

McDonald's

Franchise Disclosure Document Analysis

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Executive Summary

McDonald's USA, LLC franchises and operates quick-service restaurants under the McDonald's brand, with approximately 95% of its roughly 13,559 U.S. locations operated by independent franchisees under a system that includes traditional, Satellite, STO, STR, and BFL franchise types. The total estimated initial investment for a traditional McDonald's franchise ranges from \$1,471,000 to \$2,728,000, covering equipment, signage, decor, inventory, and operating reserves, with the franchisor retaining ownership of the real estate and leasing it back to franchisees. Ongoing fees include a royalty of 4%–5% of Gross Sales, a minimum advertising contribution of 4% of Gross Sales (including an OPNAD contribution currently at 2.25%), and significant recurring costs payable to a franchisor affiliate in the form of rent structured as a monthly base rent plus a fixed percentage of gross sales. A distinguishing characteristic of this franchise is that McDonald's selects all restaurant sites, owns or controls the real estate, and leases the premises back to franchisees under an Operator's Lease tied to the Franchise Agreement, meaning franchisees have no independent real estate rights and the lease terminates automatically upon franchise termination.

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HIGH · Item 12

No Exclusive Territory Granted to Any Franchisee

McDonald's grants franchisees rights only to operate at a specific restaurant location and provides no exclusive territory, protected area, or right to prevent competing McDonald's outlets nearby.

COMMERCIAL CONCERN

Without any territorial protection, McDonald's retains the contractual right to open new company-owned or franchised restaurants that directly compete with an existing franchisee's customer base, with no obligation to compensate the affected franchisee. Internal development policies referenced in the FDD explicitly do not create any contractual right and may be changed at any time. This means a franchisee investing \$1.4M–\$2.7M has no assurance that a competing McDonald's will not be opened nearby, potentially cannibalizing sales and undermining the return on investment. The combination of no territory protection and McDonald's rights to sell products through alternative channels (e.g., McCafe packaged coffee in supermarkets) further limits the franchisee's exclusive commercial opportunity.

RECOMMENDED DILIGENCE

- Ask McDonald's field representatives whether any informal proximity policies exist and request written confirmation of current development practices in the target market area.
- Review Item 20 state-by-state outlet data to assess the density of existing McDonald's locations near the proposed restaurant site.
- Model the impact of a new competing McDonald's opening within 1–3 miles on projected annual sales volumes before committing to the investment.
- Speak with current franchisees in the same geographic market about their experience with nearby restaurant openings and any sales impact observed.

Source: Item 12 (p.45)

HIGH · Item 17

Franchisor Controls Site and Lease Leaving Franchisee Without Real Estate Rights

McDonald's owns or controls the real estate and leases it back to franchisees via an Operator's Lease that terminates automatically when the Franchise Agreement ends, leaving franchisees with no independent property rights.

COMMERCIAL CONCERN

Because McDonald's controls the real estate, a franchisee who loses their franchise for any reason—including non-renewal at McDonald's discretion—loses access to the premises immediately, with no ability to continue operating the business, sublease, or sell the real estate independently. This structure means the franchisee's entire capital investment in equipment, signage, and decor is exposed to forfeiture upon termination or non-renewal, since those assets are secured under the Bank of America loan guarantee program and tied to the restaurant premises. The rent structure—base rent plus fixed percentage rent on gross sales—creates a significant recurring cost that escalates with revenue, meaning franchisees pay more in rent as their sales grow, compressing operating margins. Prospective buyers should understand that they are acquiring a license to operate at a location McDonald's controls, not a real estate-backed business with independent asset value.

RECOMMENDED DILIGENCE

- Review the Operator's Lease (Exhibit G) in full with a franchise attorney to understand all termination triggers and the relationship between lease termination and franchise termination.
- Model total occupancy costs as a percentage of projected gross sales across multiple sales scenarios, including at average system sales of approximately \$3.97M.
- Ask McDonald's for the blended effective rent rate (base plus percentage) at comparable existing restaurants before signing.
- Speak with current franchisees about actual rent-to-sales ratios and whether rent escalation has materially affected profitability over the term.

