

**ITEM 11**  
**FRANCHISOR'S OBLIGATIONS**

Except as listed below, we need not provide any assistance to you.

Pre-Opening Obligations of McDonald's:

- 1) Construct or have others construct, remodel or otherwise prepare the premises for the McDonald's restaurant in accordance with our then-current plans and specifications and with local ordinances and building codes. We will

deliver the premises to you when they are sufficiently completed to allow you to install, at your sole cost and expense, the signs, trade fixtures, equipment and other personal property and improvements necessary to complete the premises for operation of a McDonald's restaurant. If the restaurant has not been constructed or is not ready for occupancy when the Franchise Agreement is executed, we will use our best efforts to expedite the construction. We either own the premises or lease it from the owner and lease or sublease the premises to you (Franchise Agreement – Section 9, Operator's Lease – Section 2.06).

- 2) Prescribe detailed specifications for purchasing, preparation and service, and make available to you names of approved sources of supply. We do not sell or lease to you equipment, signs, fixtures, opening inventories or supplies or deliver or install these items except as noted in Item 8 or when we sell or lease an ongoing business to you (Franchise Agreement – Sections 3, 12(b), 12(i), Operator's Lease – Section 2.04). See Items 8 and 9.
- 3) Provide our training program to you, which includes your enrolling your managers at Hamburger University or other training centers. The training program is more fully described in this Item below (Franchise Agreement – Sections 4, 6).
- 4) McDonald's will allow you to view McDonald's Operations and Training Manual (the "O&T Manual") before you purchase the franchise (Franchise Agreement – Section 4). See Item 11 and Operational Obligations of McDonald's below.

#### Operational Obligations of McDonald's:

- 1) Advise and consult with you periodically and at other reasonable times upon your request in connection with the operation of the restaurant. We will communicate to you our knowledge of new developments, techniques and improvements in areas of restaurant management, food preparation and service which are pertinent to the operation of a restaurant using the McDonald's System. The communications will be accomplished by visits by operations consultants, printed and filmed reports, seminars, and newsletter mailings. We will make available to you all additional services, facilities, rights and privileges relating to the operation of the restaurant that we make generally available to all our franchisees operating McDonald's restaurants (Franchise Agreement – Section 3).
- 2) Make available to you the O&T Manual and any other business manuals prepared and modified by us for use by our franchisees in connection with the operation of a McDonald's restaurant. These manuals contain detailed information including: (a) required operations procedures; (b) methods of inventory control; (c) bookkeeping and accounting procedures; (d) business practices and policies; and (e) other management and advertising policies (Franchise Agreement – Section 4).

#### Advertising Programs:

We employ advertising and marketing 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. For new restaurants, we encourage 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 a requirement of the Operator Involvement standard, which is one of the National Franchising Standards you must meet in order to be eligible to be considered for growth and rewrite. Also, if you decide not to participate in a cooperative, you may not be able to 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 1.65% of sales, for a designated period. Each local cooperative establishes its own separate contribution rate and time period for its fund. If you join a local cooperative, you contribute at the same rate as each other member of the cooperative with similar restaurants or restaurants located in the same general area.

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

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

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

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.

#### Computer Systems:

Most POS computer systems are provided to the McDonald's System by our approved technology suppliers, PAR Technology, Inc. (PAR), and Panasonic. Mid America is an approved technology supplier of PAR and Panasonic equipment. The hardware and software components used in these systems have been tightly integrated to the service and production systems of the McDonald's restaurants. The register systems use industry standard personal computer components and software programs, called PcPOS and NewPOS, which are licensed to approved suppliers by McDonald's to be made available to McDonald's restaurants. PcPOS is the proprietary property of McDonald's, and NewPOS is approved by McDonald's. The vendor for NewPOS is Torex LLC, 2 Trans Am Plaza Drive, Suite 160, Oakbrook Terrace, IL 60181, 630-376-0820. The IN STORE PROCESSOR (ISP), which is purchased through SEI Technology, Inc. (at 1520 Kensington Road, Suite 310, Oak Brook, IL 60523, 630-413-5050), uses industry-standard server computer hardware that operates with software that is the proprietary property of McDonald's. We receive a fee from the approved supplier when the licensed software is made available to you and receive from you an annual maintenance or integration fee. See Items 6 and 8.

McDonald's Regional Restaurant Data Diagnostics system (R2D2) can be used to provide you highly focused, actionable reports to help you improve your restaurant operation. If you elect to use the R2D2 software, you agree to pay the annual subscription fee. See Item 6. Upon your enrollment, we will install R2D2 software that runs on your McDonald's approved ISP. R2D2 software collects and transmits information that is used to generate reports you request. Unless we obtain prior authorization from you, we will not access any restaurant-specific information other than for aggregated reporting purposes.

