governed by the laws of the State of Illinois.

8.07 **Entire Agreement:** This Lease and the Franchise Agreement will be deemed to include the entire agreement between the parties, and it is agreed that neither Landlord nor anyone acting in its behalf has made any statement, promise or agreement or taken upon itself any engagement whatever, verbally or in writing, in conflict with the terms of this Lease, or that in any way modifies, varies, alters, enlarges, or invalidates any of its provisions, or extends the term of this Lease, and that no obligations of Landlord will be implied in addition to the obligations expressed in this Lease. This agreement cannot be changed orally but only by an agreement in writing signed by Landlord and Tenant. Nothing in this Lease or in any related agreement, however, is intended to disclaim the representations made in the Franchise Disclosure Document furnished to Tenant.

8.08 **Parties Bound:** The terms of this Lease will extend to and be binding upon the administrators, executors, heirs, assigns and successors of the parties, subject to the terms of Article 4.06.

8.09 **Notices or Demands:** All notices to or demands upon Landlord or Tenant given under any of the provisions of this Lease will be in writing. Any notices or demands from Landlord to Tenant will be deemed to have been duly and sufficiently given if a copy has been delivered personally or mailed by United States registered or certified mail in an envelope properly stamped and addressed to Tenant at the address of the Premises. Any notices or demands from Tenant to Landlord will be deemed to have been duly and sufficiently given if mailed by registered or certified mail in an envelope properly stamped and addressed to Landlord at 110 N. Carpenter Street, Chicago, Illinois 60607, Attention: Director, U.S. Legal Department. Mailed notices shall be deemed received three (3) business days after being deposited in the U.S. Mail. Either party, by notice, may change the address to which notice will be sent, but all notices mailed to Tenant at the address of the restaurant on the Premises will be deemed sufficient.

To indicate their consent to this Operator's Lease the parties, or their authorized representatives or officers, have signed this document.

TENANT:

____

LANDLORD: McDONALD'S USA, LLC

By: ________________________________

Date Signed: ______________________

Location Code: ______________________

Prepared by: ______________________

Addition to Schedule A if there is excess property:

[CITY, STATE]
[Address]
L/C: __________
File #: __________

EXCESS PROPERTY ADDENDUM

1. Landlord and Tenant acknowledge that the Premises includes excess property which will not be used in the operation of the McDonald's Restaurant developed on the Premises. The excess property is included in the legal description described on Schedule A of this Lease.

2. If the Landlord, in its sole discretion, is able to sell or lease the excess property during the term of this Lease, Tenant agrees to amend this Lease to accomplish the following:

   A. The Premises shall be amended to delete the excess property so that it will no longer be leased to Tenant.

   B. The Premises will be made subject and subordinate to easements that may be needed for access, utilities, drainage, signs or any other necessary use to properly or conveniently develop the excess property. Landlord agrees that no such easements or reservations shall unreasonably interfere with the continuing operation of the McDonald's Restaurant, and all costs, expenses and liabilities associated with the easements or any other use of the Premises shall be assumed by the Landlord.

3. Notwithstanding the deletion of the excess property from the Premises, the Tenant's rent shall remain as stated in this Lease and shall not be reduced. However, Tenant shall be reimbursed by Landlord for an amount equal to approximately all of Tenant's costs for real estate taxes, insurance and maintenance of the excess property up to an amount not to exceed the Landlord's gain on any sale or disposition of the excess property. The gain or loss on the disposition of the excess property shall be determined by subtracting the net book value of the excess property from the net proceeds of the Landlord's sale or other disposition of the excess property. If the excess property is leased by Landlord, the gain or loss shall be determined by subtracting the net present value of the rental payments to be received by Landlord from the net present value of all of Landlord's rental payments or Landlord's net book value associated with the excess property.

4. If the excess property is developed in such a manner as to provide for common access, parking, utilities or other easements that benefit both the Premises and the excess property, Tenant agrees to pay a pro rata share of the cost of maintaining and repairing such common access, parking, utilities or other easements as set forth in the written agreements.

5. The effective date of the above described amendment shall be the date of closing of the sale of the excess property, if sold, or the date the rent commences, if it is leased.

STORE:

SITE :
FILE :
SEQ :
REGION :

RE: INITIAL PROJECTED

RENT TERMS

COMMENCEMENT DATE EXPIRATION DATE	MONTHLY BASIC RENT	PERCENT RENT	MONTHLY BASE SALES	PASS THRU RENT #	ADDL PROP RENT #	REACQUISITION/ RENEGOTIATION RENT #
COMMENCEMENT OF TERM REMAINDER OF TERM						

If rental amounts are shown in these columns, these amounts are to be paid monthly.

SCHEDULE B

[CITY, STATE]
[Address]
L/C: __________
File #: __________

LANDLORD'S INTEREST ADDENDUM

(McDonald's USA, LLC Leased Property)

1. **LANDLORD'S INTEREST IN PREMISES:** Landlord holds a leasehold interest in the Premises or a portion of the Premises under the Head Lease described in Article 1.05.

2. **COMPLIANCE WITH HEAD LEASE:** Tenant acknowledges and agrees that the terms and conditions of this Lease are subject and subordinate to the terms and conditions of the Head Lease and any subsequent amendments to it. If there are any inconsistencies between this Lease and the Head Lease, the more restrictive obligations of the Head Lease will prevail. Tenant will not, in its use and enjoyment of the Premises, suffer or permit any condition to exist, or do, or omit to do, anything which would give rise to any right of the landlord under the Head Lease ("Head Landlord") to terminate the Head Lease or any rights of Landlord. Tenant will perform, comply with and discharge all obligations which Landlord is required to comply with and discharge under the Head Lease, including, but not limited to, payment of all charges, costs and expenses as set forth in Article 3.01 of this Lease. Such payments shall not, however, include payment of Landlord's basic monthly rental obligations under the Head Lease.

3. **TENANT'S STATEMENTS AND CERTIFICATES:** Without limiting the generality of the foregoing, Tenant agrees to promptly provide to Landlord insurance policies or certificates, off-set statements, statements of sales, mechanic's lien waivers, notices, releases and any other statement, record or document which may be required, from time to time, by the Head Landlord under the terms of the Head Lease. All certificates or policies of insurance so required will also name the Head Landlord as co-insured or additional insured, as the case may be.

4. **ENFORCEMENT OF LANDLORD'S RIGHTS UNDER HEAD LEASE:** It is acknowledged that the Head Landlord may have certain obligations under the Head Lease to maintain and repair the Premises and adjoining areas, pay real estate taxes, assessments and special charges and impositions, restore, replace or rebuild the Premises and adjoining areas in the event of damage by fire and other causes, carry and pay for certain types of insurance policies and perform other obligations set forth in the Head Lease. If these obligations exist, Landlord agrees to make a good faith effort to obtain the timely and faithful performance of Head Landlord's obligations, but Landlord will not be in default or breach of any of its covenants and duties under this Lease or be liable for any resulting loss or claim of Tenant if Landlord is not able to enforce its rights under the Head Lease. With respect to Landlord's obligation to repair and restore the Premises in the event of damage or destruction by fire or any other cause, Landlord's obligations are conditioned upon Landlord obtaining the cooperation and approval of the Head Landlord, as it may be required, and the compliance of Head Landlord with all of Head Landlord's duties under the Head Lease; and Landlord will not be liable to Tenant for any damage, claim or injury resulting from Landlord's inability to repair or restore the Premises due to a default or breach of the Head Lease by the Head Landlord.

5. **INTENT OF THE PARTIES:** It is the intent of the parties to enter into a sublease between Landlord and Tenant and not to make an assignment of the Head Lease. The parties further acknowledge that it is their intent that there be no merger of either Landlord's or Tenant's interest in this Lease and fee title if either party acquires a fee interest in the Premises at any time after the execution of this Lease. In such event, this Lease will remain in full force and effect and will determine the rights, duties and obligations of the parties.

[CITY, STATE]
[Address]
L/C: __________
File #: __________

LANDLORD'S INTEREST ADDENDUM
(McDonald's Corporation Leased Property)

1. **LANDLORD'S INTEREST IN PREMISES:** Landlord holds a leasehold interest in the Premises or a portion of the Premises through an internal lease(s) with McDonald's Corporation and/or its affiliated companies (McDonald's Corporation and/or its affiliated companies are hereafter referred to as "McDonald's") ("McDonald's Internal Lease Documentation") as may be amended from time to time. The McDonald's Internal Lease Documentation does not increase Tenant's obligations under this Lease. The McDonald's Internal Lease Documentation requires Landlord to meet all of the obligations of the tenant under the Head Lease described in Article 1.05.

2. **COMPLIANCE WITH HEAD LEASE:** Tenant acknowledges and agrees that the terms and conditions of this Lease are subject and subordinate to the terms and conditions of the Head Lease and any subsequent amendments to it. If there are any inconsistencies between this Lease, McDonald's Internal Lease Documentation and the Head Lease, the more restrictive obligations of the Head Lease will prevail. Tenant will not, in its use and enjoyment of the Premises, suffer or permit any condition to exist, or do, or omit to do, anything which would give rise to any right of the landlord under the Head Lease ("Head Landlord") to terminate the Head Lease or any rights of Landlord and/or McDonald's. Tenant will perform, comply with and discharge all obligations which Landlord is required to comply with and discharge under the Head Lease, including, but not limited to, payment of all charges, costs and expenses as set forth in Article 3.01 of this Lease. Such payments shall not, however, include payment of the basic monthly rental obligations under the Head Lease.

3. **TENANT'S STATEMENTS AND CERTIFICATES:** Without limiting the generality of the foregoing, Tenant agrees to promptly provide to Landlord, insurance policies or certificates, off-set statements, statements of sales, mechanic's lien waivers, notices, releases and any other statement, record or document which may be required, from time to time, by the Landlord or the Head Landlord under the terms of the Head Lease. All certificates or policies of insurance so required will, in addition to Landlord, also name the Head Landlord and McDonald's as co-insureds or additional insureds, as the case may be.

4. **ENFORCEMENT OF LANDLORD'S RIGHTS UNDER HEAD LEASE:** It is acknowledged that the Head Landlord may have certain obligations under the Head Lease to maintain and repair the Premises and adjoining areas, pay real estate taxes, assessments and special charges and impositions, restore, replace or rebuild the Premises and adjoining areas in the event of damage by fire and other causes, carry and pay for certain types of insurance policies and perform other obligations set forth in the Head Lease. If these obligations exist, Landlord agrees to make a good faith effort to obtain the timely and faithful performance of Head Landlord's obligations, but Landlord will not be in default or breach of any of its covenants and duties under this Lease or be liable for any resulting loss or claim of Tenant if Landlord is not able to enforce the rights of tenant under the Head Lease. With respect to Landlord's obligation to repair and restore the Premises in the event of damage or destruction by fire or any other cause, Landlord's obligations are conditioned upon Landlord obtaining the cooperation and approval of the Head Landlord, as it may be required, and the compliance of Head Landlord with all of Head Landlord's duties under the Head Lease; and neither Landlord nor McDonald's will be liable to Tenant for any damage, claim or injury resulting from Landlord's inability to repair or restore the Premises due to a default or breach of the Head Lease by the Head Landlord.

5. **INTENT OF THE PARTIES:** It is the intent of the parties to enter into a subleasing agreement between Landlord and Tenant and not to make an assignment of the Head Lease or McDonald's Internal Lease Documentation. The parties further acknowledge that it is their intent that there be no merger of either Landlord's or Tenant's interest in this Lease and fee title if either party acquires a fee interest in the Premises at any time after the execution of this Lease. In such event, this Lease will remain in full force and effect and will determine the rights, duties and obligations of the parties.

[CITY, STATE]
[Address]
L/C: __________
File #: __________

LANDLORD'S INTEREST ADDENDUM

(McDonald's Corporation or McRec Fee Owned Property)

1. **LANDLORD'S INTEREST IN PREMISES:** Landlord holds a leasehold interest in the Premises or a portion of the Premises through an internal lease(s) with McDonald's Corporation and/or its affiliated companies (McDonald's Corporation and/or its affiliated companies are hereafter referred to as "McDonald's") ("McDonald's Internal Lease Documentation") as may be amended from time to time. The McDonald's Internal Lease Documentation between McDonald's and Landlord does not increase Tenant's obligations under this Lease. Tenant acknowledges and agrees that under the terms of this Lease, Tenant will perform, comply with and discharge any and all obligations related to the Premises and its use, including, but not limited to, the payment of all charges, costs and expenses as set forth in Article 3.01 of this Lease.

2. **TENANT'S INSURANCE POLICIES AND CERTIFICATES:** All certificates and policies of insurance so required under this Lease will, in addition to Landlord, name McDonald's as an additional insured.

3. **INTENT OF THE PARTIES:** It is the intent of the parties to enter into a subleasing agreement between Landlord and Tenant and not to make an assignment of the McDonald's Internal Lease Documentation. The parties further acknowledge that it is their intent that there be no merger of either Landlord's or Tenant's interest in this Lease and fee title if either party acquires a fee interest in the Premises at any time after the execution of this Lease. In such event, this Lease will remain in full force and effect and will determine the rights, duties and obligations of the parties.

[CITY, STATE]
[Address]
L/C: __________
File #: __________

LANDLORD'S INTEREST ADDENDUM – OIL

(Oil Partner as Head Landlord and McDonald's USA, LLC is tenant under a Ground Lease and Operating Agreement with an oil partner)

1. **LANDLORD'S INTEREST IN PREMISES:** Landlord holds a leasehold interest in the Premises or a portion of the Premises under the Head Lease described in Article 1.05. The Head Lease provides for the joint operation of a fuel facility, McDonald's Restaurant and convenience store, and if provided for in the Head Lease, the operation of a car wash, at the property as defined in the Head Lease.

2. **COMPLIANCE WITH HEAD LEASE:** Tenant acknowledges and agrees that the terms and conditions of this Lease are subject and subordinate to the terms and conditions of the Head Lease and any subsequent amendments to it. If there are any inconsistencies between this Lease and the Head Lease, the more restrictive obligations of the Head Lease will prevail. Tenant will not, in its use and enjoyment of the Premises, suffer or permit any condition to exist, or do, or omit to do, anything which would give rise to any right of the landlord under the Head Lease ("Head Landlord") to terminate the Head Lease or any rights of Landlord. Tenant will perform, comply with and discharge all obligations which Landlord is required to comply with and discharge under the Head Lease, including but not limited to, payment of all charges, costs and expenses set forth in Article 3.01 of this Lease. Such payments shall not, however, include payment of Landlord's monthly basic rental obligations under the Head Lease.

3. **TENANT'S STATEMENTS AND CERTIFICATES:** Without limiting the generality of the foregoing, Tenant agrees to promptly provide to Landlord insurance policies or certificates, off-set statements, statements of sales, mechanic's lien waivers, notices, releases and any other statement, record or document which may be required, from time to time, by the Head Landlord under the terms of the Head Lease. All certificates or policies of insurance so required will also name the Head Landlord as co-insured or additional insured, as the case may be.

4. **ENFORCEMENT OF LANDLORD'S RIGHTS UNDER HEAD LEASE:** It is acknowledged that the Head Landlord may have certain obligations under the Head Lease to maintain and repair the Premises and adjoining areas, pay real estate taxes, assessments and special charges and impositions, restore, replace or rebuild the Premises and adjoining areas in the event of damage by fire and other causes, carry and pay for certain types of insurance policies and perform other obligations set forth in the Head Lease. If these obligations exist, Landlord agrees to make a good faith effort to obtain the timely and faithful performance of Head Landlord's obligations, but Landlord will not be in default or breach of any of its covenants and duties under this Lease or be liable for any resulting loss or claim of Tenant if Landlord is not able to enforce its rights under the Head Lease. With respect to Landlord's obligation to repair and restore the Premises in the event of damage or destruction by fire or any other cause, Landlord's obligations are conditioned upon Landlord obtaining the cooperation and approval of the Head Landlord, as it may be required, and the compliance of Head Landlord with all of Head Landlord's duties under the Head Lease; and Landlord will not be liable to Tenant for any damage, claim or injury resulting from Landlord's inability to repair or restore the Premises due to a default or breach of the Head Lease by the Head Landlord.

5. **INTENT OF THE PARTIES:** It is the intent of the parties to enter into a subleasing agreement between Landlord and Tenant and not to make an assignment of the Head Lease. The parties further acknowledge that it is their intent that there be no merger of either Landlord's or Tenant's interest in this Lease and fee title if either party acquires a fee interest in the Premises at any time after the execution of this Lease. In such event, this Lease will remain in full force and effect and will determine the rights, duties and obligations of the parties.

