

ITEM 5
INITIAL FRANCHISE FEE

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 fee; (b) franchisees of locations having 5 years or less of real estate tenure (or 10 years or less of real estate tenure for locations in airports, tollways, hospitals, military bases and malls that are not Satellites) will pay a prorated initial franchise fee based on the term of the franchise; (c) franchisees who rebuild or relocate their restaurants will pay the initial franchise fee less a credit for a portion of the previously paid initial franchise fee, on the earlier of the first of the month after the seventh year after the opening of the rebuilt or relocated restaurant, or the end of the previous franchise term (see Item 7, note 1); (d) franchisees of Satellite locations, who are required to pay a \$500 amendment fee upon opening of the Satellite (except franchisees of Wal*Mart locations, who pay no amendment fee) and an annual fee (see Item 6); (e) franchisees of STO locations pay a \$22,500 lump sum initial franchise fee; and (f) franchisees who have an option to purchase assets under a BFL pay the \$45,000 initial franchise fee when they exercise the option. The entire 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

<u>Name of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Service Fee (1)	4% of Gross Sales (7)	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 (2) (8)	<p>Base Rent: Monthly – Payable on the 1st day of the month. Annual – Payable 60 days after a full calendar year-end.</p> <p>Percentage Rent: Payable monthly on the 10th day of the next month.</p>	For new restaurants, you have an option to select 1 of 2 rent structures—a Fixed Percentage Rent with Monthly Base Rent or Sliding Percentage Rent with Annual Base Rent. If you do not make a selection, the Sliding Percentage Rent with Annual Base Rent will be automatically chosen for you. This choice will be binding upon you.
Advertising and Promotion (3)	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 (4)	Payable monthly on the 10th day of the next month.	
BFL Rent (1)	Varies (5)	Same as Rent above.	
PcPOS Software Maintenance Fee (1)	\$200	Payable annually within 30 days of billing.	Franchisee pays this fee or NewPOS Integration Fee described below.
NewPOS Integration Fee (1)	\$200	Payable annually within 30 days of billing.	Franchisee pays this fee or PcPOS Software Maintenance Fee described above.

<u>Name of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
R2D2 Software Maintenance Fee (1)	\$125	Payable annually within 30 days of billing.	Your participation in the R2D2 program is optional. See Item 11.
Relocation Contribution (1) (9)	\$50,000	On opening of the relocated restaurant.	

- (1) All fees are imposed and collected by and payable to McDonald's. All fees are non-refundable and uniform.
- (2) If you are offered a franchise for a new restaurant, you will be offered an option between 2 rent structures. You must select 1 of the 2 rent structures to be applied for the entire franchise term of the new restaurant. You must choose the rent structure you prefer not later than when you sign the Franchise Agreement. If you do not make a selection, the Sliding Percentage Rent with Annual Base Rent will be automatically chosen for you. This choice will be binding upon you.

The 2 rent structures are as follows:

Fixed Percentage Rent with Monthly Base Rent

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 to a third party landlord. A finance factor is applied to each of these amounts to produce an appropriate return for McDonald's. You must pay this amount every month of the franchise term.

Fixed Percentage Rent

The Fixed Percentage Rent is generally computed as follows:

McDonald's Total Acquisition and Development Costs		Franchisee's
More Than	Up to	Fixed Percentage Rent Rate
\$0.00	\$750,000	8.50%
\$750,000.01	\$780,000	8.75%
\$780,000.01	\$810,000	9.00%
\$810,000.01	\$840,000	9.25%
\$840,000.01	\$870,000	9.50%
\$870,000.01	\$900,000	9.75%
\$900,000.01	\$930,000	10.00%
\$930,000.01	\$960,000	10.25%
\$960,000.01	\$990,000	10.50%
\$990,000.01	\$1,020,000	10.75%
\$1,020,000.01	\$1,050,000	11.00%
\$1,050,000.01	\$1,080,000	11.25%
\$1,080,000.01	\$1,110,000	11.50%
\$1,110,000.01	\$1,140,000	11.75%
\$1,140,000.01	\$1,170,000	12.00%
\$1,170,000.01	\$1,200,000	12.25%
\$1,200,000.01	\$1,230,000	12.50%
\$1,230,000.01	\$1,260,000	12.75%
\$1,260,000.01	\$1,290,000	13.00%
\$1,290,000.01	\$1,320,000	13.25%
\$1,320,000.01	\$1,350,000	13.50%
\$1,350,000.01	\$1,380,000	13.75%
\$1,380,000.01	\$1,410,000	14.00%

McDonald's Total Acquisition and Development Costs	Franchisee's
More Than	Fixed Percentage Rent Rate
\$1,410,000.01	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.