McDonald's Connection is a restaurant-based technology initiative which utilizes a restaurant's eLearning PC and high speed connectivity solution to deliver digital information in a distributed manner via the internet. Your use of this technology is optional. Potential types of information include: Nuts and Bolts Integration Team (NABIT) material, eLearning software updates, O&T manuals and key restaurant messaging (newsletters, videos, etc.). There is also a platform management component to this solution, as these PCs will require patching, anti-virus updates and support to keep them in working

condition. McDonald's Connection is purchased through Ignite Technologies, 3211 Internet Blvd., Suite 300, Frisco, TX 75034, 972-348-6400. We receive a fee from the approved supplier when you elect to participate in this initiative.

Software costs are integrated into the cost of the PcPOS, NewPOS and ISP Systems. In 2002, the PcPOS and ISP software were combined and called Store Systems. The term "Store Systems" describes the combined software application suite deployed at the restaurant. McDonald's uses progressive numeric release numbers to indicate where a product is in its life cycle. McDonald's currently requires Store Systems 2.7 or higher as its standard Store Systems platform. Enhancements to hardware and software components of Store Systems are made available by McDonald's and McDonald's approved suppliers for purchase by the franchisee, who is required to update or upgrade the system periodically to meet McDonald's System's standards. Normal Store Systems software upgrades based on an established enhancement request process are included in your annual maintenance fee as determined by McDonald's. However, if the Store Systems platform changes significantly, a one-time fee must be paid by the franchisee. You may choose from the approved supplier or approved independent third parties for installation, maintenance, repair and support services at varying costs.

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

Restaurants that are currently operating older, previously approved POS systems (such as Panasonic II+, PAR II, 386 based PcPOS, PcPOS without ISP, or PcPOS with ISP but not running the current version of Store Systems) are required to replace or upgrade to the current version of Store Systems. Restaurants operating with any other unapproved POS system were required to replace the unapproved POS system with Store Systems 2.7 or higher by January 1, 2007. McDonald's will not approve any franchise transfer, issue any new term Franchise Agreement or offer any rewrite if the restaurant is not using Store Systems 2.7 or higher.

The Store Systems 2.7 or higher software is generally used in the restaurant to efficiently and accurately process customer orders by integrating production and service systems in the restaurant and to compile information including sales, transactions, product mix and cash control. It may also be used to compile additional inventory, labor and payroll information used in managing the restaurant. It may also be used in connection with the Cashless and Gift Card Systems. We have independent access to the information and data provided by your POS system. Although there are no contractual limitations on our right to access this information and data, it is our intention to access it only for purposes of restaurant improvement, inventory management and other business purposes. You must provide us with monthly statements of all receipts from the restaurant operation; monthly operating and financial statements, including a profit and loss statement and balance sheet; and additional financial, operating and other information on forms and in the manner we reasonably request, which may include independent access to sales, transactions, product mix and inventory information. You must keep and preserve on the restaurant premises full and complete written books and records of the restaurant's Gross Sales for at least 3 years in a manner and form satisfactory to us. The books and records include cash register tapes, over-ring slips, sales journals, general ledger, profit and loss statements, balance sheets, cash sheets, purchase invoices, bank statements with cancelled checks and deposit advices, corporate and management company books and records, and federal and state tax returns. We are not obligated to provide assistance to you in obtaining the above items or services (Franchise Agreement – Section 10, Operator's Lease – Sections 3.02, 3.03). See Items 6 and 7.

The Integrated Cashless System can be used to accept credit and debit card purchases by customers. If you elect to use the Integrated Cashless System, you must purchase the hardware and software that we specify (including card readers, cables and related hardware) from our designated supplier (which is currently Verifone, Inc. at 2475 Northwinds Parkway, Suite 500, Alpharetta, GA 30004, 770-410-0890). The required hardware and software, which is not proprietary to us or any affiliate, has been used continuously in McDonald's restaurants since June 2003. You must also sign an agreement with our designated transaction processor (see Item 8), and we recommend that your restaurant have McDonald's approved high-speed internet access. No other hardware, software, or suppliers are currently approved for the Integrated Cashless System. Your POS system and the transaction processor will collect your Cashless transaction information. We will not have independent access to any restaurant-specific transaction information, and we are not responsible for it. However, we will have access to aggregated transaction information generally.

The Gift Card System can be used to offer customers the ability to buy and make purchases with gift cards. If you elect to use the Gift Card System, you must sign a subscription agreement with P2W, Inc., which manages the system (see Item 8), and you must purchase specified hardware (including card readers, cables and related hardware) from a designated supplier. This hardware, which is not proprietary to us or any affiliate, has been used continuously in McDonald's restaurants since June

2004. You must also sign an agreement with a designated transaction processor (see Item 8). No other hardware or 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. We will not have independent access to any restaurant-specific Gift Card System transaction information, and we are not responsible for it. However, we will have access to aggregated Gift Card System transaction information generally.