[CITY, STATE]
[Address]
L/C: __________
File #: __________

LANDLORD'S INTEREST ADDENDUM – OIL

(Oil Partner as Head Landlord and McDonald's Corporation is tenant under a Ground Lease and Operating Agreement with an oil partner)

1. **LANDLORD'S INTEREST IN PREMISES:** Landlord holds a leasehold interest in the Premises or a portion of the Premises through an internal lease(s) with McDonald's Corporation and/or its affiliated companies (McDonald's Corporation and/or its affiliated companies are hereafter referred to as "McDonald's") ("McDonald's Internal Lease Documentation") as may be amended from time to time. The McDonald's Internal Lease Documentation does not increase Tenant's obligations under this Lease. The McDonald's Internal Lease Documentation requires Landlord to meet all of the obligations of the tenant under the Head Lease described in Article 1.05. The Head Lease provides for the joint operation of a fuel facility, McDonald's Restaurant and convenience store, and if provided for in the Head Lease, the operation of a car wash, at the property as defined in the Head Lease.

2. **COMPLIANCE WITH HEAD LEASE:** Tenant acknowledges and agrees that the terms and conditions of this Lease are subject and subordinate to the terms and conditions of the Head Lease and any subsequent amendments to it. If there are any inconsistencies between this Lease, McDonald's Internal Lease Documentation and the Head Lease, the more restrictive obligations of the Head Lease will prevail. Tenant will not, in its use and enjoyment of the Premises, suffer or permit any condition to exist, or do, or omit to do, anything which would give rise to any right of the landlord under the Head Lease ("Head Landlord") to terminate the Head Lease or any rights of Landlord and/or McDonald's. Tenant will perform, comply with and discharge all obligations which Landlord is required to comply with and discharge under the Head Lease, including but not limited to, payment of all charges, costs and expenses set forth in Article 3.01 of this Lease. Such payments shall not, however, include payment of Landlord's monthly basic rental obligations under the Head Lease.

3. **TENANT'S STATEMENTS AND CERTIFICATES:** Without limiting the generality of the foregoing, Tenant agrees to promptly provide to Landlord insurance policies or certificates, off-set statements, statements of sales, mechanic's lien waivers, notices, releases and any other statement, record or document which may be required, from time to time, by the Landlord or the Head Landlord under the terms of the Head Lease. All certificates or policies of insurance so required will, in addition to Landlord, also name the Head Landlord and McDonald's as co-insureds or additional insureds, as the case may be.

4. **ENFORCEMENT OF LANDLORD'S RIGHTS UNDER HEAD LEASE:** It is acknowledged that the Head Landlord may have certain obligations under the Head Lease to maintain and repair the Premises and adjoining areas, pay real estate taxes, assessments and special charges and impositions, restore, replace or rebuild the Premises and adjoining areas in the event of damage by fire and other causes, carry and pay for certain types of insurance policies and perform other obligations set forth in the Head Lease. If these obligations exist, Landlord agrees to make a good faith effort to obtain the timely and faithful performance of Head Landlord's obligations, but Landlord will not be in default or breach of any of its covenants and duties under this Lease or be liable for any resulting loss or claim of Tenant if Landlord is not able to enforce its rights under the Head Lease. With respect to Landlord's obligation to repair and restore the Premises in the event of damage or destruction by fire or any other cause, Landlord's obligations are conditioned upon Landlord obtaining the cooperation and approval of the Head Landlord, as it may be required, and the compliance of Head Landlord with all of Head Landlord's duties under the Head Lease; and

neither Landlord nor McDonald's will be liable to Tenant for any damage, claim or injury resulting from Landlord's inability to repair or restore the Premises due to a default or breach of the Head Lease by the Head Landlord.

5. **INTENT OF THE PARTIES:** It is the intent of the parties to enter into a subleasing agreement between Landlord and Tenant and not to make an assignment of the Head Lease or McDonald's Internal Lease Documentation. The parties further acknowledge that it is their intent that there be no merger of either Landlord's or Tenant's interest in this Lease and fee title if either party acquires a fee interest in the Premises at any time after the execution of this Lease. In such event, this Lease will remain in full force and effect and will determine the rights, duties and obligations of the parties.

[CITY, STATE]
[Address]
L/C: __________
File #: __________

CO-BRANDED DEVELOPMENT ADDENDUM

(McDonald's entity is landlord under a Ground Lease and Operating Agreement with an oil partner)

1. **GROUND LEASE AND OPERATING AGREEMENT:** Tenant acknowledges that Landlord or McDonald's Corporation or an affiliated company of McDonald's Corporation has entered into a Ground Lease and Operating Agreement ("Agreement") with that oil partner set forth in the Agreement. The Agreement provides for the joint operation of a fuel facility, McDonald's Restaurant and convenience store, and if provided for in the Agreement, the operation of a car wash, at the property as defined in the Agreement.

2. **COMPLIANCE WITH THE AGREEMENT:** Tenant acknowledges receipt of a copy of the Agreement, will abide by its terms and agrees that Tenant is obligated to perform any and all obligations of Landlord set forth in the Agreement. Tenant further agrees that these obligations are in addition to any obligations that Tenant may have under the terms of this Lease or Franchise Agreement with Landlord. If there are any inconsistencies between the Agreement and this Lease or Franchise Agreement, the more restrictive obligations of the Agreement will prevail. If there are any inconsistencies between the Agreement and the Head Lease, if any, as described in Article 1.05, the more restrictive obligations of the Head Lease will prevail.

[CITY, STATE]
[Address]
L/C: __________
File #: __________

McDONALD'S INTEREST ADDENDUM

(McDonald's USA, LLC holds interest in Master Agreement – interest is not a leasehold)

THIS McDONALD'S INTEREST ADDENDUM is attached to and made a part of the Operator's Lease ("Agreement") between **McDONALD'S USA, LLC,** a Delaware limited liability company ("McDonald's") and __________________________ (hereafter, for purposes of this Addendum, called "Grantee").

1. **McDONALD'S INTEREST IN PREMISES:** McDonald's has obtained the right to use the Premises pursuant to the _______________________________________ described in Article 1.05 ("Master Agreement").

2. **COMPLIANCE WITH THE MASTER AGREEMENT:** Grantee acknowledges and agrees that the terms and conditions of this Agreement are subject and subordinate to the terms and conditions of the Master Agreement and any subsequent amendments to it. If there are any inconsistencies between this Agreement and the Master Agreement, the more restrictive obligations of the Master Agreement will prevail. Grantee will not, in its use and enjoyment of the Premises, suffer or permit any condition to exist, or do, or omit to do, anything which would give rise to any right of the grantor of McDonald's interest under the Master Agreement ("Master Grantor") to terminate the Master Agreement or to prejudice or limit any rights of McDonald's under the Master Agreement. Grantee will perform, comply with and discharge all obligations which McDonald's is required to perform, comply with and discharge pursuant to the Master Agreement including, but not limited to, the payment of all charges, costs and expenses as set forth in Article 3.01 of this Agreement. Such payments shall not, however, include payment of McDonald's basic monthly fee obligation for its interest under the Master Agreement.

3. **GRANTEE'S STATEMENTS AND CERTIFICATES:** Without limiting the generality of the foregoing, Grantee agrees to promptly provide the insurance policies or certificates, off-set statements, statements of sales, mechanic's lien waivers, notices, releases and any other statement, record or document which may be required from time to time by McDonald's under the terms of the Master Agreement. All certificates or policies of insurance so required will name the Master Grantor as co-insured or additional insured, as the case may be.

4. **ENFORCEMENT OF McDONALD'S RIGHTS UNDER MASTER AGREEMENT:** It is acknowledged that the Master Grantor may have certain obligations under the Master Agreement to maintain and repair the Premises and adjoining areas, pay real estate taxes, assessments and special charges and impositions, restore, replace or rebuild the Premises and adjoining areas in the event of damage by fire and other causes, carry and pay for certain types of insurance policies and perform other obligations set forth in the Master Agreement. If these obligations exist, McDonald's agrees to make a good faith effort to obtain the timely and faithful performance of the Master Grantor's obligations, but McDonald's will not be in default or breach of any of its covenants and duties under this Agreement or be liable for any resulting loss or claim of Grantee if McDonald's is not able to enforce its rights under the Master Agreement. With respect to McDonald's obligation, if any, to repair and restore the Premises in the event of damage or destruction by fire or any other cause, McDonald's obligations are conditioned upon McDonald's obtaining the cooperation and approval of the Master Grantor, as it may be required, and the compliance of the Master Grantor with all of the Master Grantor's duties under the Master Agreement; and McDonald's will not be liable to Grantee for any damage, claim or injury resulting from McDonald's inability to repair or restore the Premises due to a default or breach of the Master Agreement by the Master Grantor.

5. **INTENT OF THE PARTIES:** It is the intent of the parties to enter into a sub-agreement between McDonald's and Grantee and not to make an assignment of the Master Agreement. The parties further acknowledge that it is their intent that there be no merger of either McDonald's or Grantee's interest in this Agreement and the fee interest if either party acquires the fee interest in the Premises at any time after the execution of this Agreement. In such event, this Agreement will remain in full force and effect and will determine the rights, duties, and obligations of the parties. In addition, notwithstanding anything contained in this Agreement to the contrary, if McDonald's does not hold a leasehold interest in the Premises, this Agreement shall not be deemed a sublease but a sub-conveyance allowed by McDonald's rights under the Master Agreement. It is further agreed that the designation of this document as an "Operator's Lease" is merely for convenience and does not purport to transfer greater rights to Grantee than those held by McDonald's pursuant to the Master Agreement.

[CITY, STATE]
[Address]
L/C: __________
File #: __________

McDONALD'S INTEREST ADDENDUM

(McDonald's Corporation holds interest in Master Agreement – interest is not a leasehold)

THIS McDONALD'S INTEREST ADDENDUM is attached to and made a part of the Operator's Lease ("Agreement") between **McDONALD'S USA, LLC,** a Delaware limited liability company ("McDonald's USA") and ______________________________ (hereafter, for purposes of this Addendum, called "Grantee").

1. **McDONALD'S USA'S INTEREST IN PREMISES:** McDonald's USA has obtained the right to use the Premises through an internal agreement(s) with McDonald's Corporation and/or its affiliated companies (McDonald's Corporation and/or its affiliated companies are hereafter referred to as "McDonald's") ("McDonald's Internal Agreement Documentation") as may be amended from time to time. The McDonald's Internal Agreement Documentation does not increase Grantee's obligations under this Agreement. The McDonald's Internal Agreement Documentation requires McDonald's USA to meet all of the obligations of McDonald's under the Master Agreement described in Article 1.05.

2. **COMPLIANCE WITH THE MASTER AGREEMENT:** Grantee acknowledges and agrees that the terms and conditions of this Agreement are subject and subordinate to the terms and conditions of the Master Agreement and any subsequent amendments to it. If there are any inconsistencies between this Agreement, McDonald's Internal Agreement Documentation and the Master Agreement, the more restrictive obligations of the Master Agreement will prevail. Grantee will not, in its use and enjoyment of the Premises, suffer or permit any condition to exist, or do, or omit to do, anything which would give rise to any right of the grantor of McDonald's interest under the Master Agreement ("Master Grantor") to terminate the Master Agreement or to prejudice or limit any rights of McDonald's under the Master Agreement. Grantee will perform, comply with and discharge all obligations which McDonald's is required to perform, comply with and discharge pursuant to the Master Agreement including, but not limited to, the payment of all charges, costs and expenses as set forth in Article 3.01 of this Agreement. Such payments shall not, however, include payment of McDonald's basic monthly fee obligation for its interest under the Master Agreement.

3. **GRANTEE'S STATEMENTS AND CERTIFICATES:** Without limiting the generality of the foregoing, Grantee agrees to promptly provide the insurance policies or certificates, off-set statements, statements of sales, mechanic's lien waivers, notices, releases and any other statement, record or document which may be required from time to time by McDonald's USA, McDonald's or the Master Grantor under the terms of the Master Agreement. All certificates or policies of insurance so required will, in addition to McDonald's USA, also name the Master Grantor and McDonald's as co-insureds or additional insureds, as the case may be.

4. **ENFORCEMENT OF McDONALD'S RIGHTS UNDER MASTER AGREEMENT:** It is acknowledged that the Master Grantor may have certain obligations under the Master Agreement to maintain and repair the Premises and adjoining areas, pay real estate taxes, assessments and special charges and impositions, restore, replace or rebuild the Premises and adjoining areas in the event of damage by fire and other causes, carry and pay for certain types of insurance policies and perform other obligations set forth in the Master Agreement. If these obligations exist, McDonald's USA agrees to make a good faith effort to obtain the timely and faithful performance of the Master Grantor's obligations, but McDonald's USA will not be in default or breach of any of its covenants and duties under this Agreement or be liable for any resulting loss or claim of Grantee if McDonald's USA is not able to enforce its rights under the Master Agreement. With respect to McDonald's

USA's obligation, if any, to repair and restore the Premises in the event of damage or destruction by fire or any other cause, McDonald's USA's obligations are conditioned upon McDonald's USA's obtaining the cooperation and approval of the Master Grantor, as it may be required, and the compliance of the Master Grantor with all of the Master Grantor's duties under the Master Agreement; and neither McDonald's USA nor McDonald's will be liable to Grantee for any damage, claim or injury resulting from McDonald's USA's inability to repair or restore the Premises due to a default or breach of the Master Agreement by the Master Grantor.

5. **INTENT OF THE PARTIES:** It is the intent of the parties to enter into a sub-agreement between McDonald's USA and Grantee and not to make an assignment of the Master Agreement. The parties further acknowledge that it is their intent that there be no merger of either McDonald's USA's or Grantee's interest in this Agreement and the fee interest if either party acquires the fee interest in the Premises at any time after the execution of this Agreement. In such event, this Agreement will remain in full force and effect and will determine the rights, duties, and obligations of the parties. In addition, notwithstanding anything contained in this Agreement to the contrary, if McDonald's USA does not hold a leasehold interest in the Premises, this Agreement shall not be deemed a sublease but a sub-conveyance allowed by McDonald's rights under the Master Agreement. It is further agreed that the designation of this document as an "Operator's Lease" is merely for convenience and does not purport to transfer greater rights to Grantee than those held by McDonald's pursuant to the Master Agreement.

OPERATOR EXTENSION OF TERM LANGUAGE

If Landlord extends its leasehold interest or acquires the fee interest in the Premises so that the Landlord's tenure extends beyond ____________________, the term of this Lease shall be automatically modified for a term consistent with the Landlord's real estate interest in the Premises, but in no event beyond ____________________. This Lease shall also be amended to reflect any new terms and conditions in the new or extended Lease or in the acquisition documents executed by Landlord and its landlord or seller. The Basic Rent and Percentage Rent may be increased to reflect Landlord's total real estate acquisition and development costs for the Premises by applying Landlord's then current rental formula using the Percentage Rent then in effect for similar McDonald's Restaurants.

EARLY TERMINATION DUE TO NO ADDITIONAL REAL ESTATE TENURE

Tenant acknowledges that Landlord is in negotiations with the party that controls the real estate interest in the Premises ("Head Landlord") to obtain additional real estate tenure for the Premises (as defined below). As of the date of this Lease, Landlord does not have real estate tenure at the Premises, but the Head Landlord has agreed to allow Landlord to occupy the Premises while negotiations continue. The Head Landlord may revoke its agreement at any time; therefore, Landlord and Tenant agree that, notwithstanding the term in this Article, Landlord may terminate this Lease upon the following: (i) negotiations with the Head Landlord cease or (ii) the Head Landlord requires Landlord to vacate the Premises. In either case, this Lease will terminate when McDonald's right to occupy the Premises terminates.

EXHIBIT H

ASSIGNMENT TO AN ENTITY

ASSIGNMENT AND CONSENT TO ASSIGNMENT

OF FRANCHISE TO A [CORPORATION/PARTNERSHIP/LIMITED LIABILITY COMPANY]

This Assignment and Consent to Assignment of Franchise to a [Corporation/Partnership/Limited Liability Company], dated ____________________ ("Assignment"), is between **McDonald's USA, LLC**, a Delaware limited liability company ("McDonald's"); _________________________ and _________________________ (collectively "Assignor"); **[Corporation/Partnership/LLC Name]**, a ____________________ [corporation/partnership/limited liability company] ("Assignee"); and those [shareholders/partners/members] of Assignee (individually ["Shareholder"/"Partner"/"Member"] and collectively ["Shareholders"/"Partners"/"Members"]) listed on Exhibit A attached and incorporated into this Assignment.