Source: Item 17 (p.51); Item 6 (p.14)

HIGH · Item 17

Renewal Requires Then-Current Agreement With Potentially Different Terms

Franchisees have no contractual right to renew their franchise; McDonald's may offer a new term at its sole discretion, and any new term requires signing the then-current Franchise Agreement, which may contain materially different fees, standards, and obligations.

COMMERCIAL CONCERN

A franchisee who invests \$1.4M–\$2.7M in a traditional McDonald's must complete their 20-year term without any guarantee that a renewal will be offered, and if an offer is made, it will require executing the then-current franchise agreement with whatever terms are in effect at that time, including potentially higher royalty rates or revised rent structures. As a condition of receiving a new term offer, franchisees are typically required to update the restaurant to current standards (at their own cost) and sign a general release of all claims against McDonald's, eliminating any ability to challenge prior conduct. The 20-year initial term may appear long, but given the capital-intensive nature of periodic required remodels and system upgrades during the term, a franchisee's net return could be substantially reduced if renewal is denied or offered only on significantly less favorable terms. This structure places the franchisee entirely at McDonald's discretion at the end of the term, with no independent leverage.

RECOMMENDED DILIGENCE

- Review Exhibit K (New Term Policy) carefully with a franchise attorney to understand exactly what conditions McDonald's applies when deciding whether to offer a new term.
- Ask McDonald's what percentage of franchisees who requested a new term in the last five years received one, and on what terms.
- Model the economics of the franchise assuming no renewal is granted and determine whether the investment can be recovered within the initial 20-year term.
- Confirm what remodeling or capital investment obligations may be required as a condition of receiving a new term offer.

Source: Item 17 (p.50)

MEDIUM · Item 17

Broad Post-Term Non-Compete Restricts Industry Participation

The Franchise Agreement imposes a post-termination non-compete that restricts franchisees from participating in competing quick-service restaurant businesses for 18 months within 10 miles of any McDonald's system location.

COMMERCIAL CONCERN

The non-compete applies for 18 months following termination and extends to a 10-mile radius around any McDonald's system location—not just the franchisee's own restaurant—which in densely populated markets could effectively prohibit participation in the fast-food or quick-service restaurant industry across an entire metropolitan area. The restriction is framed broadly enough to potentially cover involvement as a creditor, investor, or landlord in a competing concept, limiting the franchisee's ability to redeploy capital after the franchise relationship ends. Given that McDonald's has over 13,500 U.S. locations, the geographic reach of the non-compete based on proximity to any system location could render it functionally national in scope in major urban markets. Enforceability varies significantly by state, and a franchisee who does not proactively assess this risk before signing may face significant legal costs if they later wish to operate in the restaurant sector.

RECOMMENDED DILIGENCE

- Ask counsel to assess enforceability of the non-compete under applicable state law, particularly in states with strong public policy limitations on post-employment or post-franchise restrictions.
- Map the 10-mile radius around all nearby McDonald's locations to understand the practical geographic scope of the restriction in the target market.
- Seek to negotiate a narrower non-compete scope tied only to the franchisee's specific restaurant location rather than all system locations.
- Review the definition of 'competing business' in the Franchise Agreement to understand whether passive investments or landlord roles are explicitly excluded.

Source: Item 17 (p.52)

MEDIUM · Item 11

Advertising Fund Governance Gives Franchisor Sole Spending Discretion

Franchisees are required to contribute at least 4% of Gross Sales annually to advertising and promotion, but McDonald's retains sole discretion over how funds are spent, and the fund is not subject to independent audit or proportional spending requirements.

COMMERCIAL CONCERN

The FDD confirms that McDonald's does not maintain a traditional advertising fund and that OPNAD contributions (currently 2.25% of sales) are managed at the cooperative level, but the overall minimum 4% advertising obligation is unilaterally controlled with no contractual requirement that spending benefit the franchisee's specific market. There is no disclosed requirement that advertising funds be audited by an independent auditor, no obligation to spend funds proportionally across the system or in proportion to franchisee contributions by region, and McDonald's retains sole discretion over all national advertising spending decisions. This means a franchisee in a smaller market could be contributing millions of dollars annually in advertising fees while receiving disproportionately less benefit from national campaigns compared to higher-density urban markets. The inability to verify fund expenditure or challenge allocation decisions is a material limitation on the franchisee's ability to assess the return on their advertising contribution.