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.

#### Site Selection:

- 1) We select the site for location of the restaurant premises and negotiate the location's purchase or lease. You do not select or approve restaurant sites. You will not sign a Franchise Agreement unless we have already selected the site.
- 2) We utilize our judgment and experience in selecting locations for McDonald's restaurants based upon population density, traffic 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:

- 1) In the usual course of business, the Franchise Agreement (or if applicable, Satellite amendment) 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 is payable on the opening of the restaurant. A Satellite amendment fee is payable on the opening of the Satellite (other than for Wal\*Mart locations). No monthly fees accrue until the restaurant opens for business. See Items 5, 6 above.
- 2) 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 or Satellite amendment, and have delivered the agreements to us with payment of the initial franchise fee or Satellite amendment fee, if applicable.

#### Training:

- 1) McDonald's operates Hamburger University, the international training center for the McDonald's System. The content and duration of all operations courses, which are offered at various local sites, are constantly being revised and reconsidered to meet the needs of the franchisees. All courses and learning events are offered at frequent intervals and are designed to give you specific skill sets in the various facets of the conduct of a McDonald's restaurant, including such areas as equipment, standards, controls and leading people. The basic minimum core training which must be completed to be considered qualified to operate a McDonald's restaurant is known as the "Restaurant Management Curriculum".

In addition to the above classes, the training also occurs at a McDonald's restaurant, including hands-on and self-directed learning, and is monitored by a McDonald's business consultant (or other assigned person). Typically, the training takes place on a part-time basis and spans 9 to 24 months, but a 36-month training time is not uncommon. The entire curriculum is skill-based and your experience may vary depending on the verification of your skills in the restaurant.

The complete training program and materials include many elements. There are volumes of written material, formal and informal classroom and/or computer-based learning, on-site restaurant instruction, use of audio and visual aids, practical laboratory applications, and verifications with respect to all materials. The training method and manner are tailored to individual circumstances. As part of the training program, you must master all of the crew and management functions at the restaurant. This is accomplished by actually performing the crew and management

stations at the restaurant. You do not receive compensation during the training program. McDonald's does not charge you a fee to complete the basic minimum core training provided at our designated training centers, which you must complete to be considered qualified to operate a McDonald's restaurant.

You are required to attend the Restaurant Operations Leadership Practices course and the Business Leadership Practices course conducted at Hamburger University. Both must be completed to McDonald's satisfaction before you obtain a franchise for a McDonald's restaurant. You are instructed by experts experienced in the operation and management of McDonald's restaurants. You must be fully trained, in McDonald's sole judgment, before you acquire a restaurant.

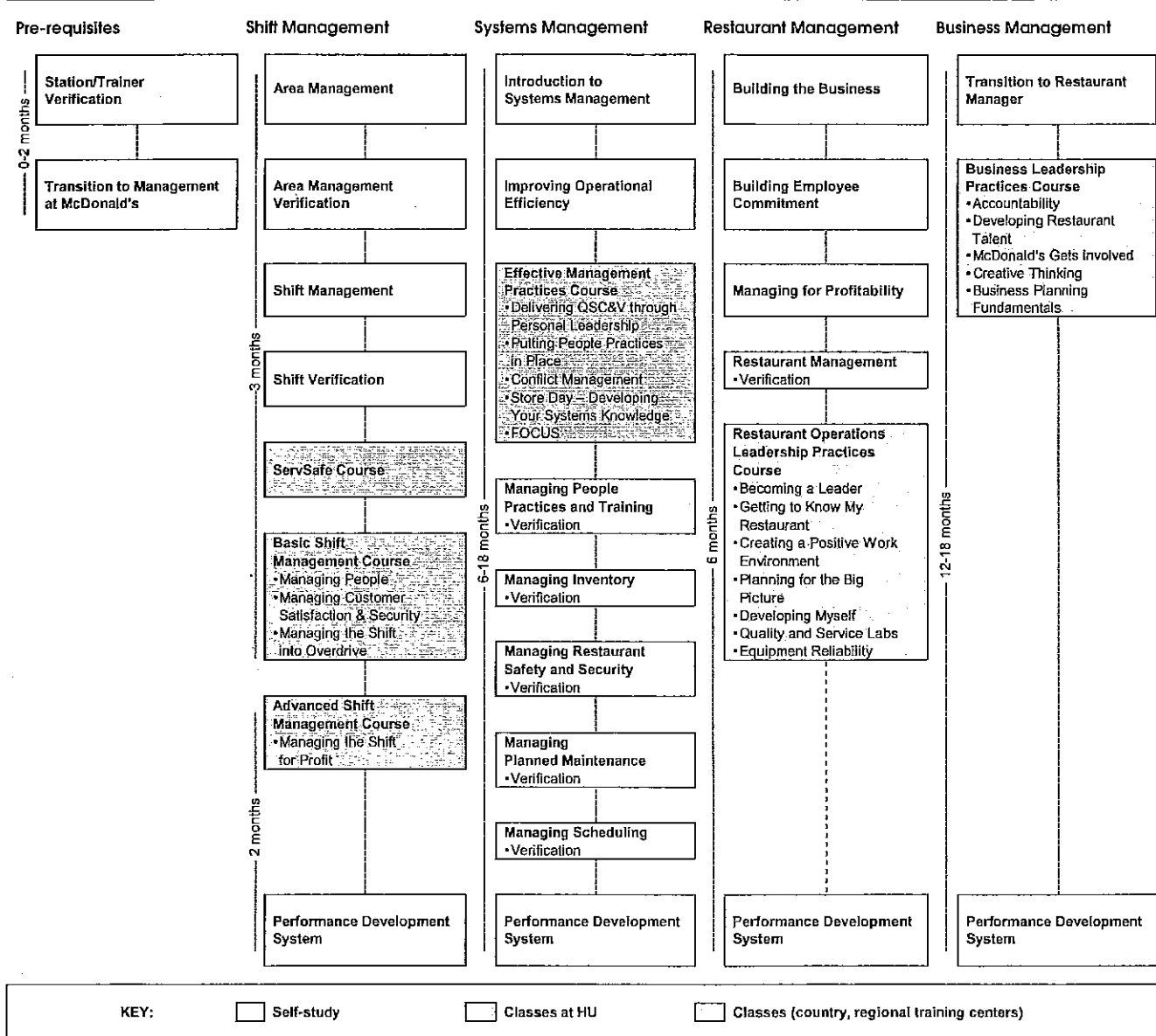
At the opening of your restaurant, an operations consultant will spend time with you providing assistance and refinement of previous training and instruction.