Background

A. McDonald's or its predecessor in interest issued to Assignor or its predecessor(s) in interest a Franchise Agreement and an Operator's Lease, both dated ____________________ (collectively "Franchise"), for the McDonald's restaurant located at ____ [L/C: __________] ("Restaurant").

B. Assignor requests McDonald's consent to transfer the rights in the Franchise to Assignee.

C. Assignor, Assignee, and [Shareholders/Partners/Members] acknowledge that McDonald's consent to this Assignment is required under the terms of the Franchise.

Agreement

The parties, intending to be legally bound and for good and valuable consideration, agree as follows:

1. The effective date of this Assignment is ____________________ ("Effective Date").

2. McDonald's consents to this Assignment subject to the provisions of the Franchise and this Assignment.

3. On the Effective Date, Assignor assigns and transfers all the right, title, and interest of Assignor in the Franchise to Assignee, subject to the provisions of the Franchise.

4. Assignee must pay all fees and perform all obligations under the Franchise.

5. Assignor agrees to remain personally bound by, and personally liable for the breach of, each and every provision of the Franchise, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, and is not released from any obligations to McDonald's by this Assignment. After the date of this Assignment, all

references to Franchisee in the Franchise shall refer to both Assignor and Assignee both jointly and severally.

[Alternate paragraph to be used for Assignment to Corporation.]

6. Without the prior written consent of McDonald's, Assignor, Assignee, and Shareholders may not, either voluntarily or by operation of law, make or permit:

a) any further transfer or assignment of the Franchise;
b) any pledge or encumbrance of the Franchise;
c) any assignment, transfer, or pledge of any equity interest in Assignee including, but not limited to, transfers in any entity that is a Shareholder;
d) the creation of new or additional equity interests in Assignee; or
e) any amendment of the terms of any organizational documents relating to Assignee.

Equity interests, as used in this Assignment, include direct or indirect equity or beneficial interests in Assignee and the business risks associated with the Restaurant including, but not limited to, interests stated as debt that include any type of risk-taking interest or any interest in the profits or appreciation of the Restaurant.

[Alternate paragraph to be used for Assignment to Partnership.]

6. Without the prior written consent of McDonald's, Assignor, Assignee, and Partners may not, either voluntarily or by operation of law, make or permit:

a) any further transfer or assignment of the Franchise;
b) any pledge or encumbrance of the Franchise;
c) any assignment, transfer, or pledge of any equity interest in Assignee including, but not limited to, transfers in any entity that is a Partner;
d) the creation of new or additional equity interests in Assignee;
e) the change of a limited partnership interest to a general partnership interest or of a general partnership interest to a limited partnership interest; or
f) any amendment of the terms of any partnership agreement or other organizational documents relating to Assignee.

Equity interests, as used in this Assignment, include direct or indirect equity or beneficial interests in Assignee and the business risks associated with the Restaurant including, but not limited to, interests stated as debt that include any type of risk-taking interest or any interest in the profits or appreciation of the Restaurant.

[Alternate paragraph to be used for Assignment to Limited Liability Company.]

6. Without the prior written consent of McDonald's, Assignor, Assignee, and Members may not, either voluntarily or by operation of law, make or permit:

a) any further transfer or assignment of the Franchise;
b) any pledge or encumbrance of the Franchise;
c) any assignment, transfer, or pledge of any equity interest in Assignee including, but not limited to, transfers in any entity that is a Member;
d) the creation of new or additional equity interests in Assignee; or
e) any amendment of the terms of any operating agreement or other organizational documents relating to Assignee.

Equity interests, as used in this Assignment, include direct or indirect equity or beneficial interests in Assignee and the business risks associated with the Restaurant including, but not limited to, interests stated as debt that include any type of risk-taking interest or any interest in the profits or appreciation of the Restaurant.

7. Assignor, Assignee, and [Shareholders/Partners/Members] represent and warrant that:

a) they are the only persons or entities with equity interests in Assignee and their ownership interests are as shown on Exhibit A; and
b) there is no obligation or intention to issue additional equity interests in Assignee.

8. If any [Shareholders/Partners/Members] are trustees or trusts:

a) the beneficial interests in the trusts may not be assigned, transfers to successor trustees or special trustees may not be made even if the transfer is provided for in any trust agreement, and the trust agreement may not be amended without the prior written consent of McDonald's;
b) Exhibit A lists all persons who are trustees of any nature or have beneficial interests in any [Shareholder's/Partner's/Member's] trust(s);
c) this Assignment is not a consent to any future transfers of equity interest(s) of Assignee to any [Shareholder's/Partner's/Member's] trust beneficiaries based on any condition including, but not limited to, attainment of a certain age or occurrence of any event. All future transfers or vesting of equity interest(s) of Assignee are subject to this Assignment; and
d) McDonald's has not reviewed any trust documents of any [Shareholder's/Partner's/Member's] trust; therefore, this Assignment does not constitute an approval by McDonald's of any documents relating to any [Shareholder's/Partner's/Member's] trust. If any of those documents conflict with or contradict the provisions of this Assignment or McDonald's ownership policies, McDonald's will not be bound by those documents and the provisions of this Assignment will control.

9. McDonald's has not reviewed any of Assignee's organizational documents; therefore, this Assignment does not constitute an approval by McDonald's of any documents relating to Assignee. If any of those documents conflict with or contradict the provisions of this Assignment or McDonald's ownership policies, McDonald's will not be bound by those documents and the provisions of this Assignment will control.

10. Assignor, Assignee, and [Shareholders/Partners/Members] acknowledge that: (i) McDonald's has not provided any tax or other advice in connection with this Assignment; (ii) McDonald's approval of this Assignment does not constitute tax advice; and (iii) McDonald's has not reviewed or evaluated the validity of Assignee or of any trusts or entities with an equity interest in Assignee.

[Additional paragraph to be used for Assignment to Corporation.]

11. a) Assignor or Assignee must include the following legend on all issued and outstanding shares of stock of Assignee:

This stock may not be pledged, sold, assigned or otherwise transferred, in whole or in part, voluntarily or by operation of law, without the prior written consent of McDonald's USA, LLC. Any and all transfers are also subject to the terms of the

Franchise, including the Franchise Agreement and Operator's Lease, or other applicable agreements, for each McDonald's restaurant operated by ______________________________.

b) If McDonald's requests, Assignor or Assignee must send to McDonald's a copy of all outstanding certificates of stock of Assignee.

12. No [Shareholders/Partners/Members] are granted approved owner/operator status by this Assignment. However, Assignee and [Shareholders/Partners/Members] must abide by those provisions of the Franchise relating to the maintenance and protection of the McDonald's System (as defined in the Franchise) including, but not limited to, those provisions requiring confidentiality and regulating involvement in other or similar restaurant businesses. A breach of this covenant is a material breach of the Franchise and entitles McDonald's to enforce all remedies available including, but not limited to, the termination of the Franchise.

13. The parties' respective successors, assigns, heirs, and personal representatives are bound by this Assignment. All obligations, agreements, representations, and warranties made by more than one party will be joint and several even if it is not so stated in the relevant paragraph.

14. At anytime during normal business hours, McDonald's may examine and copy any of Assignor's, Assignee's, or any [Shareholder's/Partner's/Member's] records, books, financial records, tax returns, or other documents for the purpose of insuring compliance with the Franchise and this Assignment.

15. If Assignor, Assignee, or any [Shareholder/Partner/Member] breaches any of the conditions, representations, agreements, or warranties contained in this Assignment, McDonald's will be entitled to all relief and remedies available by law, and to all relief and remedies granted to McDonald's by the Franchise.

16. Assignor has notified all of Assignor's lien holders and lenders of this Assignment.

17. All terms and conditions of the Franchise remain in full force and effect except as modified by this Assignment including, but not limited to, the terms and conditions of Paragraph 15(a) of the Franchise Agreement in the event of the death or permanent incapacity of Assignor. __________________________ must continue to personally devote full time and best efforts to the operation of the Restaurant business.

18. If Assignee's name or the name of any trust or entity with an equity interest in Assignee (collectively "Assignee's Name") contains "Mc", "Mac", a derivative of "Mc" or "Mac", or any other McDonald's trademark, then Assignor, Assignee, and [Shareholders/Partners/Members] covenant and agree (i) that if: (a) Assignee ceases to be a McDonald's franchisee; or (b) Assignee or [Shareholders/Partners/Members] are notified by McDonald's that McDonald's desires to use Assignee's Name as a trade name, trademark, or internet domain name on a nationwide basis but is prohibited by any government authority or entity authorized to assign or register trade names, trademarks, or internet domain names from using or registering that trade name, trademark, or internet domain name because it is similar to Assignee's Name, then they will cause Assignee's Name to be changed, within 30 days of any of the above occurrences, to delete any reference to "Mc", "Mac", a derivative of "Mc" or "Mac", or any other McDonald's trademark, without further consideration from McDonald's; (ii) that they will not challenge McDonald's use of any trade name, trademark, or internet domain name on the grounds that it: (a) is similar to Assignee's Name; (b) is likely to cause confusion; or (c) dilutes the value of the trade name; and (iii) that Assignee's Name shall not be used in connection with any trade or business

conducted by Assignor, Assignee, or [Shareholders/Partners/Members] except the McDonald's restaurant business.

The parties have signed this Assignment evidencing that they have read, understand, and are bound by the terms of this Assignment.

McDonald's USA, LLC	Assignor
By: ______________________________	______________________________
	______________________________
	Assignee:
	By: ______________________________
	______________________________

EXHIBIT A

Listing of Equity Interests of Franchise

Name	Percentage Ownership

EXHIBIT I

ASSIGNMENT AGREEMENT

ASSIGNMENT AND CONSENT TO ASSIGNMENT

OF FRANCHISE TO AN INDIVIDUAL PURCHASER

This Assignment and Consent to Assignment of Franchise to an Individual Purchaser, dated ____________________ ("Assignment"), is between **McDonald's USA, LLC**, a Delaware limited liability company ("McDonald's"); ________________________ and ________________________ (collectively "Assignor"); and ________________________ and ________________________ (collectively "Assignee").

<u>Background</u>

A. McDonald's or its predecessor in interest issued to Assignor or its predecessor(s) in interest a License Agreement or Franchise Agreement and an Operator's Lease, both dated ____________________, including any amendments (collectively "Franchise"), for the McDonald's restaurant located at ____ [L/C: __________] ("Restaurant").

B. Assignor requests McDonald's consent to transfer the rights in the Franchise to Assignee under the terms of the Purchase and Sale Agreement, dated ____________________, between Assignor and Assignee, including all amendments ("Agreement").

C. Assignor and Assignee acknowledge that McDonald's consent to this Assignment is required under the terms of the Franchise.

<u>Agreement</u>

The parties, intending to be legally bound and for good and valuable consideration, agree as follows:

1. The effective date of this Assignment is ____________________, at 12:01 a.m. ("Effective Date").

2. McDonald's consents to this Assignment subject to the provisions of the Franchise and this Assignment.

3. On the Effective Date, Assignor assigns and transfers all the right, title, and interest of Assignor in the Franchise to Assignee, subject to the provisions of the Franchise and this Assignment.

4. On the Effective Date, the transfer of the Restaurant assets and assignment of the rights and obligations under the Franchise will be effective and complete. Assignee must take possession of the Restaurant assets and begin operation of the Restaurant business on the Effective Date.

5. Beginning on the Effective Date, Assignee (i) must pay all fees, (ii) assumes full and unconditional liability under the Franchise, and (iii) must perform all obligations under the Franchise. Beginning on the Effective Date, the service fee is ________%.

6. McDonald's grants approved owner/operator status to ___________________________ for the Restaurant, and he/she must personally devote full time and best efforts to the Restaurant business and adhere to the tenets of the McDonald's System (as defined in the Franchise) which are the essence of the Franchise.

7. On the Effective Date, Assignee assumes Assignor's obligations listed on the attached Exhibit A.

8. Without the prior written consent of McDonald's, Assignee may not, either voluntarily or by operation of law, make or permit:

a) any further transfer or assignment of the Franchise;
b) any pledge or encumbrance of the Franchise; or
c) the creation of new or additional interest in the Franchise.

9. Assignee represents and warrants that:

a) Assignee is the only person with an interest in the Franchise and Assignee's ownership interest is as shown on Exhibit B; and
b) there is no obligation or intention to issue additional interests in the Franchise.

10. If Assignor or Assignee breaches any of the conditions, representations, agreements, or warranties contained in this Assignment, McDonald's will be entitled to all relief and remedies available by law or in equity, including injunctive relief, and to all relief and remedies granted to McDonald's by the Franchise.

11. Assignee is responsible for the Restaurant's entire real estate tax bill due on the next payment date. Assignee must pay the entire amount due to McDonald's or, if on direct pay, to the appropriate taxing authority upon receipt of the invoice for the real estate tax bill from either McDonald's or the appropriate taxing authority.

12. Assignor and Assignee each represents and warrants to McDonald's that (i) the Agreement is the entire agreement between Assignor and Assignee for the acquisition of the Restaurant by Assignee, (ii) a complete and true copy of the Agreement has been delivered to McDonald's, (iii) all of the financial terms relating to Assignee's acquisition of the Restaurant have been disclosed in writing to McDonald's, and (iv) the Agreement and this Assignment have been duly authorized, executed and delivered by such party, and constitute the enforceable obligations of such party. Assignor and Assignee each agrees and acknowledges that (i) McDonald's consent to this Assignment is based on its evaluation of such financial terms, and (ii) a failure to disclose all financial terms to McDonald's will constitute a material breach of the Franchise pursuant, among other provisions, to paragraph 18(n) of the Franchise, thereby entitling McDonald's to all rights and remedies under the Franchise including, but not limited to, the right to terminate the Franchise.

13. If Assignee pays all business creditors, including McDonald's, on a timely basis, Assignor will be automatically discharged from all liability under the Franchise upon the earlier of: (i) three years after the Effective Date or (ii) the end of the Franchise term.

14. Assignor agrees to pay all liabilities owed to McDonald's relating to the Restaurant as estimated on the attached Exhibit C, including, but not limited to, rent and service fees through the standard automatic bank draft process. Assignor agrees to leave a designated bank account open for sixty (60) days past the Effective Date and to ensure that sufficient funds remain in the bank account to satisfy all liabilities. A partial payment of any receivable amount by Assignor to McDonald's will not relieve the parties from the obligation to pay to McDonald's any and all receivables in full and McDonald's acceptance of any monies from Assignor will not waive Assignor's obligation to make full payment or waive any rights of McDonald's. McDonald's consent to this Assignment is expressly conditioned on McDonald's receipt from Assignor of all receivables owed to McDonald's.

15. Assignor represents and warrants that neither Assignor, nor any member of the immediate family of Assignor, and to the best knowledge of Assignor, any other member of Assignor's family:

a) owns, or has the right to use, directly or indirectly, any property used for or in connection with the operation of the Restaurant which is not a part of the assets being conveyed to Assignee;

b) owns, directly or indirectly, all or part of any business which is a party to any business arrangements concerning the Restaurant; or

c) owns or has an interest in any real estate located within a radius of 500 yards of the Restaurant, excluding real estate leased to Assignor by McDonald's.

16. Assignee's failure to comply with National Restaurant Building and Equipment Standards ("NRBES") at the Restaurant before __________________ may result in Assignee becoming ineligible for growth and rewrite under the National Franchising Standards.

17. As of the Effective Date, Assignor agrees that if any Franchise contains a paragraph entitled "Interference with Employment Relations of Others," such Franchise is hereby amended to eliminate Paragraph 14. If the Franchise does not contain a paragraph entitled "Interference with Employment Relations of Others," such Franchise shall remain unchanged.

18. Assignor and Assignee hereby represent and warrant that they have executed the Bigger, Bolder Vision 2020 Commitment Letter, as amended (the "BBV2020 Letter"). Assignor and Assignee agree to abide by and perform all terms, conditions, and obligations outlined in the BBV2020 Letter.

19. On the Effective Date, Assignor assigns, transfers, and sets over to Assignee all right, interest, duties, and obligations of Assignor in any commitment letter, letter agreement, contract or other similar agreement with McDonald's for the Restaurant in connection with the BBV2020 Letter, the Experience of the Future ("EOTF") or other construction or development project or test at the Restaurant (collectively, the "Commitment Letter"). Assignee accepts the assignment of the Commitment Letter and agrees to abide by and perform all terms, conditions, and obligations outlined in the Commitment Letter. Assignee also assumes full and unconditional liability under the Commitment Letter.