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. Varying Fixed Percentage Rent factors have resulted in an average factor which is used in Item 19, which includes pro forma profit and loss statements.

Sliding Percentage Rent with Annual Base Rent

Annual Base Rent

To calculate the Annual Base Rent, we first determine the Monthly Base Rent in the manner described under the Fixed Percentage Rent description above (except that the finance factor used is lower than that used under Fixed Percentage Rent). The Monthly Base Rent is then multiplied by 12. At the end of a full calendar year, the Annual Base Rent is compared to the total of the Sliding Percentage Rent paid during the full calendar year. If the total Sliding Percentage Rent paid during the year is less than the Annual Base Rent, you are required to pay the difference between these 2 amounts within 60 days after the full calendar year-end.

Sliding Percentage Rent

The Sliding Percentage Rent paid in a month will vary based on a sliding monthly percentage rent chart. The monthly rent chart is based on McDonald's investment and/or rent paid to a third party and the first year's projected sales volume of the restaurant and is the end result of a process by which McDonald's gives consideration to many economic factors including the amounts typically invested by you and McDonald's, 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. *Projected sales are not a guarantee or an expectation of the actual sales of the restaurant.* The Sliding Percentage Rent chart generally will have a range from 3% lower to 2% higher than the Fixed Percentage Rent described above and will have approximately 100 monthly sales tiers.

The percentages used in computing monthly payments of either Fixed Percentage Rent or Sliding Percentage Rent 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.

The rent structures for STO locations are as follows:

Small Town Oil Location Fixed Percentage Rent with Monthly Base Rent

Monthly Base Rent

Monthly Base Rent is calculated in the same manner as described above. You must pay this amount every month of the franchise term.

Fixed Percentage Rent

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

Small Town Oil Location Sliding Percentage Rent with Annual Base Rent

Annual Base Rent

Annual Base Rent is calculated in the same manner as described above. At the end of a full calendar year, the Annual Base Rent is compared to the total of the Sliding Percentage Rent paid during the full calendar year. If the total Sliding Percentage Rent paid during the year is less than the Annual Base Rent, you are required to pay the difference between these 2 amounts within 60 days after the full calendar year-end.

Sliding Percentage Rent

Sliding Percentage Rent is calculated in the same manner as described above. For STO locations, however, the Sliding Percentage Rent chart generally will have a range from 1.5% lower to 1.5% higher than the Fixed Percentage Rent described above and will have approximately 51 monthly sales tiers.

- (3) Not payable to McDonald's. While the McOpCo companies are voting members of the local advertising funds and OPNAD, they do not have controlling voting power.
- (4) The rental charged for a Satellite is determined on a case-by-case basis by McDonald's management. The rent will vary depending on McDonald's investment, rent paid to the head landlord, length of term, projected profitability and return on investment.
- (5) You will not have an opportunity to select a rent option under the BFL. All BFLs will have a Sliding Percentage Rent with Annual Base Rent. See this Item, note 2.
- (6) 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 restaurants, which includes the initial franchise fee, ranges from \$700,000 to \$1,096,000. The minimum option price for existing restaurants is determined by McDonald's on a case-by-case basis. The option price paid may also be higher than the minimum depending on Gross Sales of the restaurant for the 12 months immediately preceding the option exercise.
- (7) 4.5% of Gross Sales in Alaska, Hawaii, Puerto Rico, the Virgin Islands, Guam and the Northern Mariana Islands. Restaurants in Puerto Rico and the Virgin Islands also pay a refundable \$15,000 security deposit.
- (8) We have adopted a policy that takes into account any co-investment you make in the site for purposes of determining the Fixed Percentage Rent for a new restaurant. This policy does not apply to Sliding Percentage Rent. You are not required to participate under this policy. If you elect to co-invest, the amount of your additional investment under this policy is up to you and is in addition to initial investment described in Item 7. The criteria and terms of this policy are listed below. We may apply, modify or terminate this policy at any time at our discretion.