RECOMMENDED DILIGENCE

- Review the OPNAD cooperative agreement and any local co-op agreements to understand governance, voting rights, and spending accountability mechanisms.
- Ask McDonald's for historical breakdowns of national versus local advertising spend and how funds have been allocated across markets.
- Confirm whether franchisees have any voting rights or representation on committees that govern advertising fund spending priorities.
- Speak with current franchisees about the effectiveness of the advertising programs and whether local co-op contributions have generated measurable sales lift.

Source: Item 11 (p.38); Item 6 (p.13)

MEDIUM · Item 19

Financial Performance Data Does Not Show Full Franchisee Profitability

Item 19 discloses annual gross sales data for approximately 12,572 traditional restaurants but does not provide full franchisee-level profit and loss statements, making it difficult to assess actual owner earnings after all costs.

COMMERCIAL CONCERN

The disclosed average annual sales of \$3,966,000 for franchised traditional restaurants represents total revenue, not net income to the franchisee—and does not account for the significant occupancy costs (base rent plus percentage rent), royalties of 4%–5% of gross sales, advertising contributions of at least 4% of gross sales, labor, food, and operating costs that franchisees bear. The pro forma statements provided at \$3M–\$3.4M sales levels show operating income before occupancy costs of \$734,000–\$879,000 (24.5%–25.9% of sales), but occupancy costs for a McDonald's franchisee can be substantial given the rent structure tied to McDonald's acquisition and development costs. Company-owned McOpCo restaurants averaged \$4,793,000 in annual sales—materially higher than franchised locations—meaning McOpCo performance data does not reflect the typical franchisee experience. Prospective buyers must independently model full operating costs including rent, royalties, advertising, labor, and debt service before drawing conclusions about franchisee profitability.

RECOMMENDED DILIGENCE

- Model actual operating expenses, owner earnings, rent ratios, labor costs, and cash flow with current and former franchisees before signing.
- Request actual profit and loss statements from existing franchisees willing to share them, or engage a franchise accountant with McDonald's experience.
- Compare the pro forma occupancy cost assumptions in Item 19 against the actual rent structure disclosed in Item 6 to assess whether the pro forma reflects realistic cost expectations.
- Review the Item 19 pro forma notes carefully to identify any costs excluded from the operating income figures presented.

Source: Item 19 (p.55); Item 19 (p.56)

MEDIUM · Item 8

Mandatory Approved Supplier Purchases Create Substantial Cost and Rebate Exposure

Franchisees must purchase 90%–95% of establishment goods and 55%–65% of ongoing operating supplies from McDonald's-approved suppliers, and McDonald's received approximately \$39 million in fees and rebates from supplier arrangements in 2024.

COMMERCIAL CONCERN

The mandatory approved supplier requirement effectively eliminates franchisee purchasing discretion for nearly all major cost categories, preventing franchisees from seeking competitive bids or lower-cost alternatives even when equivalent quality products may be available. McDonald's received \$39 million in supplier fees and rebates in 2024 related to these arrangements, representing a financial benefit to McDonald's derived from the mandatory purchasing obligations that franchisees fund through their purchasing activity. While the FDD discloses this revenue, it does not disclose the full amount of supplier pricing premiums that may be embedded in approved supplier costs, meaning the true cost of the supply restriction to franchisees could exceed the disclosed rebate figure. Franchisees should understand that this structure means their food, equipment, and technology costs are set by a system in which McDonald's has a financial interest in the outcome.

RECOMMENDED DILIGENCE

- Review the full list of approved suppliers and required technology systems in Item 8 to identify categories where alternative sourcing is permitted.
- Ask McDonald's for the methodology used to approve new suppliers and the typical timeline for gaining approval for an alternative supplier.
- Confirm how the \$39 million in supplier fees and rebates is allocated and whether any portion is passed through to reduce franchisee costs or fund system-wide programs.
- Speak with current franchisees about their experience with mandatory supplier pricing compared to open-market alternatives in key cost categories.