20. It is Assignor's obligation to provide, and Assignee's obligation to obtain, all project costs and payment records for any construction projects that are in progress or completed at the Restaurant(s). Assignee shall be responsible for any remaining construction payments owed to McDonald's related to the Restaurant(s).

21. The parties' respective successors, assigns, heirs, and personal representatives are bound by this Assignment. All obligations, agreements, representations, and warranties made by more than one party will be joint and several even if it is not so stated in the relevant paragraph.

22. At any time during normal business hours, McDonald's may examine and copy any of Assignor's or Assignee's records, books, financial records, tax returns, or other documents for the purpose of insuring compliance with the Franchise and this Assignment.

23. All Exhibits to this Assignment are a part of this Assignment.

24. This Assignment is not an approval by McDonald's of the Agreement or any other documents pertaining to it and McDonald's is not a party to the Agreement or bound by it. Assignee acknowledges that Assignee is acquiring the Restaurant and the Franchise pursuant to an arms-length sale between operators in which Assignor and Assignee exercised their own, independent business judgment in arriving at the purchase price for the Restaurant and the Franchise. McDonald's neither established nor negotiated that price. Assignee entered into the Agreement voluntarily, with the advice of any attorneys, accountants, and valuation experts of its choosing, following a sales process that afforded Assignee a full and fair opportunity to visually inspect the Restaurant and Franchise, discuss the condition with Assignor, and conduct any other due diligence Assignee believed was necessary. In connection with the Agreement and/or this Assignment, Assignee hereby acknowledges and agrees that McDonald's has not made, and is not making, any express or implied representations, warranties, guarantees, promises, or assurances,

whether orally or in writing, concerning the Restaurant or the Franchise, including without limitation the value, condition, use, profitability, or future performance of the Restaurant or the Franchise, and Assignee expressly disclaims any such representation, warranty, guarantee, promise or assurance (including merchantability and fitness for a particular purpose). Accordingly, and for the avoidance of doubt, Assignee hereby covenants not to sue McDonald's for fraudulent inducement or to bring any other claim or cause of action based in fraud, tort, equity, contract or otherwise against McDonald's relating to any alleged misrepresentations or omissions Assignee later may claim McDonald's made about the Restaurant or Franchise in connection with the sales process or the Agreement.

25. All terms and conditions of the Franchise remain in full force and effect except as expressly modified by this Assignment.

26. McDonald's and Assignee each acknowledge and warrant to each other that they wish to have all terms of their business relationship defined in the Franchise and this Assignment. Neither McDonald's nor Assignee wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different from or supplementary to the rights and obligations in the Franchise or this Assignment. McDonald's, Assignor, and Assignee agree that the Franchise and this Assignment supersede and cancel any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements, understandings, or any other term), between McDonald's or anyone acting on its behalf, Assignor or anyone acting on Assignor's behalf, and Assignee or anyone acting on Assignee's behalf, with respect to the Restaurant or the relationship between the parties. McDonald's, Assignor, and Assignee each agree that they have placed, and will place, no reliance on any such discussions or writings. The Franchise and this Assignment constitute the entire agreement between the parties and contain all of the terms, conditions, rights, and obligations of the parties with respect to the Restaurant and the Franchise. No future franchise or offer of franchises for additional McDonald's restaurants has been promised to Assignee and no such franchise or franchise offer will come into existence, except by means of a separate writing, executed by an officer or franchising director of McDonald's and specifically identified as a franchise agreement. No change, modification, amendment, or waiver of any of the provisions of the Franchise or this Assignment will be effective and binding upon McDonald's unless it is in writing, specifically identified as an amendment to this Assignment, and signed by an officer or franchising director of McDonald's.

27. The laws of the State of Illinois shall govern this Assignment, regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

28. WAIVER OF JURY TRIAL: EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING OUT OF THIS ASSIGNMENT.

29. The parties will execute and deliver any other documents required by McDonald's which are reasonably necessary to carry out the purposes of this Assignment.

30. The invalidity of any provision of this Assignment shall not impair the validity of any other provision. If any provision of this Assignment is determined to be unenforceable by a court of competent jurisdiction, such provision shall be deemed severable and the remaining provisions of this Assignment shall be enforced.

31. In the event that McDonald's initiates any legal proceeding to construe or enforce the terms, conditions and provisions of this Assignment (including without limitation, Section 21 herein), or to obtain damages or other relief to which it may be entitled by virtue of this Assignment, McDonald's shall be entitled to payment from Assignee and Assignor, jointly and severally, of its reasonable attorneys' fees and all other costs of enforcement and/or collection.

32. This Assignment may be executed in one or more counterparts, all of which shall be considered one and the same instrument, and shall become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other parties hereto, it being understood that all parties hereto need not sign the same counterpart. Executed signature pages delivered by facsimile or electronically will be treated in all respects as original signatures.

The parties have signed this Assignment evidencing that they have read, understand, and are bound by the terms of this Assignment.

McDonald's USA, LLC

By: ______________________________

Assignor

____

Assignee

____

EXHIBIT A

Special Agreements and Notes Assumed by Assignee

Assignor's obligation with OPNAD, Inc.

Assignor's obligation with Local Advertising Co-op

Assignor's obligation with Muzak or other Restaurant Music System

Assignor's obligation under any Test Letter or Test Agreement with McDonald's

Assignor's obligation under any contract for the purchase of electricity or natural gas and related services, and any ancillary agreements, including but not limited to contract administration and energy consulting service agreements

Assignor's obligation under the Leading with Solution's Program Participation Letter Agreement, if applicable

Assignor's obligations under any Commitment Letter with McDonald's, if applicable

EXHIBIT B

Assignee	Percentage Ownership

EXHIBIT C

(List of liabilities due McDonald’s inserted here.)

EXHIBIT J

PRELIMINARY AGREEMENT

This Preliminary Agreement ("Agreement") is between _______________________________ ("Candidate") and McDonald's USA, LLC, a Delaware limited liability company, having its principal office at 110 N. Carpenter Street, Chicago, Illinois ("McDonald's").

Background

A. Candidate wishes to be considered by McDonald's for a McDonald's franchise to operate a McDonald's restaurant.

B. Before McDonald's will consider Candidate for any McDonald's franchise opportunity, Candidate must first satisfactorily complete McDonald's Franchise Applicant Training and Evaluation Program consisting of McDonald's restaurant and classroom experience and training ("Training Program") with the understanding that Candidate's participation in the Training Program may exceed a period of two years on a part-time basis without any commitment or promise of a McDonald's franchise.

C. The decision to offer Candidate any franchise opportunity rests in McDonald's sole discretion.

Agreement

The parties, intending to be legally bound and for good and valuable consideration, agree as follows:

1. McDonald's authorizes Candidate to participate in the Training Program until further notice by McDonald's.

2. McDonald's decision to consider Candidate for any franchise opportunity as well as the location and type of franchise opportunity to be offered, if any, and the terms of any contracts rest in McDonald's sole discretion. McDonald's is unable, at this date, to determine the exact type of the franchise opportunity and contracts, if any, which may ultimately be offered to Candidate. If McDonald's decides that it will offer Candidate the opportunity to operate a McDonald's restaurant, the franchise may be one of the following to be determined in McDonald's sole discretion: (i) McDonald's conventional franchise for a new restaurant with the Candidate to invest cash from non-borrowed funds of at least 40% of the total cost; or (ii) McDonald's conventional franchise obtained by the purchase of an existing McDonald's restaurant, either from McDonald's or from an existing McDonald's franchisee, which requires the Candidate to invest cash from non-borrowed funds of at least 25% of the total purchase price, including any required reinvestment. A detailed explanation of the conventional franchise is contained in the Franchise Disclosure Document ("Disclosure Document") previously provided to Candidate.

3. Candidate may spend in excess of two years in the Training Program without a commitment from McDonald's that a franchise will be offered. During the Training Program, Candidate's performance and qualifications to become a franchisee will be continuously evaluated by McDonald's. Candidate is not an employee or agent of McDonald's or any parent, subsidiary, affiliate, or franchisee of McDonald's and is not entitled to and will not receive any compensation including, without limitation, salary, wages, or employee benefits for participation in the Training Program. In addition, Candidate will not receive any reimbursement for costs and expenses. Candidate waives any and all rights to damages, the

reimbursement of expenses or costs, as well as the payment of any compensation related directly or indirectly to Candidate's participation in the Training Program.

4. The information, manuals, and materials acquired by Candidate during the Training Program contain and constitute McDonald's confidential information and trade secrets. Candidate will not use or disclose any such information or any other McDonald's information gained by Candidate through participation in the Training Program without McDonald's prior written approval.

5. This Agreement is personal to Candidate and it may not be transferred by assignment, will, or operation of law.

6. No franchise offer by McDonald's will come into existence except by a written document executed by an officer or franchising director of McDonald's, which is specifically identified as a Franchise Agreement. This Agreement is not an offer of a franchise or a commitment or promise by McDonald's to offer Candidate a franchise and McDonald's decision to make any franchise offer rests in McDonald's sole discretion.

7. Candidate acknowledges receipt of the Disclosure Document together with various attachments. Candidate must hold the Disclosure Document for fourteen (14) calendar days before signing this Agreement. Candidate further acknowledges being advised by McDonald's to read such material carefully.

8. Upon termination of Candidate's participation in the Training Program by either party, or in the event McDonald's notifies Candidate that it will not offer a franchise to Candidate, with or without cause in either situation, Candidate shall immediately return all manuals and materials provided to or acquired by Candidate during the Training Program and discontinue the use of any such materials and other information.

9. The terms of McDonald's letter to Candidate dated ____________________ are incorporated in this Agreement. In the event of any inconsistency, the terms of this Agreement shall supersede said letter.

10. This Agreement constitutes the entire agreement between the parties and supersedes any and all prior and/or contemporaneous oral agreements or understandings of the parties; however, nothing in this Agreement is intended to disclaim the representations made in the Disclosure Document furnished to Candidate. No change, modification, amendment, or waiver of any of the provisions of this Agreement will be binding upon McDonald's unless in writing, specifically identified as an amendment, and signed by an officer or franchising director of McDonald's. Candidate acknowledges that neither McDonald's nor anyone acting on behalf of McDonald's has made any representations, inducements, promises, or agreements, orally or otherwise, regarding the subject matter of this Agreement which are not embodied in this Agreement.

11. If McDonald's institutes any action at law or in equity against Candidate and/or defends any action instituted by Candidate related in any way, directly or indirectly, to this Agreement and if a judgment is entered in McDonald's favor, McDonald's will be entitled to recover from Candidate reasonable attorney's fees together with court costs and expenses of litigation as may be allowed by the court.

12. The terms and provisions of this Agreement will be interpreted in accordance with and governed by the laws of the State of Illinois. If any part of this Agreement is, for any reason, ruled by a court to be invalid, such judicial ruling will not affect the validity of any remaining portion of this

Agreement which will remain in full force and effect. In the event that any material provision of this Agreement is ruled invalid, McDonald's reserves the right to terminate this Agreement.

13. MCDONALD'S IS NOT OBLIGATED TO OFFER CANDIDATE A FRANCHISE AND CANDIDATE IS NOT OBLIGATED TO ACCEPT ANY FRANCHISE OFFER.

The parties have executed this Agreement this ______ day of ____________________, evidencing that they have read, understand, and are bound by the terms of this Agreement.

McDONALD'S USA, LLC

By: ___________________________________

Title: ___________________________________

____
(Candidate) *Date*

EXHIBIT K

McDONALD'S U.S. REWRITE (NEW TERM) POLICY

A McDonald's franchise is granted for a limited period of time, with no right to renew or extend. A new franchise decision must be made before the franchise term expires. McDonald's desires to enter into new business relationships with Owner/Operators who, as McDonald's alone determines, consistently meet all of the National Franchising Standards, contribute to the success of the System, comply with the Franchise Agreement and are eligible for growth and rewrite. In addition, in determining whether to enter into a new term franchise, McDonald's will evaluate the available real estate tenure and economic viability of the restaurant.

The Owner/Operator's performance will be assessed for his or her entire organization on a continuous basis throughout the franchise term. The Owner/Operator's eligibility status for growth and rewrite will be communicated at his or her Business Review.

The rewrite (new term) process typically begins in the third calendar year prior to the expiration of the franchise term for traditional restaurants. Rewrite recommendations are submitted by the Vice President of the Field Office to the Rewrite Committee, made up of members of U.S. management. Only the Rewrite Committee has the authority to offer or not to offer a new term franchise to an Owner/Operator.

If a new term franchise offer is approved, the terms will be outlined in a rewrite offer letter sent to the Owner/Operator. The offer of a new term franchise is conditioned upon the Owner/Operator's continued compliance with the National Franchising Standards, the Franchise Agreement and continued eligibility for growth and rewrite for the remainder of the current franchise term, and is subject to available real estate tenure. There may be additional conditions imposed as a part of the rewrite offer. Any conditions of the rewrite offer will be included in the rewrite offer letter and will vary from case to case, but most frequently relate to reinvestment, rebuilds, relocations, real estate issues or ownership issues. If the Owner/Operator owns or leases additional property that McDonald's determines is essential to the operation of the restaurant business, McDonald's will require, as a condition of the offer of the new franchise, that the Owner/Operator grant McDonald's a controlling interest, through purchase, lease or option, to ensure the availability of the property and the long-term operation of the restaurant. In some situations, due to the availability of real estate or questions about the long-term economic viability of the restaurant location, a shorter term franchise may be appropriate.

To accept the offer of a new term franchise, the Owner/Operator must sign the new franchise agreement prior to the expiration of the existing franchise term. The service fee and initial franchise fee for the new franchise will be those in effect for similar restaurants at the time the new franchise commences. The rent for the new term franchise will be calculated in accordance with the then-current rewrite rent policy. Owner/Operator rental of additional property will be treated in accordance with the additional property policy in effect at the time the new franchise commences.

In cases where McDonald's, through the Rewrite Committee, concludes that it will not offer a new term franchise to the Owner/Operator, the Owner/Operator will be advised of this decision in writing. The decision of the Rewrite Committee not to offer a new term franchise to the Owner/Operator is final. In these cases, McDonald's will extend an alternative offer, which will give the Owner/Operator the opportunity to sell the restaurant business to a qualified buyer prior to the expiration of the current franchise. Subject to the terms and conditions stated in the alternative offer, which include a release, McDonald's will commit to offer a new term franchise to the qualified buyer.

McDonald's may be required to defer from the aforementioned process when considering a new term for non-traditional venues.

If you have any questions concerning the Rewrite (New Term) Policy, please contact Mathew Ajayi, U.S. Vice President – Franchising Strategy, 559-916-0363.

This Rewrite (New Term) Policy is not part of the Franchise Agreement. It is subject to change as McDonald's alone determines. Its application will differ depending upon the various facts and circumstances involved and it is not a contract right between the Owner/Operators and McDonald's.

EXHIBIT L

REWRITE (NEW TERM) OFFER LETTER

PERSONAL & CONFIDENTIAL/VIA PARTNERS MAIL

RE: McDonald's Restaurant

L/C:
(the "Restaurant")

(Approved Operator(s) on Franchise):

As you know, your franchise for the Restaurant expires on (Expiration Date).

OFFER OF A REWRITE (NEW TERM) FRANCHISE

The Vice President of the Field Office has submitted a recommendation that you be offered a new term franchise for the Restaurant. Members of the Rewrite Committee have reviewed the recommendation, including your compliance with the National Franchising Standards and Franchise Agreement and your contributions to the System.

Based on this information, the Company has approved the offer of a new term franchise to you upon the expiration of the existing franchise, subject to your continued compliance with the National Franchising Standards and Franchise Agreement throughout the remainder of the term of the existing franchise.

FEES AND TERMS

The new term franchise documents, including Franchise Agreement and Operator's Lease, will be those in use at the time the new franchise begins.

The terms of the new franchise are as follows:

INITIAL FEE:	Initial fee in effect at the time the new franchise begins
SERVICE FEE:	Service fee in effect at the time the new franchise begins
FRANCHISE TERM:	Term will be consistent with McDonald's real estate tenure but not beyond 20 years
RENT:	Rent will be calculated in accordance with McDonald's rewrite rent policy in effect at the time the new term begins.