Criteria:

This policy is applicable when the following criteria are met: (a) the restaurant is a new or relocated restaurant; (b) our development costs are more than \$1,050,000; (c) the Fixed Percentage Rent is over 11%; (d) our real estate tenure at the location is at least 20 years; (e) your franchise for the restaurant is 20 years; (f) if the restaurant is on property leased by us, we do not pay any percentage rent to our landlord; and (g) you must have at least 25% of the co-investment amount in unencumbered cash.

Terms:

The principal terms are as follows: (a) for each full incremental additional investment by you of \$30,000, your Fixed Percentage Rent will be reduced by .25% to a minimum stated percentage rent of 11%; (b) you must pay the additional investments to us; (c) you may pay the additional investments in cash or you may finance them, for up to 7 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 (d) we will retain full ownership of, and legal title to, the building and leasehold improvements; but you will get the tax benefits associated with your co-investment amount. If your Fixed Percentage Rent is over 14%, these terms will be decided on a case-by-case basis.

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

**ITEM 7
INITIAL INVESTMENT**

	<u>Amount</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is to be Made</u>
Initial Franchise Fee	\$45,000 (1) \$22,500 (1) (10) \$0 to \$500 (2) (12)	Lump Sum	On opening (1)	McDonald's
Opening Inventory	\$9,000 to \$25,000 \$9,000 to \$17,000 (10) \$5,750 to \$10,750 (2)	Lump Sum	Before Opening	Vendors
Real Estate and Building – 3 Months' rent (3)	Base Rent \$750 to \$297,000 (8) \$750 to \$25,500 (8) (10) \$150 to \$61,650 (2) (8) Percentage Rent 0% to 40.50% (11) 0% to 18.50% (10) 0% to 27.30% (2)	Monthly	Base: Before Opening (9) Percent: 10th of following month	McDonald's
Signs, Seating, Equipment and Decor	\$655,000 to \$1,051,000 (4) \$381,000 to \$604,000 (4) (10) \$50,000 to \$488,000 (2) (4)	Lump Sum	Before Opening	Vendors
Miscellaneous Opening Expenses	\$18,000 to \$44,000	As Incurred	As Incurred	Vendors Utilities
Travel and Living Expenses While Traveling	\$3,000 to \$12,000 (5)	As Incurred	As Incurred	Airlines Hotels Restaurants
Additional Funds – 3 Months	\$0 to \$75,000 (6) \$0 to \$75,000 (6) (10) \$0 to \$35,000 (2) (6)	As Incurred	As Incurred	Employee Suppliers Utilities
TOTAL (7)	\$730,750 to \$1,549,000 (3) (7) \$434,250 to \$800,000 (7) (10) \$76,900 to \$651,900 (2) (7)			

- (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. This does not apply to franchisees in Puerto Rico or the Virgin Islands. Franchisees of STO locations pay a lump sum initial franchise fee of \$22,500.
- (2) Applies to Satellites.
- (3) 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.
- (4) 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.

If you elect to purchase a Redbox Kiosk before March 31, 2008, the purchase price generally will not exceed \$18,900 for an indoor Kiosk or \$33,100 for an outdoor Kiosk (see Item 8). However, in certain areas, costs may be higher due to factors such as the cost of obtaining permits. Kiosks are not required, and may not be offered in your area.

- (5) Cost varies due to distances from Regional Offices and Oak Brook, Illinois, and costs of living in various areas of the country.
- (6) You may or may not need capital to support ongoing expenses, such as, initial employee wages, in-store training expenses, utilities, property taxes, supplies, 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 location. Restaurants opening in the cold weather months may be more likely to need capital in the initial 3-month period because restaurant sales are typically lower in the winter months.
- (7) We have relied on the combined 52 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.
- (8) Special site restaurants may be higher.
- (9) If you select the Sliding Percentage Rent with Annual Base Rent, no base rent is due before opening. See Item 6, note 2.
- (10) Applies to STO locations.
- (11) See Item 6, note 8.
- (12) See Item 5.