Source: Item 8 (p.29); Item 8 (p.30)

MEDIUM · Item 20

High Transfer Volume and Termination Activity Warrants Closer System Scrutiny

In 2024, McDonald's recorded 843 franchisee-to-franchisee transfers, 29 terminations, 15 non-renewals, and 8 reacquisitions by the franchisor, representing meaningful system turnover that prospective franchisees should investigate.

COMMERCIAL CONCERN

The 843 transfers in 2024 represent approximately 6.5% of all franchised outlets changing hands in a single year, which—while not necessarily negative—indicates a high degree of franchisee turnover and raises questions about the underlying drivers, including whether profitability, rent economics, or operational demands are motivating exits. The 29 terminations, 15 non-renewals, and 8 franchisor reacquisitions in 2024 represent 52 outlets that ceased operating as independently franchised locations through closures, terminations, non-renewals, and other ceased operations, which should be reviewed in the context of McDonald's stated New Term Policy and termination criteria. While franchised outlet count grew by a net 115 in 2024, this growth occurred alongside significant turnover activity, and the former franchisee list in Exhibit S may reveal patterns in which markets or operators experienced terminations or non-renewals. Prospective franchisees should investigate whether the high transfer rate reflects a liquid, well-functioning resale market or indicates franchisee dissatisfaction and exit pressure.

RECOMMENDED DILIGENCE

- Speak with current and former franchisees about unit-level profitability, lease economics, closure drivers, and franchisee turnover.
- Review Exhibit S (former franchisee list) and contact former franchisees directly to understand their reasons for exiting the system.
- Ask McDonald's for data on the average holding period for franchisees who transferred their restaurants and whether transfers were voluntary or franchisor-initiated.
- Review Item 20 state-by-state tables to identify geographic markets with above-average termination or transfer rates before selecting a target location.

Source: Item 20 (p.62); Item 20 (p.61); Item 20 (p.63)

FDD Items

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

McDonald's USA, LLC is a Delaware limited liability company and wholly-owned subsidiary of McDonald's Corporation. It develops, operates, and franchises quick service restaurants in the U.S. under the McDonald's System. About 95% of U.S. restaurants are franchised to independent franchisees and 5% to McOpCo companies. The franchisor offers traditional, Satellite, STO, STR, and BFL franchise types.

Detail	Finding	Source
Franchisor Legal Name	McDonald's USA, LLC, a Delaware limited liability company	Item 1 (p.1)
Principal Address	110 N. Carpenter Street, Chicago, Illinois 60607	Item 1 (p.1)
Parent Company	McDonald's Corporation, a Delaware corporation (predecessor and parent); does not offer franchises directly	Item 1 (p.1)
Franchising History	Predecessor began granting franchises in 1955; McDonald's USA, LLC formed in 2004 and received U.S. business assets in 2005	Item 1 (p.2)
Franchise Types Offered	Traditional, Satellite (including Walmart), Small Town Oil (STO), Small Town Retail (STR), and Business Facilities Lease (BFL)	Item 1 (p.1)
Traditional Franchise Term	Usually 20 years	Item 1 (p.1)
STO/STR Franchise Term	Usually 10 years	Item 1 (p.1)
BFL Franchise Term	Usually 3 years, with conditional option to extend up to 20 years	Item 1 (p.1)
% of U.S. Restaurants Franchised to Independent Franchisees	About 95%; about 5% franchised to McOpCo companies	Item 1 (p.1)
International Affiliates	McDonald's has domestic and international affiliates; international affiliates offer franchises outside the U.S. and are listed in Exhibit Q	Item 1 (p.1)

2. Business Experience

Item 2 lists the current officers and directors of McDonald's USA, LLC with their titles and start dates. Key executives include President Joe Erlinger (since 2002), Director Ian Borden (since 1994), and numerous U.S. Field Vice Presidents and Senior Directors. Several executives joined from outside McDonald's in recent years.