NEW TERM FRANCHISE OWNERSHIP

The new franchise will be granted to (Approved Operator(s) on Franchise), individually. (Approved Operator(s) on Franchise) will be required to personally devote full time and best efforts to the operation of the Restaurant business and will be the "approved operator(s)" of the Restaurant. This offer may not be accepted by any other person or entity or transferred by assignment, will, or operation of law, without the prior written consent of McDonald's.

Please note the franchise is issued to you individually. If you want to operate the restaurant business using an operating entity, you need to request an assignment of the franchise to your operating entity, including the name of your operating entity and the percentage breakdown of its equity ownership. McDonald's USA, LLC must approve any assignment of the franchise, which will *not* release you from any obligations under the franchise. For further information, refer to the *Basic Estate and Business Planning Booklet* on the Franchising page in @mcd.com (under Key Documents). You may wish to consult with your attorney regarding the advantages and disadvantages of forming an operating entity.

INITIAL FEE
The initial fee will be due in full at the beginning of the new term. The initial fee charged will be that in effect at the time the new term begins and may be higher than the $45,000.00 initial fee currently in effect.

(Paragraphs with specific conditions of the new term offer are inserted here.)

NEW FRANCHISE DOCUMENTS
Provided you remain eligible for the new term franchise, the new franchise documents will be forwarded to you for execution approximately one month before the expiration of your current franchise.

If you are not interested in receiving a new term franchise for this Restaurant as outlined above, please notify (Rewrite Manager Name), U.S. Franchising Strategy, at the number shown above within 30 days from the date of this letter.

Sincerely,

McDONALD'S USA, LLC

Mathew Ajayi
U.S. Vice President – Franchising Strategy

EXHIBIT M

FORM OF FLOATING RATE NOTE

PROMISSORY NOTE, SECURITY AGREEMENT AND ACH AUTHORIZATION

This Promissory Note, Security Agreement and ACH Authorization (this "**Note**") is entered into this day of___________, 20 _ by **[Company Name; First M Last, First I Last**] ("**Borrower**") in favor of Bank of America, N.A., a national banking association, with offices at 100 Federal Street, Boston, MA 02110, Mail Code MA5-100-09-04 , Attn: Dan Robson ("Lender").

PART I: PROMISSORY NOTE

[FOR PAYMENTS OF PRINCIPAL AND INTEREST - FOR VALUE RECEIVED, Borrower (jointly and severally, if more than one signatory) promises to pay to the order of Lender the principal sum of [to be supplied] AND 00/100 DOLLARS ($____) in _____________more or less equal installments of principal each in the amount of $___________________________ (provided that the last installment on_____________________, 20 shall be in an amount equal to the balance owing hereunder plus interest accrued thereon), plus accrued interest in arrears on the amount outstanding from time to time from the date hereof until paid at the per annum rate equal to the LIBOR Rate (Adjusted Periodically), as defined below, plus [xxx percent (xxx%)] per annum, payable monthly from the date funds are first advanced hereunder, commencing on____18, 20___ and on each Payment Date thereafter.**]**

[FOR PAYMENTS OF INTEREST ONLY – FOR VALUE RECEIVED, Borrower (jointly and severally, if more than one signatory) promises to pay to the order of Lender the principal sum of [to be supplied] AND 00/100 DOLLARS ($_______) on ___18, ___plus interest at the per annum rate equal to the LIBOR Rate (Adjusted Periodically), as defined below, plus [xxx percent (xxx%)] per annum, payable monthly from the date funds are first advanced hereunder, commencing on___18, 20 and on each Payment Date thereafter.**]**

"**Business Day**" shall mean any day other than a Saturday, Sunday, or other day on which commercial banks in Chicago, Illinois are authorized or required to close under the laws of the State of Illinois, or federal laws.

"**Calculation Period**" shall mean the period from, and including, the Effective Date to, but not including, the first Payment Date; and thereafter, for each successive period, the period from, and including, a Payment Date to, but not including, the next succeeding Payment Date.

"**Credit Facilities**" shall mean all extensions of credit from Lender to Borrower, now existing or hereafter arising.

"**Effective Date**" shall mean the date of this Note.

"**LIBOR Rate (Adjusted Periodically)**" shall mean, with respect to each Calculation Period, a rate of interest equal to the rate per annum equal to the London Interbank Offered Rate (or a comparable or successor rate which is approved by the Lender) for U.S. Dollar deposits for delivery on the date in question for a one-month term beginning on that date. The Lender will use the London Interbank Offered Rate as published by Bloomberg (or other commercially available source providing quotations of such rate as selected by the Lender from time to time) as determined for each Payment Date at approximately 11:00 a.m. London time on the Rate Setting Day therefor, for U.S. Dollar deposits (for delivery on the first day of such Calculation Period) with a term of one month, as adjusted from time to time in the Lender's sole discretion for reserve requirements, deposit insurance assessment rates and other regulatory costs. If such rate is not available at such time for any reason, or adverse or unusual conditions, or changes, in the applicable law relating to the London Interbank Market make it illegal or, in the reasonable judgment of Lender, impracticable to fund therein, or if it shall become unlawful for Lender to charge interest on a LIBOR Rate basis, then the rate for that interest period, and for so long as the conditions referred to in this sentence shall continue, will be determined by such alternate method as is reasonably selected by the Lender after notice of such rate is given to McDonald's and the Borrower. If at any time the LIBOR Rate (Adjusted Periodically) is less than zero, such rate shall be deemed to be zero for the purposes of this Note.

"**London Banking Day**" means a day on which banks in London are open for business and dealing in offshore dollars.

"**McDonald's**" shall mean McDonald's Corporation, a Delaware corporation.

"**Payment Date**" shall mean the 18th day of each month, or if such day is not a Business Day, the next succeeding day that is a Business Day; provided that the final Payment Date shall be the date of maturity of this Note.

"**Prime Rate**" shall mean such rate as announced from time to time by Lender as its Prime Rate, changes in which rate shall take effect at the opening of business on the day specified in the public announcement of such change. The "Prime Rate" is a rate set by Lender based upon various factors including Lender's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate.

"**Rate Setting Day**" shall mean two (2) London Banking Days prior to each Payment Date.

Payments of principal and interest shall be made to Lender at 100 Federal Street, Boston, MA 02110, Mail Code MA5-100-09-04, or at such other place as Lender or any subsequent holder of this Note from time to time directs in writing. Payments shall be by pre-authorized debits to Borrower's account pursuant to Part III hereof or such other method for payment designated by Lender from time to time including, but not limited to, preauthorized debits to an alternate account identified by Borrower. Payments received shall be first applied to fees and expenses, if any, then to accrued interest, and the balance to principal. All interest shall be calculated in arrears for the actual number of days elapsed based on a 360-day year.

Borrower may prepay the whole or any part of the unpaid balance of principal and accrued interest under this Note on any Payment Date, without penalty or fee, on notice to Lender delivered not less than five (5) Business Days in advance of such Payment Date.

If as a result of any prepayment of principal outstanding under this Note (whether voluntary or involuntary as a result of an acceleration of the maturity hereunder or otherwise) on any day other than a Payment Date, Borrower shall reimburse Lender for any losses (including lost margins incurred by Lender in obtaining, liquidating or employing deposits from third parties) arising out of such prepayment, upon presentation by Lender of a statement setting forth the amount and Lender's calculation thereof pursuant hereto, which statement shall be deemed true and correct absent manifest error.

[FOR USE WITH NOTES SUBJECT TO A PRIOR LENDER'S SUBORDINATION AGREEMENT] This Note is subject to the terms of that certain Subordination Agreement among [Senior Lender], Borrower, Lender and McDonald's dated concurrently herewith.

THE FAILURE OR FORBEARANCE OF LENDER OR ANY OTHER HOLDER OF THIS NOTE FOR ANY PERIOD OF TIME TO EXERCISE ANY RIGHT HEREUNDER, OR OTHERWISE GRANTED BY LAW OR ANOTHER AGREEMENT, SHALL NOT AFFECT OR RELEASE THE LIABILITY OF BORROWER OR ANY OTHER OBLIGOR HEREUNDER, AND SHALL NOT CONSTITUTE A WAIVER OF SUCH RIGHT UNLESS SO STATED BY LENDER OR SUCH OTHER HOLDER IN WRITING. Borrower agrees that Lender or any other holder shall have no responsibility for the collection or protection of any property securing this Note and may waive its rights with respect to any property or indebtedness. Borrower hereby waives (i) presentment of payment, notice of nonpayment, notice of dishonor, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note, and (ii) the benefits of any law providing that the release of any one of any obligors for this Note releases all others otherwise liable for obligations outstanding hereunder.

Borrower agrees to pay reasonable and documented expenses of Lender, including reasonable fees of outside counsel, in connection with the preparation, execution and delivery of this Note and any related document prepared for Lender, or any amendments, modifications or waivers of the provisions hereof or thereof. The foregoing fees may be paid from the proceeds of this Note. Furthermore, Borrower agrees to pay the reasonable and documented costs of Lender relating to the collection or enforcement of this Note or any related document, including reasonable fees of outside counsel.

This Note is secured by the Collateral, as defined in Part II herein. Borrower shall pay, or reimburse Lender, for any and all filing costs, documentary stamps, intangibles taxes, conveyance or transfer taxes and/or similar fees or taxes required to be paid in connection with this Note, in order to effectuate the filing of financing statements and/or security agreements allowing Lender to perfect its security for this Note.

All payments not made when due shall bear interest from the date each payment is due until the date payment is received by Lender, at Lender's option, at the Prime Rate, plus an additional two percent (2.0%) per annum. Irrespective of the exercise or nonexercise of the foregoing option, in the event that any payment herein provided for shall become overdue for more than thirty (30) days, a "late charge" of three percent (3%) of the overdue payment shall, at Lender's option, become immediately due and payable to Lender as liquidated damages for failure to make prompt payment, and the same shall be secured by this Note, provided that Lender provided Borrower and Guarantor with written notice of such missed payment in the manner provided for in Part III, Section 6.2 of this Note within fifteen (15) days of such missed payment being due.

Lender shall provide Borrower with the following notifications regarding any missed payments: (a) as discussed above, written notice of such missed payment in the manner provided for in Part III, Section 6.2 of this Note within fifteen (15) days of such missed payment being due; (b) a phone call to Borrower within fifteen (15) days after such missed payment was due; (c) a regular monthly bill for principal and interest that includes the missed payment from the prior period and any interest accrued thirty (30) days after such missed payment was due (or on such schedule as is in accordance with the Lender's customary billing processes); and (d) a default notice on or after the date sixty (60) days after such missed payment was due. Lender's failure to provide Borrower with such notifications within the aforesaid timeframes does not constitute a waiver of Lender's right to collect interest at the rate described in the preceding paragraph or otherwise impair any of the Lender's rights or remedies hereunder or under applicable law, provided that Lender shall not exercise remedies hereunder until Lender provides Borrower with all such notifications.

This Note and any other indebtedness of Borrower to Lender, whether now existing or hereafter arising, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of the maturity of the indebtedness evidenced hereby or otherwise, shall the amount paid or agreed to be paid to Lender for the use or the forbearance of the indebtedness hereunder exceed the maximum permissible rate under applicable law ("**Maximum Rate**"). As used herein, the term "applicable law" shall mean the law in effect as of the date of this Note, provided however that in the event there is a change in the applicable law which results in a higher permissible rate of interest, then this Note shall be governed by such new law as of its effective date. If due to any circumstance whatsoever, fulfillment of any provisions of this Note at the time performance of such provision shall be due shall exceed the Maximum Rate, then, automatically, the obligation to be fulfilled shall be modified or reduced to the extent necessary to limit such interest to the Maximum Rate. If Lender should ever receive anything of value deemed interest by applicable law which would exceed the Maximum Rate, such excess shall be applied to the reduction of principal then outstanding and not to the payment of interest, or, if such excess exceeds the principal then outstanding, such excess shall be repaid to Borrower.

Borrower understands and agrees that in making the loan evidenced by this Note, Lender and McDonald's have agreed on certain matters with respect to such loan. Borrower further understands that McDonald's has executed a guaranty ("**Guaranty**") which guaranties Borrower's obligations under this Note and that in connection with the Guaranty, McDonald's will receive a Guaranty fee to be paid by Lender. Lender may, and Borrower hereby authorizes Lender to, release to McDonald's such information about Borrower and the loan evidenced hereby as Lender deems necessary or appropriate, including without limitation, Borrower's financial statements and any information relating to Borrower's performance under this Note. McDonald's may release to Lender such information about Borrower or Borrower's affiliates and the Franchise (as hereinafter defined) or any other McDonald's franchise Borrower or Borrower's affiliates may own and operate. Lender may also condition its agreement to any waiver, modification or amendment with respect to this Note on obtaining McDonald's prior written consent. Lender may, without incurring any liability to Borrower, notify McDonald's of any Event of Default, as defined below, under this Note prior to notifying Borrower. McDonald's may, without incurring any liability to Borrower, notify Lender of any breach of the Franchise, prior to notifying Borrower. Lender shall not have any liability to Borrower as a result of any action taken or not taken by Lender with respect to the loan evidenced by this Note in accordance with the written instructions of a duly authorized officer, employee or agent of McDonald's. Borrower acknowledges that Lender's rights under Section 6.1 below shall include without limitation Lender's right to assign this Note to McDonald's at any time, whether or not there has occurred an Event of Default hereunder.

PART II: SECURITY AGREEMENT

All terms used and not otherwise defined in this Note shall have the meanings ascribed to such terms in the Uniform Commercial Code as adopted, and in effect from time to time, by the State of Illinois (the "**UCC**"). However, if a term is defined in Article 9 of the UCC differently than in another Article of the UCC, the term has the meaning specified in Article 9. For purposes of this Note, "**Obligations**" means all loans, advances, indebtedness, notes, liabilities and amounts, liquidated or unliquidated, owing by Borrower or any affiliate of Borrower to Lender at any time, each of every kind, nature and description, whether arising under this Note or otherwise, direct or indirect (that is, whether the same are due directly or indirectly to Lender as endorser or guarantor, or as obligor of obligations due to third persons which have been endorsed or assigned to Lender, or otherwise), absolute or contingent, due or to become due, now existing or hereafter arising or acquired, and shall also include all principal, interest and other charges due from Borrower or any affiliate of Borrower to Lender and all costs and expenses referred to in this Note and any interest, premium, fees, and other income accruing after the commencement of any proceeding or case commenced by or against the Borrower or any such affiliate under any bankruptcy, insolvency or other debtor relief laws, whether or not allowed under any such proceeding or case.

For value received, Borrower hereby grants to Lender a security interest in the Collateral as described below. This security interest is granted to secure payment of the Obligations on the following terms and conditions:

1. Collateral.

1.1 Security Interest Grant. Borrower hereby grants to Lender, to secure the payment and performance in full of all of the Obligations, a security interest in and pledges and assigns to Lender the following properties, assets and rights of Borrower, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "**Collateral**"): all personal and moveable property of every kind and nature including, without limitation, all goods (including inventory, equipment, and any accessions thereto), instruments (including promissory notes), documents, accounts (including health-care insurance receivables), chattel paper (whether tangible or electronic), deposit accounts, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims, securities and all other investment property, supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, tort claims, and all general intangibles (including all payment intangibles). The Collateral does not include Borrower's right, title and interest in the Franchise, as defined below.

1.2 Location/Purpose. The Collateral will be kept at and used in the operation of the McDonald's restaurant businesses located at [insert addresses of restaurants where collateral is located] . These restaurant businesses, together with the License Agreement or Franchise Agreement and the Operator's Lease and any assignments pertaining thereto, will be referred to collectively as the "**Franchise**". Borrower agrees not to remove the Collateral from the Franchise premises except for purposes of repair or replacement in the normal course of business. In no event, however, will any such repair or replacement impair the value of the Collateral.

1.3 Inspection/Records. Upon reasonable notice and at any reasonable time prior to an Event of Default as defined herein (and, after Event of Default, without notice and at any time), Borrower will allow Lender to inspect the Collateral. Borrower will keep accurate and complete records identifying the Collateral which will be available to Lender upon request.

1.4 Maintenance. Borrower will maintain the Collateral in good condition; will repair or replace it, if necessary; and in general, deal with the Collateral in a manner that is considered good practice for a McDonald's restaurant business. Borrower will not knowingly use the Collateral in violation of any law, statute, ordinance or government regulation and will be responsible for payment of any taxes and/or assessments that may be imposed on the Collateral.

1.5 Insurance. Borrower agrees to maintain insurance on the Collateral with a responsible company in such amounts and against such risks and hazards as are normally insured against by similar McDonald's restaurant businesses. Lender shall be named as an additional insured, or, alternatively, as loss payee under a lender loss payable endorsement in favor of Lender. Upon request, Borrower shall provide Lender with satisfactory evidence of insurance coverage.

