

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this offering circular. You should remember that the franchise consists of a Franchise Agreement and Exhibit B 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.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a. Term of the franchise	Section 2	Traditional term is generally 20 years. Satellite term varies. STO term is generally 10 years. BFL term is generally 3 years.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
b. Renewal or extension of the term	Section 28(a) See Exhibit J for explanation of McDonald's current Rewrite Policy	You have no right to extend or renew. The Rewrite 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.
c. Requirements for you to renew or extend	None	You have no right to extend or renew.
d. Termination by you	None	
e. Termination by McDonald's without cause	None	
f. Termination by McDonald's 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 – defaults which can be cured	None	
h. "Cause" defined – defaults which cannot be cured	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; and repeated other breaches.
i. Your 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 below).

	<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
j.	Assignment of contract by McDonald's	None	Assignable by McDonald's as a matter of common law; no separate provision required.
k.	"Transfer" by you – definition	Sections 15 and 19	Includes direct, indirect or contingent transfer, in whole or in part, of any interest in the franchise.
l.	McDonald's approval of transfer by franchisee	Section 15	Transfers require McDonald's approval, subject to the terms stated in the Franchise Agreement and <i>our Assignment Agreement</i> (see Exhibit G). Also see Note 2.
m.	Conditions for McDonald's 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.	McDonald's right of first refusal to acquire your business	Section 15(c)	McDonald's can match any offer for your business.
o.	McDonald's option to purchase your 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.	Your death or disability	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 above) 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.
u.	Dispute resolution by arbitration or mediation	None	
v.	Choice of forum	None	

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
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	We are not obligated by the Franchise Agreement to do so, but if an existing McDonald's franchise is transferred to you (in other words, if you purchase an existing restaurant from another franchisee) with our approval, there is less than 10 years left on the original franchise term, there is sufficient real estate tenure, and the restaurant has not been identified as a candidate for rebuild or relocation within 3 years, we may offer you a new 20-year franchise term. You also must have fully completed any required reinvestment within the time frame established by us. In this case, a rent adjustment and a prorated initial franchise fee may apply based on the new term.	
Note 3	Under a BFL franchise, if you have a conditional option to purchase certain restaurant assets, the conditions are met, and you exercise the option, your franchise will be extended for up to 20 years after the beginning of the term (based on available real estate tenure).	

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

<u>Provision</u>	<u>Section in Operator's Lease</u>	<u>Summary</u>
a. Term of the franchise	Section 1.01	
b. Renewal or extension of the term	None	
c. Requirements for you to renew or extend	None	
d. Termination by you	None	
e. Termination by McDonald's without cause	None	
f. Termination by McDonald's with cause	Section 7.04	McDonald's can terminate only if franchise defaults.
g. "Cause" defined – defaults which can be cured	Section 7.04	You have 10 days to cure default of any covenant or agreement other than that listed in h below.
h. "Cause" defined – defaults which cannot be cured	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. Your obligations on termination/non-renewal	Sections 5.02 and 7.04	Subject to the option contained in the Franchise Agreement remove all equipment and fixtures, continue to pay rent on termination.

	<u>Provision</u>	<u>Section in Operator's Lease</u>	<u>Summary</u>
j.	Assignment of contract by McDonald's	None	Assignable by McDonald's as a matter of common law; no separate provision required.
k.	"Transfer" by you – definition	None	
l.	McDonald's 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 above for Franchise Agreement).
m.	Conditions for McDonald's approval of transfer	None	See l and m above for Franchise Agreement.
n.	McDonald's right of first refusal to acquire your business	None	See n above for Franchise Agreement.
o.	McDonald's option to purchase your business	None	See o above for Franchise Agreement.
p.	Your death or disability	None	See p above for Franchise Agreement.
q.	Non-competition covenants during the term of the franchise	None	See q above for Franchise Agreement.
r.	Non-competition covenants after the franchise is terminated or expires	None	See r above for 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.
u.	Dispute resolution by arbitration or mediation	None	
v.	Choice of forum	None	
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).

These states have statutes which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and any offer of a new term Franchise Agreement at the expiration of your franchise: ARKANSAS [Ark. Code Sections 4-72-201 to 4-72-210], CALIFORNIA [Bus. & Prof. Code Sections 20000 to 20043], CONNECTICUT [Gen. Stat. Sections 42-133e to 42-133h], DELAWARE [Code Sections 2551 to 2556], HAWAII [Rev. Stat. Section 482E-6], IDAHO [Code Section 29-110], ILLINOIS [815 ILCS Sections 705/19 and 705/20], INDIANA [Stat. Sections 23-2-2.5 and

23-2-2.7], IOWA [Code Section 537 A.10], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Sections 75-24-51 to 75-24-63], MISSOURI [Rev. Stat. Sections 407.400 to 407.420], NEBRASKA [Rev. Stat. Sections 87-401 to 87-410], NEW JERSEY [Rev. Stat. Sections 56:10-1 to 56:10-12], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code Section 13.1-564], WASHINGTON [Code Section 19.100.180], and WISCONSIN [Stat. Sections 135.01 to 135.07]. These and other states may have court decisions that may supersede the Franchise Agreement in your relationship with us, including the areas of termination and any offer of a new term Franchise Agreement at the expiration of your franchise.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
EARNINGS CLAIMS

Of the approximately 11,450 domestic traditional McDonald's restaurants opened at least 1 year as of December 31, 2006, approximately 68% had annual sales volumes in excess of \$1,800,000; approximately 55% had annual sales volumes in excess of \$2,000,000; and approximately 41% had annual sales volumes in excess of \$2,200,000 during 2006. The average annual sales volume of domestic traditional McDonald's restaurants open at least 1 year as of December 31, 2006, was \$2,114,000 during 2006. The highest and lowest annual sales volume in 2006 for these domestic traditional McDonald's restaurants was \$7,933,000 and \$332,000, respectively.

The pro forma statements included show annual sales volumes of \$1,800,000, \$2,000,000 and \$2,200,000. 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 8,709 independent franchisee traditional restaurants open and operated by a franchisee for at least 1 year. **A FRANCHISEE'S INDIVIDUAL FINANCIAL RESULTS MAY DIFFER FROM THE RESULTS STATED IN THE PRO FORMA STATEMENTS FOR THE REASONS DESCRIBED IN THIS ITEM OR FOR OTHER REASONS.** Substantiation of the data used in preparing the 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)	\$1,800,000	100.0%	\$2,000,000	100.0%	\$2,200,000	100.0%
TOTAL COST OF SALES	542,000	30.1%	599,000	30.0%	656,000	29.8%
GROSS PROFIT	1,258,000	70.0%	1,401,000	70.1%	1,544,000	70.2%
OTHER OPERATING EXPENSES (excluding rent, service fees, D&A, interest and income taxes)*	775,000	43.1%	840,000	42.0%	905,000	41.1%
OPERATING INCOME BEFORE OCCUPANCY COSTS (excluding rent, service fees, D&A, interest and income taxes) (see Note 3)**	483,000	26.8%	561,000	28.1%	639,000	29.1%

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

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

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

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

Note 1 — Data for McOpCo company restaurants is not included in the pro forma statements because of certain expenses that are typically incurred by a McOpCo-operated restaurant that are not incurred by restaurants franchised to individuals. If data for McOpCo-operated restaurants open 13 or more months 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 \$476,000 to \$630,000.

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.

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 percents in 2006 for franchised restaurants was 0% to 32%. Refer to Item 6 for a description of rents.