Detail	Finding	Source
Director and President	Joe Erlinger, start date April 22, 2002	Item 2 (p.2)
Director	Ian Borden, start date July 25, 1994; Angela K. Steele, start date May 9, 2011	Item 2 (p.2)
U.S. Chief Restaurant Operations Officer	Mason Smoot, start date March 1, 1994	Item 2 (p.2)
U.S. Chief Finance Officer	Tom Dillon, start date February 2, 2009	Item 2 (p.2)
U.S. Vice President – Franchising Strategy	Brad Bogan, start date June 17, 2019	Item 2 (p.2)
Number of U.S. Field Vice Presidents Listed	8 Field Vice Presidents listed, with start dates ranging from 1984 (Remedios Valenzuela) to 2022 (Derin Briggs, Monica Hayes)	Item 2 (p.2)
Notable Outside Hires	Derin Briggs previously Division VP at Dollar General (2020-2022); Monica Hayes previously Chief of Staff at Coca-Cola (2020)	Item 2 (p.3)
Number of Senior Directors – Operations Officers	22 Sr. Director – Operations Officers listed	Item 2 (p.2)
Employee Transition Date	Officers/directors who started with McDonald's brand before January 1, 2005 became McDonald's USA, LLC employees on January 1, 2005	Item 2 (p.2)

3. Litigation

McDonald's discloses numerous pending and concluded litigation matters. Pending cases include antitrust/employment restriction cases (Deslandes, Turner), racial discrimination claims (Crawford, Michell), E. coli injury claims (T. Williams), a trade libel case (Kytch), and joint employer labor lawsuits. Concluded cases include racial discrimination settlements, franchise-related disputes, and various consumer and labor matters settled for amounts ranging from \$2,500 to \$33.5 million.

Detail	Finding	Source
Deslandes v. McDonald's (Pending)	Former employee alleges franchise agreement provision unlawfully restrained employee mobility; Sherman Antitrust Act, Illinois Antitrust Act; remanded to district court after 7th Circuit reversal (Aug 2023); Supreme Court denied review	Item 3 (p.3)
Turner v. McDonald's (Pending)	Similar antitrust claims regarding no-poach provisions; remanded to district court after 7th Circuit reversal (Aug 2023)	Item 3 (p.4)
Crawford v. McDonald's (Pending)	77 former Black franchisees allege racial discrimination, bad faith breach, fraudulent inducement; second amended complaints filed Dec 2022; motions to dismiss pending	Item 3 (p.4)
Kytch v. McDonald's (Pending)	Plaintiff alleges false advertising and tortious interference regarding ice cream machine diagnostic device; case transferred to N.D. California	Item 3 (p.4)
Michell v. McDonald's (Pending)	Franchisee alleges targeting based on Hispanic ethnicity, breach of franchise agreements, discrimination; McDonald's filed counterclaim seeking termination rights	Item 3 (p.5)
T. Williams v. McDonald's (Pending)	Purported class action by customers exposed to E. coli via Quarter Pounder sandwiches; alleges negligence, ICFA violations	Item 3 (p.5)
Joint Employer Lawsuits (Pending)	Numerous labor/employment lawsuits by franchisee employees alleging McDonald's is joint employer; racial discrimination, sexual harassment, wage/hour claims	Item 3 (p.5)
Herbert Washington Settlement (Concluded)	Racial discrimination; settled by McDonald's purchasing all 13 franchises for \$33,500,000	Item 3 (p.8)
Sebastian Lentini Settlement (Concluded)	Age discrimination, constructive termination; settled by purchasing 6 franchises for \$22,000,000	Item 3 (p.8)
James Byrd Settlement (Concluded)	Racial discrimination by two franchisees; settled by purchasing 4 franchises for \$6,500,000	Item 3 (p.8)
Ochoa v. McDonald's Settlement (Concluded)	California labor law class action; McDonald's entities paid \$3,750,000; final approval August 2017	Item 3 (p.6)
Tavarua Restaurants Settlement (Concluded)	Right of first refusal dispute; court ruled McDonald's validly exercised ROFR; settled for \$15.6M for 8 franchises	Item 3 (p.7)

SEC Settlement re Easterbrook (Concluded) McDonald's Corporation settled with SEC re proxy disclosures^{Item 3 (p.8)} about former CEO separation; no monetary penalty imposed

4. Bankruptcy

No bankruptcy is required to be disclosed in this Item. Neither McDonald's USA, LLC nor any of its officers, directors, or affiliates have been involved in any bankruptcy proceedings requiring disclosure.