1.6 Reimbursement of Lender. At its option, Lender may discharge taxes and other liens at any time levied or placed on the Collateral, and place and pay for insurance thereon. Borrower agrees to reimburse Lender on demand for any and all expenditures so made, and until paid the amount thereof shall be a debt secured by the Collateral. Lender shall have no obligation to Borrower to make any such expenditures, nor shall the making thereof relieve Borrower of any default.

2. Warranties, Representations and Covenants of Borrower.

2.1 Representations and Warranties. Borrower warrants and represents to Lender that the following are true and correct on the date of this Note:

(a) Authorization. Borrower has full power and authority to enter into this Note which is a legal and binding obligation of Borrower and enforceable in accordance with its terms.

(b) Independent Legal Advice. Borrower has had a reasonable opportunity to consult with its own independently selected legal counsel concerning the meaning and terms of this Note and the consequences of entering into it. Borrower is entering into this Note freely, based on its own business judgment and is not relying on any representations or warranties by Lender or McDonald's except as specifically set forth in this Note.

(c) No Breach of Other Agreements. The execution and performance of this Note have been duly authorized by appropriate corporate or other organizational action, if necessary, and do not violate any material provision of any agreement of which Borrower is a party.

(d) Purpose of Loan. This Note is issued in connection with a commercial transaction in which credit is being extended for general business purposes, including but not limited to (i) purchasing a building and any site and other improvements relating thereto which is used to operate a McDonald's restaurant, (ii) purchasing furniture, fixtures and equipment for the Franchise, (iii) financing the business of the Franchise, or (iv) refinancing any existing indebtedness incurred for any of the foregoing purposes. No portion of any proceeds of any advances made hereunder will be used for personal, family or household purposes.

2.2 Affirmative Covenants. The Borrower shall:

(a) Existence**.** Maintain its existence and business operations as presently in effect in accordance with all applicable laws and regulations, pay its debts and obligations when due under normal terms, and pay on or before their due date, all taxes, assessments, fees and other governmental monetary obligations, except as taxes, assessments, fees and other governmental monetary obligations may be contested in good faith if they have been properly reflected on its books and, at the Lender's request, adequate funds or security has been pledged to insure payment.

(b) Financial Records. Maintain proper books and records of account, in accordance with generally accepted accounting principles, and consistent with financial statements previously submitted to the Lender.

(c) Notices of Claims, Litigation, Defaults, etc. Promptly inform the Lender in writing of (1) all existing and all threatened litigation, claims, investigations, administrative proceedings and similar actions affecting the Borrower which could materially affect the financial condition of the Borrower; (2) the occurrence of any default hereunder or other event which gives rise to the Lender's option to terminate any of the Credit Facilities; (3) any additions to or changes in the locations of Borrower's McDonald's restaurant businesses; and (4) any alleged breach of any provision of this agreement or of any other agreement related to the Credit Facilities by the Lender.

(d) Additional Information. Furnish such additional information and statements as Lender may request, from time to time.

(e) Insurance Reports. Furnish to Lender, upon request of Lender, reports on each existing insurance policy showing such information as Lender may reasonably request.

(f) Other Agreements. Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party.

(g) Title to Assets and Property. Maintain good and marketable title to all of Borrower's assets and properties that are Collateral hereunder.

(h) Further Assurances. Deliver to Lender any additional documents that may reasonably be required to perfect the security interest granted herein. In addition, Borrower will execute and deliver to Lender any additional documents or writings and do all things requested by Lender to effectuate the provisions and intent of this Note, to correct any inaccurate information reflected herein (e.g., borrower's name and address), or to comply with applicable laws.

2.3 Negative Covenants. Without the written consent of the Lender the Borrower will not:

(a) Sale of Collateral. Sell or otherwise transfer the Collateral. Borrower shall be permitted to sell or otherwise dispose of Collateral in the ordinary course of business or when obsolete, worn out, inadequate or unnecessary for use in the operation of the Franchise, but only upon substituting other Collateral of equivalent value and utility.

(b) Debt. Incur, or permit to remain outstanding any debt except debt reflected in the latest financial statement of the Borrower furnished to the Lender prior to execution of this Note and not to be paid with proceeds of borrowings under the Credit Facilities.

For purposes of this covenant, the sale of any accounts receivable is the incurring of debt for borrowed money.

(c) Guaranties. Guarantee or otherwise become or remain secondarily liable on the undertaking of another, except for endorsement of drafts for deposit and collection in the ordinary course of business.

(d) Liens. Create or permit to exist any lien on any of its property, real or personal, except: liens existing on the date of this Note and known to the Lender; liens to the Lender; liens incurred in the ordinary course of business securing current nondelinquent liabilities for taxes, tax liens being actively contested in good faith, worker's compensation, unemployment insurance, social security and pension liabilities.

(e) Continuity of Operations. (1) Engage in any business activities substantially different from those in which Borrower is presently engaged; (2) permanently cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change its name, dissolve; or (3) enter into any arrangement with any person providing for the leasing by the Borrower to any subsidiary of real or personal property which has been sold or transferred by the Borrower or subsidiary to such person.

(f) Limitation on Negative Pledge Clauses. Enter into any agreement with any person other than Lender which prohibits or limits the ability of the Borrower or any of its subsidiaries to create or permit to exist any lien on any of its property, assets or revenues, whether now owned or hereafter acquired.

(g) Conflicting Agreements. Enter into any agreement containing any provision which would be violated or breached by the performance of Borrower's obligations under this agreement.

(h) Change of Control. Permit a Change of Control to occur. Change of Control means the occurrence of any of the following events:____shall (i) cease to own and control 100% of the outstanding capital stock and membership units of each Borrower, (ii) cease to possess the right to elect (through contract, ownership of voting securities or otherwise) at all times a majority of the board of directors (or similar governing body) of each Borrower, or (iii) cease to have the authority to direct the management policies and decisions of each Borrower.

3. Events of Default. Upon the occurrence of any of the following events ("**Event of Default**"), at the option of Lender, or automatically without notice or any other action upon the occurrence of any event specified in Sections 3.4 or 3.5 below, the unpaid principal amount of this Note together with accrued interest and all other obligations owing by Borrower to Lender shall become immediately due and payable without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Borrower:

3.1 Borrower shall fail to maintain sufficient funds in any automated clearing house deposit account ("ACH") to enable payment, or shall otherwise fail to make payment, of any installment of principal and/or interest or other amounts due and payable under this Note and such default remains uncured after the expiration of ten (10) days from receipt of notice of such default.

3.2 Any warranty or representation made by Borrower in this Note or any other writing delivered to Lender proves to have been false or inaccurate in any material respect when made. Borrower fails to perform or breaches any negative covenant or other material provision or covenant of this Note, and such failure or breach (with the exception of Sections 2.2(a) and 2.3 herein as to which such failure or breach shall constitute an immediate default hereunder) is not cured by Borrower or waived in writing by Lender within ten (10) days after receipt by Borrower of written notice from Lender identifying the non-performance or breach.

3.3 Borrower violates any of the covenants or agreements contained in the Franchise.

3.4 The filing of any petition or the commencement of any proceeding by Borrower for relief under bankruptcy or insolvency laws, or any laws relating to the relief of debtors, readjustment of indebtedness, debtor reorganization, or composition or extension.

3.5 The filing of any petition or the commencement of any involuntary proceeding against Borrower for relief under bankruptcy or insolvency laws, or any law relating to the relief of debtors, readjustment of indebtedness, debtor reorganization, or composition or extension.

Borrower hereby acknowledges and agrees that a default in the payment or performance of the obligations under this Note shall be deemed a material breach under the Franchise, allowing McDonald's to exercise all of its rights and remedies pursuant to said Franchise.

4. Remedies with Respect to Collateral. Upon the occurrence of an Event of Default, Lender may exercise the following remedies, at its option, and demand and notice are waived by Borrower.

4.1 Possession. Lender shall have the right to take possession of the Collateral in accordance with all applicable local and federal laws.

4.2 Collateral. Lender may sell any or all of the Collateral at public or private sale, provided that, except for sales to persons approved by McDonald's, prior to such a sale, Lender agrees to remove from the Collateral all trademark identification and all other identification of McDonald's, its subsidiaries and affiliates. The method, manner, time, place and terms of a sale pursuant to this section shall be commercially reasonable and shall be specified in a written notice from Lender to be received by Borrower at least five (5) days prior to such sale. Any proceeds from such a sale shall be applied by Lender to Borrower's obligations under this Note. The balance, if any, shall be returned to Borrower. Borrower shall remain liable for any deficiency.

4.3 Other Remedies. In addition, Lender shall have all rights and remedies available at law or in equity, all of which shall be cumulative

5. Reporting Requirements. Borrower shall furnish to Lender:

5.1 Financial Statements. As soon as available, and in any event within forty- five (45) days after the close of each fiscal quarter of Borrower, and at such other intervals as Lender may request from time to time, the balance sheets, income statements, and statements of cash flow of Borrower prepared by Borrower's independent accountants, which, if requested by Lender, shall be on a consolidating and consolidated basis and/or audited by certified public accountants satisfactory to Lender, together with an unqualified opinion by such certified public accountants regarding such statements

6. Miscellaneous.

6.1 Successors and Assigns. This Note is binding upon and shall inure to the benefit of Borrower and Lender and their respective legal representatives, assigns and successors; *provided*, that Borrower shall have no right to assign its rights or obligations hereunder without the prior written consent of Lender and McDonald's; and *provided* further, that Lender may sell, assign, transfer, or grant participations, in whole or in part, in this Note without the prior written consent of Borrower (*provided*, however, that such sale, assign, transfer, or grant of participation has previously been approved by McDonald's), and Borrower agrees that any such purchaser, assignee, transferee, or grantee shall be entitled to all rights, remedies and benefits of Lender in, to, and under this Note, and such purchaser, assignee, transferee, or grantee shall be and become the "Lender" hereunder for all purposes of this Note.

6.2 Notice. Any notice required to be given under this Note shall be in writing and delivered in person or sent by certified or registered mail, postage prepaid. Notice to Borrower shall be addressed to:_______, with a copy to McDonald's Corporation, 110 North Carpenter Street, Dept. 200, Chicago, Illinois 60607 Attention: Treasurer. Notice to Lender shall be addressed to Bank of America, N.A., 100 Federal Street, Boston, MA 02110, U.S.A., Mail Code MA5-100-09-04, Attention: Dan Robson.

6.3 Severability. The provisions of this Note are severable, and if any provision of this Note shall be determined by a court of competent jurisdiction to be unenforceable such determination shall not affect the validity of any other provision of this Note.

6.4 Waiver. Lender's failure or delay in exercising any right, power, or privilege under this Note shall not preclude its exercise of any other or further right, power or privilege under this Note. Lender's waiver of any right, power, privilege, or default under this Note shall neither constitute a waiver of any right, power, privilege, or default, nor shall it constitute a waiver of any future default of the same or of any other term of this Note. All rights and remedies in this Note are cumulative and not exclusive of any other legal rights or remedies. No waiver of Borrower's breach of any term or condition of this Note shall be effective unless in a writing signed by a duly authorized representative of Lender.

6.5 Governing Law. Borrower hereby acknowledges and agrees that this Note and the obligations hereunder are to be governed by and under the internal laws of the State of Illinois, without regard to its conflicts of law rules. Borrower agrees that any suit for the enforcement of this Note may be brought in the courts of the State of Illinois or any Federal Court sitting therein and consents to the non-exclusive jurisdiction of such court and to service of process in any such suit being made upon Borrower by mail at Borrower's address specified herein. Borrower hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit was brought in an inconvenient court.

6.6 Section Headings. The various headings used in this Note are inserted for convenience only and shall not affect the meaning or interpretations of this Note or any provision hereof.

6.7 Agency. Borrower acknowledges and agrees that all of the rights and remedies which may be exercised by Lender under this Note, and all demands and notices which may be given by Lender under this Note, may be exercised and/or given (as the case may be) by an agent appointed by Lender for such purposes and identified to Borrower in writing by Lender from time to time.

6.8 Waivers, Amendments, Discharges. No provision or term of this Note may be waived, amended or otherwise modified except by an agreement in writing signed by Lender in the case of a waiver, and, in the case of an amendment or other modification, by Lender and Borrower, and, in each case, consented to in writing by McDonald's, and any oral waiver, amendment or modification of any provision or term hereof shall be without authority and of no force and effect. Any such waiver, amendment or modification shall be effective only in the specific instances and for the purposes and to the extent therein specified.

6.9 Signature. Delivery of an executed signature page to this Note by fax transmission or e-mail transmission (e.g. "pdf" or "tif"), shall be effective as delivery of a manually executed counterpart of this Note.

6.10 JURY WAIVER. EACH OF BORROWER AND LENDER HEREBY IRREVOCABLY WAIVES TRIAL BY JURY AND AGREES THAT NEITHER, INCLUDING ANY ASSIGNEE OR SUCCESSOR, SHALL SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM, OR ANY OTHER LITIGATION PROCEDURE BASED UPON, OR ARISING OUT OF, THIS NOTE AND OTHER RELATED AGREEMENTS, ANY COLLATERAL OR THE DEALINGS OR THE RELATIONSHIP BETWEEN OR AMONG THE PARTIES, OR ANY OF THEM. NEITHER BORROWER NOR LENDER WILL SEEK TO CONSOLIDATE ANY SUCH ACTION, IN WHICH A JURY TRIAL HAS BEEN WAIVED, WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THE PROVISIONS OF THIS SECTION HAVE BEEN FULLY DISCUSSED BY THE PARTIES AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS. NEITHER BORROWER NOR LENDER HAS IN ANY WAY AGREED WITH OR REPRESENTED TO THE OTHER THAT THE PROVISIONS OF THIS SECTION WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

PART III: AUTHORIZATION FOR ACH DRAFTING OF LOAN PAYMENTS

Borrower hereby authorizes Lender, or any agent of Lender, to debit the bank account described below on each Payment Date for regularly scheduled monthly payments of principal and accrued interest and all other amounts due under this Note. Borrower agrees that such account will have sufficient funds to cover such debits and that any disputes over the sufficiency of such funds will be resolved strictly between Borrower and the depository institution maintaining such account.

Please debit the following account (choose one):____________________Checking Account ____Savings

Account Bank Name:

____

____

Bank Location (City, State): ____

Routing and Transit Number: ____

Bank Account Number: ____

(Attached is a voided check verifying the Borrower's bank's routing number and the account number)

Debits to the above account will be made on each Payment Date.

THE BORROWER UNDERSTANDS AND ACKNOWLEDGES THAT IT MUST REMIT PAYMENTS UNTIL WRITTEN CONFIRMATION OF THE COMMENCEMENT OF AUTOMATIC DEBITS IS RECEIVED FROM LENDER.

IN WITNESS WHEREOF, this Note has been executed and delivered by Borrower as an instrument under seal this______________________day of______________________, 20______.

BORROWER:

____

Print Name: ____

____

OPERATOR ASSISTANCE PROGRAM AGREEMENT

This Operator Assistance Program Agreement (the "Agreement"), entered into the year and date indicated below, is between McDonald's USA, LLC and (Franchisee Name)____________________________, and (Any Operating Entities signing as guarantor)_________________________________ (collectively, "Franchisee"), in reference to the Loan (as hereinafter defined) made by Bank of America, NA, its subsidiaries or affiliates ("Lender") to Franchisee.

AGREEMENTS

1. Promissory Note. The Lender has concurrently made a loan (the "Loan") to the Franchisee, pursuant to a Promissory Note, Security Agreement and ACH Authorization (the "Note"). Franchisee understands that McDonald's Corporation has executed a guaranty as described in Section 2 below (the "Guaranty"). This Agreement will be effective and enforceable between the parties on the later of (i) the date of last execution of this Agreement, or (ii) the Effective Date of the Note.

2. McDonald's Obligations. Pursuant to the terms of the Guaranty, McDonald's Corporation (together with McDonald's USA, LLC, "McDonald's") has guaranteed to the Lender the payment and performance obligations of Franchisee under the Note.

3. Material Breach. Pursuant to the terms of the Note, a default under the Note is a material breach under the terms of the Franchise (as defined in the Note), entitling McDonald's to exercise all of its rights and remedies as set forth in the Franchise. Any amounts paid by McDonald's pursuant to the Guaranty shall become an accounts receivable balance owed to McDonald's by Franchisee. Presentment, demand, protest, notice of protest and dishonor are each waived by Franchisee.