- 2) You must successfully complete the training program before signing the Franchise Agreement or paying any money to McDonald's.
- 3) The experience of the instructors in the McDonald's restaurant business averages 5 or more years. Instructors include the Dean of Hamburger University, Hamburger University Professors and Regional Training Consultants.
- 4) McDonald's bears the cost of maintaining Hamburger University and other designated training centers associated with providing basic and advanced instruction in the Restaurant Management 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 Hamburger University or other training facilities. You may also be charged a fee to cover McDonald's costs of providing certain training and related materials other than those associated with the Restaurant Management 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.
- 5) There are no further mandatory training requirements for you. However, annual meetings, conventions, various workshops, and other training sessions may be conducted on an ongoing basis within each region; and McDonald's may require you to pay for the costs associated with that ongoing training. Additionally, optional courses may be offered to you or your employees for a fee. You are responsible for the costs of traveling, living, compensation and other expenses incurred by you and your employees in connection with attendance at all ongoing training.
- 6) In addition to Hamburger University 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.
- 7) Before entering the training program, you must sign a Preliminary Agreement, which is attached to this offering circular as Exhibit H. 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 you will not be an employee of McDonald's or any McDonald's franchisee.
- 8) The Restaurant Management Curriculum includes, but is not limited to:
  - (a) Self-Study Modules: These self-directed "hands-on" modules provide initial training, practice and verification. Performance objectives and verification procedures are clearly defined, and video tapes, computer-based training, and workbooks improve initial training and practice. The components are self-directed; however, the restaurant manager and a McDonald's business consultant (or other assigned person) will monitor the training.

- (b) **Facilitated Courses:** Hands-on training is supported and reinforced by facilitated courses. The courses emphasize participant involvement. Interactive problem solving, small work group, and skill-building activities provide an opportunity to practice new skills and obtain feedback from peers and instructors.
- (c) **Equipment Training:** Self-directed equipment training and instructor-led support is provided based on system needs.

**Training Flow:** The recommended methods and time frames for training, practice and verification have been determined to ensure that you receive the right training at the right time. The following chart shows the components of the Restaurant Management Curriculum and their relationship to one another.

### Restaurant Management Curriculum



### 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. 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 below) in any other channel of distribution and may sell other similar goods and services under other trademarks and service marks. Internal policies which McDonald's may apply and modify periodically in connection with decisions to develop new restaurants are not part of the Franchise Agreement and do not involve any contract right granted to you.

We have affiliates that operate and franchise restaurant businesses under other trademarks and trade names. See Item 1. Any of these restaurant businesses may operate in close proximity to your McDonald's restaurant and compete with you for customers. *Because we are a separate company and we do not grant exclusive territories to our franchisees, we do not anticipate any conflicts between our franchisees and our affiliates' franchisees. If any conflicts should arise, however, we may review them and take the actions (if any) that we deem appropriate.*