Detail	Finding	Source
Bankruptcy Disclosure	None required	Item 4 (p.9)

5. Initial Fees

The standard initial franchise fee is \$45,000, paid as a lump sum on restaurant opening. Reduced fees apply for STO/STR locations (\$22,500), Satellite locations (\$500, except Walmart which pays \$0), and prorated fees for shorter-term franchises. The fee is fully refunded if restaurant construction is not completed within 1 year of signing the Franchise Agreement.

Detail	Finding	Source
Standard Initial Franchise Fee	\$45,000 lump sum, paid on opening	Item 5 (p.9)
STO/STR Initial Fee	\$22,500 lump sum	Item 5 (p.9)
Satellite Initial Fee	\$500 upon opening (except Walmart locations pay \$0), plus annual fee	Item 5 (p.9)
BFL Initial Fee	\$45,000 paid when franchisee exercises option to purchase as-sets under a BFL	Item 5 (p.9)
McOpCo Fee	McOpCo companies pay no initial franchise fee	Item 5 (p.9)
Prorated Fee Circumstances	Prorated fee applies when real estate tenure is 10 years or less, or when mutually agreed term is 10 years or less	Item 5 (p.9)

Rebuild/Relocation Credit

Franchisees who rebuild or relocate pay reduced fee with credit for portion of previously paid fee, on earlier of 7th year anniversary or end of previous term Item 5 (p.9)

Refund Policy

Full refund if restaurant construction not completed within 1 year of signing; no refunds under other circumstances Item 5 (p.9)

6. Other Fees

Ongoing fees include a royalty of 4% or 5% of Gross Sales (depending on circumstances), rent (base plus percentage), and advertising/promotion of at least 4% of Gross Sales. Numerous technology-related fees are also charged annually. Rent is structured as Fixed Percentage Rent plus Monthly Base Rent, with rates depending on McDonald's total acquisition and development costs.

Detail	Finding	Source
Royalty Rate	5% of Gross Sales for new restaurants opened on/after Jan 1, 2024 or McOpCo sales; 4% for existing franchisee restaurants under certain circumstances (e.g., new term agreements, family transfers)	Item 6 (p.10)
Advertising/Promotion	Not less than 4% of Gross Sales per calendar year; OPNAD contribution currently 2.25% of sales	Item 6 (p.10)
Rent Structure	Monthly Base Rent (finance factor applied to McDonald's acquisition/development costs) plus Fixed Percentage Rent on Gross Sales above base sales threshold, plus Pass Thru Rent if applicable	Item 6 (p.12)
Fixed Percentage Rent Range (New Traditional)	10.00% (costs up to \$1,550,000) to 15.75% (costs \$3,510,001-\$3,610,000), increasing 0.25% per \$100K above \$3,610,001	Item 6 (p.12)
Fixed Percentage Rent Range (STO)	9.50% (costs up to \$640,000) to 11.50% (costs \$940,001-\$1,000,000); above \$1M determined case by case	Item 6 (p.16)
Satellite Annual Fee	\$500 to \$2,500 annually; Walmart (MIW) pays Fixed Percentage Rent of 14% to 15.5% of Gross Sales	Item 6 (p.10)
Audit Fee	Cost of audit if understatement of Gross Sales is 2% or more	Item 6 (p.10)
Relocation Contribution	\$50,000 on opening of relocated restaurant	Item 6 (p.10)
Technology Fees (Annual, select)	Sesame POS: \$2,600 one-time + \$1,096/yr; Self-Ordering Kiosk: \$1,500 one-time + \$534/yr; Deployment/OTP/Support: \$2,303/yr; Restaurant Network/Security: \$999/yr	Item 6 (p.10)
Co-Investment Policy		Item 6 (p.14)

Franchisees may co-invest in building/site improvements to reduce Fixed Percentage Rent; minimum \$30,000 per 0.25% reduction for new/relocated traditional restaurants

Revenue from Franchisees In 2024, McDonald's received \$39,008,767 in loan guarantee service fees, cashless incentives, and beverage supplier rebates [Item 6 \(p.20\)](#)

7. Estimated Initial Investment

The total estimated initial investment for a traditional McDonald's franchise ranges from \$1,471,000 to \$2,728,000. This includes the \$45,000 franchise fee, 3 months' rent, signs/seating/equipment (\$1,100,000–\$1,785,000), opening inventory, miscellaneous expenses, and 3 months of additional operating funds. STO/STR and Satellite ranges are lower.