4. Notice. Any notice required to be given under this Agreement shall be in writing and delivered in person or sent by certified or registered mail, postage prepaid. Notice to Franchisee and McDonald's shall be addressed as set forth in the Franchise, with a copy to Lender at: Bank of America, 100 Federal St., Boston, MA 02360, Mail Code: MA5 100-09-04.

5. Assignment. This Agreement is binding upon and shall inure to the benefit of Franchisee and McDonald's and their respective legal representatives, assigns and successors; however, Franchisee shall have no right to assign this Agreement without the prior written consent of McDonald's.

6. Severability. The provisions of this Agreement are severable, and if any provision of this Agreement shall be determined by a court of competent jurisdiction to be unenforceable such determination shall not affect the validity of any other provision of this Agreement.

7. Waiver. McDonald's failure or delay in exercising any right, power, or privilege under this Agreement shall not preclude its exercise of any other or further right, power or privilege under this Agreement. McDonald's waiver of any right, power, privilege, or default under this Agreement shall neither constitute a waiver of any right, power, privilege, or default, nor shall it constitute a waiver of any future default of the same or of any other term of this Agreement. All rights and remedies in this Agreement are cumulative and not exclusive of any other legal rights or remedies. No alleged waiver of Franchisee's breach of any term or condition of this Agreement shall be effective unless in writing signed by a duly authorized representative of McDonald's.

8. Release. Franchisee fully, irrevocably and absolutely releases and forever discharges McDonald's from any and all claims, demands, suits, damages, losses, liabilities and causes of action or obligations of every kind, character or nature whatsoever, in law or in equity, known or unknown, suspected or unsuspected, fixed or contingent, pending or not pending, liquidated or unliquidated, that arose out of any actions, omissions, or events occurring in whole or in part prior to the execution of this Agreement, including, but not in any way limited to, losses, liabilities, claims (including but not limited to, by way of example only, those for fraud, misrepresentation, breach of warranty), and causes of action

arising from or in any way relating to this Agreement whether in writing or made through any alleged course of conduct, course of dealing, statements or actions of either McDonald's or Franchisee.

9. Governing Law. Franchisee hereby acknowledges and agrees that this Agreement and the obligations hereunder are to be governed by and under the internal laws of the State of Illinois, without regard to its conflicts of law rules. Franchisee agrees that any suit for the enforcement of this Agreement may be brought in the courts of the State of Illinois or any Federal Court sitting therein and consents to the non-exclusive jurisdiction of such court and to service of process in any such suit being made upon Franchisee by mail at the Franchise restaurant location(s). Franchisee hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit was brought in an inconvenient court.

10. Section Headings; Defined Terms. The various headings used in this Agreement are inserted for convenience only and shall not affect the meaning or interpretations of this Agreement or any provision hereof.

11. Waivers, Amendments, Discharges. No provision or term of this Agreement may be waived, amended or otherwise modified except by an agreement in writing signed by McDonald's in the case of a waiver, and, in the case of an amendment or other modification, by McDonald's and Franchisee, and any oral waiver, amendment or modification of any provision or term hereof shall be without authority and of no force and effect. Any such waiver, amendment or modification shall be effective only in the specific instances and for the purposes and to the extent therein specified.

Intending to be legally bound, the parties to this Agreement have executed it the year and date written below.

FRANCHISEE(S)	FRANCHISEE(S)
Name:______________________________________ Individually, and on behalf of all operating entities	Name:______________________________________ Individually, and on behalf of all operating entities
Name:_______________________________(printe d)	Name:_______________________________(printe d)
Date: ________________________________	Date: ________________________________

McDONALD'S USA, LLC

By: ______________________________________

Name: ______________________________________

Title: ______________________________________

EXHIBIT N

LIST OF AGENTS FOR SERVICE OF PROCESS

ALABAMA
Corporation Service Company, Inc.
641 South Lawrence Street
Montgomery, AL 36104

ALASKA
Corporation Service Company
9360 Glacier Highway, Suite 202
Juneau, AK 99801

ARIZONA
Corporation Service Company
8825 N. 23rd Avenue
Suite 100
Phoenix, AZ 85021

ARKANSAS
Corporation Service Company
300 Spring Building, Suite 900
300 S. Spring Street
Little Rock, AR 72201

CALIFORNIA
CSC-Lawyers Incorporating Service
2710 Gateway Oaks Dr., Suite 150N
Sacramento, CA 95833-3505

COLORADO
Corporation Service Company
1900 W. Littleton Boulevard
Littleton, CO 80120

CONNECTICUT
Corporation Service Company
50 Weston Street
Hartford, CT 06120-1537

DELAWARE
Corporation Service Company
251 Little Falls Drive
Wilmington, DE 19808

DISTRICT OF COLUMBIA
Corporation Service Company
1090 Vermont Avenue, N.W.
Washington, DC 20005

FLORIDA
Corporation Service Company
1201 Hays Street
Tallahassee, FL 32301

GEORGIA
Corporation Service Company
40 Technology Parkway South, Suite #300
Norcross, GA 30092

HAWAII
Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813
and
CSC Services of Hawaii, Inc.
Pauahi Tower, Suite 1600
1003 Bishop Street
Honolulu, HI 96813

IDAHO
Corporation Service Company
12550 W. Explorer Drive, Suite 100
Boise, ID 83713

ILLINOIS
Illinois Corporation Service Company
801 Adlai Stevenson Drive
Springfield, IL 62703

INDIANA
Corporation Service Company
135 North Pennsylvania Street, Suite 1610
Indianapolis, IN 46204

IOWA
Corporation Service Company
505 5th Avenue, Suite 729
Des Moines, IA 50309

EXHIBIT N – LIST OF AGENTS FOR SERVICE OF PROCESS (Continued)

KANSAS
Corporation Service Company
2900 SW Wanamaker Drive, Suite 204
Topeka, KS 66614

KENTUCKY
Corporation Service Company
421 West Main Street
Frankfort, KY 40601

LOUISIANA
Corporation Service Company
501 Louisiana Avenue
Baton Rouge, LA 70802-5921

MAINE
Corporation Service Company
45 Memorial Circle
Augusta, ME 04330

MARYLAND
CSC-Lawyers Incorporating Service Company
7 St. Paul Street, Suite 820
Baltimore, MD 21202

MASSACHUSETTS
Corporation Service Company
84 State Street
Boston, MA 02109

MICHIGAN
CSC-Lawyers Incorporating Service (Company)
601 Abbot Road
East Lansing, MI 48823

MINNESOTA
Corporation Service Company
2345 Rice Street, Suite 230
Roseville, MN 55113

MISSISSIPPI
Corporation Service Company
7716 Old Canton Road
Suite C
Madison, MS 39110

MISSOURI
CSC-Lawyers Incorporating Service Company
221 Bolivar Street
Jefferson City, MO 65101

MONTANA
Corporation Service Company
26 West Sixth Avenue
P.O. Box 1691
Helena, MT 59624-1691

NEBRASKA
CSC-Lawyers Incorporating Service Company
233 South 13th Street, Suite 1900
Lincoln, NE 68508

NEVADA
Corporation Service Company
112 North Curry Street
Carson City, NV 89703

NEW HAMPSHIRE
Corporation Service Company
10 Ferry Street, Suite 313
Concord, NH 03301

NEW JERSEY
Corporation Service Company
Princeton South Corporate Ctr, Suite 160
100 Charles Ewing Blvd
Ewing, NJ 08628

NEW MEXICO
Corporation Service Company
MC-CSC1, 726 East Michigan Drive, Suite 101
Hobbs, NM 88240-3465

NEW YORK
Corporation Service Company
80 State Street
Albany, NY 12207-2543

NORTH CAROLINA
Corporation Service Company
2626 Glenwood Avenue, Suite 550
Raleigh, NC 27608

NORTH DAKOTA
Corporation Service Company
1709 N. 19th Street, Suite 3
Bismarck, ND 58501-2121

EXHIBIT N – LIST OF AGENTS FOR SERVICE OF PROCESS (Continued)

OHIO
Corporation Service Company
50 West Broad Street, Suite 1330
Columbus, OH 43215

OKLAHOMA
Corporation Service Company
10300 Greenbriar Place
Oklahoma City, OK 73159-7653

OREGON
Corporation Service Company
1127 Broadway Street NE
Suite 310
Salem, OR 97301

PENNSYLVANIA
Corporation Service Company
2595 Interstate Drive
Suite 103
Harrisburg, PA 17110

RHODE ISLAND
Corporation Service Company
222 Jefferson Blvd., Suite 200
Warwick, RI 02888

SOUTH CAROLINA
Corporation Service Company
1703 Laurel Street
Columbia, SC 29201

SOUTH DAKOTA
Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, SD 57501
and
Corporation Service Company
503 South Pierre Street
Pierre, SD 57501

TENNESSEE
Corporation Service Company
2908 Poston Avenue
Nashville, TN 37203

TEXAS
Corporation Service Company
d/b/a CSC-Lawyers Incorporating Service Company
211 E. 7th Street, Suite 620
Austin, TX 78701-3218

UTAH
Corporation Service Company
15 West South Temple, Suite 600
Salt Lake City, UT 84101

VERMONT
Corporation Service Company
100 N. Main Street, Suite 2
Barre, VT 05641

VIRGINIA
Corporation Service Company
100 Shockoe Slip, 2nd Floor
Richmond, VA 23219

WASHINGTON
Corporation Service Company
MC-CSC1, 300 Deschutes Way SW, Suite 208
Tumwater, WA 98501

WEST VIRGINIA
Corporation Service Company
209 West Washington Street
Charleston, WV 25302

WISCONSIN
Corporation Service Company
8040 Excelsior Drive, Suite 400
Madison, WI 53717

WYOMING
Corporation Service Company
1821 Logan Avenue
Cheyenne, WY 82001

EXHIBIT O

STATE ADMINISTRATORS

CALIFORNIA
Department of Business Oversight
(866) 275-2677

Los Angeles
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento
1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

San Diego
1350 Front Street, Room 2034
San Diego, California 92101-3697
(619) 525-4233

San Francisco
One Sansome Street, Suite 600
San Francisco, California 94104-4428
(415) 972-8565

HAWAII
Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

ILLINOIS
Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA
Securities Division
Secretary of State
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND
Securities Division
Office of the Attorney General
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

MICHIGAN
Franchise Section
Consumer Protection Division
Department of Attorney General
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48909
(517) 335-7567

MINNESOTA
Minnesota Department of Commerce
Securities-Franchise Registration
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1500

NEW YORK
Investor Protection Bureau
Office of the Attorney General
28 Liberty Street, 21st Floor
New York, New York 10005-1495
(212) 416-8222

NORTH DAKOTA
North Dakota Securities Department
State Capitol, Fifth Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510
(701) 328-4712

RHODE ISLAND
Securities Division
Department of Business Regulation
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02920
(401) 462-9500

EXHIBIT O – STATE ADMINISTRATORS (Continued)

SOUTH DAKOTA
Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA
Division of Securities and Retail Franchising
State Corporation Commission
1300 E. Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON
Securities Division
Department of Financial Institutions
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

WISCONSIN
Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 267-9140

EXHIBIT P

McDONALD'S AFFILIATES

ENTITY NAME	BUSINESS ADDRESS	DATE OF FIRST COMPANY OWNED RESTAURANT	DATE OF FIRST FRANCHISE
McDonald's Australia Limited	21-29 Central Ave., Thornleigh NSW 2120 Australia	12/30/71	12/09/72
McDonald's Franchise GmbH	Campus 21, Liebermannstrasse A01601, A-2345 Brunn am Gebirge, Austria	11/11/93	8/2/93
McDonald's Belgium, Inc. (Belgium Branch)	Airport Plaza, Stockhold Building – 5th floor, Leonardo da Vincilaan 19A, 1831 Diegem, Belgium	3/1/93	3/1/93
McDonald's Restaurants Belgium N.V.	Airport Plaza, Stockhold Building – 5th floor, Leonardo da Vincilaan 19A, 1831 Diegem, Belgium	3/21/78	2/1/79
McDonald's Restaurants of Canada Limited	1 McDonald's Place, Toronto, Ontario, Canada M3C 3L4	2/5/71	6/1/67
McDonald's ČR spol. s r.o.	Radlická 740/113c Praha 5 158 00, Czech Republic	3/20/92	8/1/96
McDonald's Dominicana, S.R.L.	HLB, Ave. 27 de Febrero #233, Edificio Corominas Pepin, 4 to. Piso, Ensanche, Naco, Santo Domingo, Dominican Republic	None	11/30/96
McDonald's France S.A.S.	1, rue Gustave Eiffel, 78280 Guyancourt Cedex, France	10/6/80	9/17/79
McDonald's System of France, LLC (French Branch)	1, rue Gustave Eiffel, 78280 Guyancourt Cedex, France	12/16/83	11/15/82
McDonald's Deutschland LLC Zweigniederlassung München (German Branch)	Drygalski-Allee 51, 81477 Munich, Germany	12/4/71	8/1/75
McDonald's (Gibraltar) Limited	Suite 1, Burns House, 19 Town Range, Gibraltar	8/13/99	7/1/00
McDonald's Restaurants of Ireland Limited	7 Richview Office Park, Clonskeagh, Dublin 14, Ireland	10/3/96	5/9/77
McDonald's Development Italy LLC (Italian Branch)	Centro Direzionale Milanofiori Nord, Via del Bosco Rinnovato, 6 - Edificio U7, 20090 Assago, (MI), Italy	10/15/85	3/20/86
McDonald's Company (Japan), Ltd.	5-1, Nishi-Shinjuku 6-Chome, Shinjuku-ku, Tokyo, Japan	7/20/71	2/1/76
HanGook McDonald's Co. Ltd.	Jongno Tower, 14F, 51 Jong-ro, Jongno-gu, Seoul, 03161, Korea	3/23/88	6/7/92
McDonald's Restaurants AG	Industriestrasse 9495 Triesen, Liechtenstein	None	5/3/96
McDonald's Nederland B.V.	Paasheuvelweg 14, 1105 BH, Amsterdam Z.O., The Netherlands	9/13/71	10/1/76
McDonald's Restaurants (New Zealand) Limited	302 Great South Road Greenlane, Auckland, New Zealand	6/7/76	11/27/84
McDonald's Polska Sp.zo.o	ul. Marynarska 15, 02-674, Warsaw, Poland	6/17/92	12/6/94
Sistemas McDonald's Portugal Limitada	Sistemas McDonald's Portugal, Lda. Lagoas Park Edificio 7 - Piso 2 2740 - 244 Porto Salvo, Portugal	7/12/96	5/23/91
Moscow-McDonald's (CJSC)	115054 Valovaya ulitsa, 26, Moscow, Russia	1/30/90	3/28/12
McDonald's Slovakia spol. sr.o.	Kralovske udolie 1, 811 02 Bratislava, Slovak Republic	10/13/95	10/25/96

EXHIBIT P – McDONALD'S AFFILIATES (Continued)

ENTITY NAME	BUSINESS ADDRESS	DATE OF FIRST COMPANY OWNED RESTAURANT	DATE OF FIRST FRANCHISE
Restaurantes McDonald's, S.A.U.	C/Somera 5, Edificio Margarita, Urb. La Florida, Madrid 28023, Spain	3/9/81	6/5/85
McDonald's Suisse Franchise Sàrl	Rue de Morges 23, 1023 Crissier, Lausanne, Switzerland	10/20/76	7/2/79
McDonald's Restaurants Limited	11-59 High Road, East Finchley, London N2 8AW United Kingdom	10/10/74	6/12/86
MCD Global Franchising Limited	Cordy House, 91 Curtain Road, Shoreditch, London EC2A 3BS, United Kingdom	None	11/30/2016
McDonald's Latin America, LLC	110 N. Carpenter Street, Chicago, Illinois 60607 USA	None	9/16/91

EXHIBIT Q

LIST OF FRANCHISED RESTAURANTS AS OF DECEMBER 31, 2019

INTENTIONALLY DELETED

EXHIBIT R

LIST OF FRANCHISEES WHO HAD AN OUTLET TERMINATED, CANCELED, NOT RENEWED, OR OTHERWISE VOLUNTARILY OR INVOLUNTARILY CEASED TO DO BUSINESS

If you buy a McDonald's franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

NAME	CITY AND STATE	PHONE
[redacted]	[redacted]	[redacted]

[redacted]

NAME	CITY AND STATE	PHONE
[redacted]	[redacted]	[redacted]

NAME	CITY AND STATE	PHONE
[redacted]	[redacted]	[redacted]

NAME	CITY AND STATE	PHONE
[redacted]	[redacted]	[redacted]

NAME	CITY AND STATE	PHONE
[redacted]	[redacted]	[redacted]

EXHIBIT S

STATE SPECIFIC ADDENDA

MINNESOTA ADDENDUM

The following language is in addition to Item 13 of the Franchise Disclosure Document:

McDonald's considers the trademarks, trade names, logo types, service marks and commercial symbols to be valuable property rights and continually protects against infringement of these assets. It protects franchisees against claims of infringement or unfair competition to which the franchisees might become subjected because of their authorized use of the trademarks, service marks, logo types or other commercial symbols in the United States.

The following language is in addition to Item 17 of the Franchise Disclosure Document:

Nothing in the Franchise Disclosure Document or the franchise agreement shall in any way abrogate or reduce any rights of the franchisee as provided for in Minnesota Statutes, Chapter 80C; or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

NORTH DAKOTA ADDENDUM

The following language is in addition to Item 17 of the Franchise Disclosure Document:

Covenants not to compete such as those mentioned above generally are considered unenforceable in the state of North Dakota. However, we will seek to enforce them to the extent enforceable.

North Dakota law will govern with respect to claims arising under the North Dakota Franchise Investment Law.

WASHINGTON ADDENDUM

The following language is in addition to Item 17 of the Franchise Disclosure Document:

If any of the provisions in this Disclosure Document or the Franchise Agreement are inconsistent with the relationship provisions of Revised Code of Washington Section 19.100.180 or any other requirements of the Washington Franchise Investment Protection Act (the "Act"), then (if the Act applies by its terms) the provisions of the Act will prevail over the inconsistent terms of the Disclosure Document and agreement for any franchises sold in Washington. However, we and you agree to enforce the agreements' provisions to the extent the law allows.

****

ASSURANCE OF DISCONTINUANCE
STATE OF WASHINGTON

To resolve an investigation by the Washington Attorney General and without admitting any liability, we have entered into an Assurance of Discontinuance ("AOD") with the State of Washington, where we have agreed to remove from our form franchise agreement a provision which restricts a franchisee from soliciting and/or hiring the employees of our other franchisees and/or our employees, which the Attorney General alleges violates Washington state and federal antitrust and unfair practices laws. We have agreed, as part of the AOD, to not enforce any such provisions in any existing franchise agreement, to request that our Washington franchisees amend their existing franchise agreements to remove such provisions, and to notify our franchisees about the entry of the AOD. In addition, the State of Washington did not assess any fines or other monetary penalties against us.

State Effective Dates

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

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

State	Effective Date
California	May 1, 2020
Hawaii	April 1, 2020, as amended May 1, 2020
Illinois	May 1, 2020
Indiana	May 1, 2020
Maryland	May 1, 2020
Michigan	May 1, 2020
Minnesota	May 1, 2020
New York	May 1, 2020
North Dakota	May 1, 2020
Rhode Island	April 1, 2020, as amended May 1, 2020
South Dakota	May 1, 2020
Virginia	April 30, 2020
Washington	May 1, 2020
Wisconsin	April 15, 2020

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

Receipt

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If McDonald's USA, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

[New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

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

If McDonald's USA, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed on Exhibit O.

The name, principal business address, and telephone number of the franchise sellers offering the franchise are McDonald's USA, LLC and Mathew Ajayi, 110 N. Carpenter Street, Chicago, Illinois 60607 (630) 623-3000.

The issuance date of this Franchise Disclosure Document is May 1, 2020.

McDonald's USA, LLC authorizes the state agents listed in Exhibit N to receive service of process for it in the respective states.

I received a disclosure document dated May 1, 2020, that included the following Exhibits:

A. Financial Statements
B. Franchise Agreement (Traditional)
C. Franchise Agreement (Satellite)
D. Franchise Agreement (Walmart)
E. New Restaurant Rider
F. BFL Rider
G. Operator's Lease
H. Assignment to an Entity
I. Assignment Agreement
J. Preliminary Agreement
K. McDonald's Rewrite (New Term) Policy
L. Rewrite (New Term) Offer Letter
M. Loan and Related Documents
N. List of Agents for Service of Process
O. State Administrators
P. McDonald's Affiliates
Q. List of Franchised Restaurants
R. List of franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business
S. State Specific Addenda

______________________	______________________
Date Received	Prospective Franchisee
______________________	______________________
Prospective Franchisee	Prospective Franchisee

Effective Date: May 1, 2020

Return electronically signed and dated Receipt via DocuSign; or fax signed and dated Receipt to (630) 568-6271; or mail signed and dated Receipt to Franchise Practice Group Dept. 088, McDonald's USA, LLC, 110 N. Carpenter Street, Chicago, IL 60607.

Receipt

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If McDonald's USA, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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S. State Specific Addenda

______________________ Date Received	______________________ Prospective Franchisee
______________________ Prospective Franchisee	______________________ Prospective Franchise

Effective Date: May 1, 2020

Return electronically signed and dated Receipt via DocuSign; or fax signed and dated Receipt to (630) 568-6271; or mail signed and dated Receipt to Franchise Practice Group Dept. 088, McDonald's USA, LLC, 110 N. Carpenter Street, Chicago, IL 60607.

EXHIBIT "C"

Thomas S. Dentice
Executive Vice President
April 18, 1996

Dear Reggie.

I am not sure if you viewed our meeting yesterday as a success, a failure or just another meeting with the McDonald's Management Team, i.e. same old stuff

For me it was successful. I know, have worked with, and personally like too many of the franchisees that attended the meeting not to be personally embarrassed, frustrated and moved by their passionate concern for the lack of success of many of their fellow African American franchisees.

I am also highly frustrated that Black Franchisees have been part of the McDonald's System for almost thirty years and as a group have not achieved the same level of success as other franchisees that have the same tenure. You have been a company employee and know that the company over the past thirty years has tried to do the right thing when it comes to franchising to African Americans. But, for business reasons we thought were valid at the time, the company has placed many Black Franchisees in restaurants that have not allowed them to achieve the same level of economic success as their peers.

I am personally tired of this lack of progress by my company. I am tired of being the person that has to listen to your calls for help and not seeing progress. I am tired of making excuse for myself and others and I am tired of working my tail off to achieve our mutual goals and being considered the enemy.

I want you to know and understand that I agree with you and your fellow African American Franchisees. You have made significant contributions to the McDonalds System, you genuinely care about McDonalds, you have worked hard to make McDonalds successful and yet, you are behind in most measurements that connote success in the McDonalds System. I believe that it is not right or fair, it cannot continue and it has to be fixed now.

I am making a personal commitment to you, the NBMOA and all African American Franchisees that I will do all I can to make my partners in the company take the actions necessary to resolve this problem. No excuses, no reasons, no would'ves, could'ves or should'ves----just results.

I am your partner in this endeavor.

I commit to you and the NBMOA that the following will happen:

- Any African American Franchisees that are currently in critical financial situations will be addressed and fixed immediately.

- A full course press will be applied to fix all of the existing under performing locations that are owned by African American Franchisees----second chances for all African American Franchisees will be the rule, not the exception for the rest of 1996 and beyond, if necessary, until we get the current problems fixed.

- The company in concert with the Black Franchisees, will create and implement a strategy designed to achieve parity for African American franchisees. It will be aggressive, focused, have a short period to reach its objectives, be measurable and have the endorsement and full backing of the TMT.

- There will be rewards for success and sanctions for failure in achieving plan targets and goals.

- The company will meet with the NBMOA on a regular basis to review progress..

- The strategic plan will be announced and implemented by July 1, 1996 and achieve meaningful results by year end.

- We will not try to reach consensus on what the "right decision" is to fix financial and franchising problems. That authority will rest in the hands of a few individuals.

- This process will be viewed for what it is; achieving parity for our Black Franchisees, not reaching a comfortable financial or franchising solution for the company.

- The company will also work in concert with the NBMOA to develop a comprehensive strategy for African Americans that includes purchasing and marketing.

Reggie, I know that we can achieve our common purpose. We may disagree at times on the what's and how's as we move forward, but I know that we do not and will not disagree on what we want to accomplish-----Parity.

Sincerely yours,

Jim

EXHIBIT "D"

NBMOA McDonald's

National Black McDonald's Operators Association

November 14, 2002

To: NBMOA Membership

From: Larry C. Tripplett, Chairman & CEO
NBMOA

LCT

RE: ORGANIZATION UPDATE

Dear NBMOA Member:

This letter is written to update each of you as to what your Board of Directors and Executive Committee have been diligently working on for the benefit of African American Franchisees in the McDonald's System and African Americans in general.

First, let me remind you of what you already know. **We are "Free People."** We have the right to expect not to be discriminated against by anyone. Discrimination is illegal in this Country. We make significant contributions to the McDonald's System every day. In some cases, these contributions are made under very difficult dangerous environmental circumstances. We do so proudly and professionally as we all desire the American Dream of successful Business Ownership. We deserve and will demand nothing less than equal treatment. **We must continue to stand United and Strong**. We have nothing to fear.

As you are aware, the NBMOA Executive Committee is in earnest negotiations with the Leadership of McDonald's Corporation to ensure that Parity is met and maintained. We believe that each and every African American Franchisee should receive real assurances that when Parity is met, the discriminatory practices of the past will not reoccur.

During these negotiations we ask that you continue to maintain good operations in your restaurants. We owe this to the Communities we serve. There have been many questions regarding the request to sign release letters for Temporary Rent Adjustment (TRA) used to ostensibly make Parity. We never agreed that release letters should be signed for TRA. We have advised Mike Roberts of this fact. We encourage you to avoid signing any release letter. We suggest before signing such a letter you seek legal counsel and discuss this matter with your NBMOA Board Representative, Chapter President, or Division President. It goes without saying that in many cases TRA may mean the difference of staying in business or not, you must make the best decision for you and your family. Nevertheless, please know that you have the absolute support of the NBMOA Board of Directors and this Chairman. We are determined to resolve this

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e-mail:nbmoa@aol.com • webasite: www.nbmoa.org

matter to the benefit of our Members which will have the effect of improving the McDonald's System in general. Please be advised that we are not involved in a lawsuit against McDonald's and no decision to engage in a lawsuit has been made.

Each Board Member and Chapter President will soon be receiving a copy of the minutes from our last Board of Directors Meeting. Please contact them for more specific details.

Yours in Strength and Solidarity,

Larry C. Tripplett

NBMOA 2003 CALENDAR OF EVENTS

1ST quarter Board of Directors Meeting
February 14 & 15, 2002 (Tentative)

2nd quarter Board of Directors Meeting
May 16 & 17, 2003 (Tentative)

3rd quarter Board of Directors Meeting
September, 2003 (Will be held in conjunction with Congressional Black Caucus Legislative Weekend & specific date in September has not been set)

NBMOA 2003 Conference
October 14 – 17, 2003
Chicago, Illinois

4th quarter Board of Directors Meeting
November 14 & 15, 2003 (Tentative)

EXHIBIT "E"

March 12, 2019

Charlie Strong
West Zone President

Mario Barbosa
East Zone President

Dear Charlie and Mario:

This letter is written on behalf of the National Black McDonald's Operators Association (NBMOA).

Thanks again for meeting with our leadership team on February 25, 2019. We write in response to your writing dated February 26, 2019.

We appreciate your continuing participation an interest in having a rational discourse with the NBMOA regarding some serious concerns we have regarding the status of African American Owners within McDonald's Corporation.

Overview

In general the trajectory of the treatment of African American Owners is moving backwards. Through no fault of our own we lag behind the general market in all measures. This is reflected in the loss of sales to African American consumers. We believe that the loss of sales is closely correlated to how African Americans are treated within the Company.

Finance

We do not have confidence that the field levels will fairly review African American finances. Until a fair process is in place the review should be done on the national level. Please note we met with the President of McDonald's USA and his team on February 14, 2018. It was not until

April 2018 that you presented a list of African American Owners in financial trouble to Lanny Sumpter. When we met in November of 2018 nothing essentially had been done to correct these issues. It was the field offices lack of action that has led to many African American Owners in "dire" financial straits. We understand your desire for review at the field and zone levels regarding individual situations. But that does not lessen the need for continuing national dialog of system wide issues relating to African Americans. The Company at its highest levels must set the tone and implement national action plans to achieve equitable outcomes and assure tangible progress going forward. We believe the Company has a fiduciary responsibility to insure fairness to African American Owners. Our leadership team receive calls almost daily from constituents who do not feel they have been treated fairly.

<u>People</u>

We appreciate the current and future efforts made by the Company. We need urgent progress now. The current state of affairs for African American Owners can only be described as hostile. We are very concerned that we see no one that look's like us in Senior Management at McDonald's.

<u>Atlanta Plan</u>

We agree that there must be a holistic plan. We have asked Vickie Chancellor to attend that meeting. African American Owners have unfairly suffered in Atlanta for many years. A permanent plan must be put in place that includes permanent rent reductions. You cannot "advertise" or "market" the problems away. Our constituents have suffered far too long.

Please be advised that there are other cities such as Detroit, Baltimore and others who need immediate support and action. We need to simultaneously move forward on these cities as well.

<u>Franchising</u>

We appreciate that you will not make our Owners not rewritable based on voice scores or TV market guest counts alone. However, we do not believe that McDonald's Rewrite Policy is fair to African American Owners. We are concerned about the fairness of using TV Markets to determine the efficaciousness of our Owners.

The NBMOA request to see how TV markets are defined across the country. We request that our members be given the opportunity to provide their opinions on whether the boundaries are drawn fairly. For example, we need to know how street closures or new competition is added to the analysis.

We are also concerned that guest satisfaction is being used for decision making. These results are subject to much manipulation. Unfortunately, customers are conditioned to complain for free food. This is more prevalent in the communities we serve. We request more transparency and accountability in grading to guard against unfair evaluations by which we are vulnerable to being targeted. We are spending too much valuable time following up on "bogus" customer complaints. Some of the complaints we receive are completely racist. Our time is better served focusing on customer service.

<u>Security</u>

We disagree with the effectiveness of the current way the Company is determining the security status of our restaurants. It is virtually impossible to make a risk assessment without input from the store owner. To do so is quite frankly very difficult for us to understand or agree with. This is another area in which data alone is not sufficient for decision making. Familiarity with on the ground conditions are essential.

<u>Conclusions</u>

Continuing dialog and definite action from the Company's highest levels is necessary to change the negative trajectory of treatment of the NBMOA. We are a 47 year old advocacy association we need change now.

On behalf of the NBMOA.

Larry C. Tripplett,
Chairman and CEO

EXHIBIT "F"

National Black McDonald's Operators Association

To: NBMOA Members
From: Larry C. Tripplett, Chairman and CEO NBMOA
Date: November 4, 2019
Subject: Informational Update

Given the current unwinding events in McDonald's we find it necessary to update our Members on the current status of the NBMOA.

Chris Kempczinski called me directly on Sunday and expressed his plans to continue to work on our cash flow gaps as he and Steve Easterbrook agreed to do at our convention in Houston. Chris agreed to continue to work with us in his new role as CEO. I also received a call from Joe Erlinger, President of McDonald's USA on Sunday. He expressed his desire to work with the NBMOA in achieving our initiatives.

We are cautiously optimistic in some of the results we are beginning to see. Each member should be contacted by their field office and their individual financial circumstances evaluated with the goal of closing the cash flow gaps. Remember our goal is to have ALL of our members have financially viable restaurants. Any fixes made must be permanent. No temporary fixes. If you are offered a temporary fix, please contact any of the following immediately: Larry Tripplett 415/385-5636, Fran Jones 323/855-3271, Ernie Adair 602/430-7847, Rita Mack 609/226-3603 or Tanya Holiday 804/814-8882. Further, please let us know if your field office does not contact you.

As a reminder, we are working on the following initiatives: (1) Closing the cash flow gaps, (2) Increasing African Americans in McDonald's top leadership. Improving the status of African American Employees in the Corporation and (3) Improving the relationship between McDonald's and African American consumers.

As you know, I was elected as a Board Member of the National Owners Association (NOA). Much of the recent progress made for McDonald's Franchisees can be directly related to this independent trade association. If you have not done so please join now. You can do so on the NOA website. If you joined and have not renewed please renew now. The majority of Owners have joined. We need you to join as there is "strength in numbers." Finally, thanks to many of you who have joined and renewed. Remember our fiscal year ends in October. Therefore, you need to renew now.

NBMOA Members:

Please find an informational update from Larry C. Tripplett, Chairman and CEO NBMOA