Detail	Finding	Source
Total Investment Range (Traditional)	\$1,471,000 to \$2,728,000	Item 7 (p.17)
Total Investment Range (STO/STR)	\$1,014,500 to \$1,793,500	Item 7 (p.17)
Total Investment Range (Satellite)	\$525,000 to \$1,193,500	Item 7 (p.17)
Initial Franchise Fee	\$45,000 (traditional); \$22,500 (STO/STR); \$0 to \$500 (Satellite)	Item 7 (p.17)
Signs, Seating, Equipment, and Decor	\$1,100,000 to \$1,785,000 (traditional); \$735,000–\$1,295,000 (STO/STR); \$375,000–\$840,000 (Satellite). Store Systems cost \$150,000–\$250,000	Item 7 (p.17)
Opening Inventory	\$20,000 to \$39,000 (traditional); \$16,000–\$31,000 (STO/STR); \$14,000–\$45,000 (Satellite)	Item 7 (p.17)
Miscellaneous Opening Expenses	\$54,000 to \$66,000	Item 7 (p.17)
Additional Funds – 3 Months	\$250,000 to \$439,000 (traditional); \$185,000–\$278,000 (STO/STR); \$80,000–\$136,000 (Satellite)	Item 7 (p.17)
		Item 7 (p.18)

McOpCo Sales Exceeding High End Of 31 McOpCo sales in 2024, 9 exceeded the high end of the range; largest excess was \$2,035,816

8. Restrictions on Sources of Products and Services

Franchisees must use suppliers approved by McDonald's that meet its specifications and standards. McDonald's does not generally sell supplies to franchisees but requires approved sources for food, equipment, technology, and services. Required purchases represent approximately 90–95% of initial establishment purchases and 55–65% of ongoing operating purchases. McDonald's received \$39 million in fees/rebates from supplier arrangements in 2024.

Detail	Finding	Source
General Supplier Requirement	Must use McDonald's-approved suppliers; approval based on quality, confidentiality, delivery capability, integrity, financial soundness, and legal compliance	Item 8 (p.18)
Approval Process	Supplier requests sent to Supply Chain Management Department; criteria include production capability, confidentiality, delivery, integrity, financial soundness, and Code of Conduct compliance	Item 8 (p.19)
Required Purchases as % of Total	Approximately 90–95% of establishment purchases and 55–65% of ongoing operating purchases must be from approved sources	Item 8 (p.20)
Revenue from Franchisee Purchases	In 2024, total revenue ~\$10.63B; revenue from real estate/services to franchisees ~\$7.21B (68% of total)	Item 8 (p.20)
POS System Requirement	New restaurants must use Sesame POS platform; hardware purchased through approved POS suppliers; Sesame software owned by McDonald's predecessor	Item 8 (p.20)
Cashless System	All franchisees participate in Cashless 3.0 System; hardware/software from designated suppliers; must sign agreement with designated transaction processors	Item 8 (p.20)
Gift Card System	Managed by P2W, Inc. NFP; requires Cashless System, designated hardware, subscription agreement with P2W, and designated transaction processor	Item 8 (p.20)
Insurance Requirements		Item 8 (p.19)

	Must place insurance with company having AM Best rating A+ or A and Financial Size Category IX or greater
Revenue from Supplier Arrangements	In 2024, McDonald's received \$39,008,767 in loan guarantee service fees, cashless incentives, and beverage supplier rebates <small>Item 8 (p.20)</small>
Real Estate Revenue	McDonald's derives revenue from leasing restaurant premises to franchisees under the Operator's Lease <small>Item 8 (p.19)</small>

9. Franchisee's Obligations

Item 9 presents a table of franchisee's principal obligations under the Franchise Agreement and Operator's Lease, cross-referenced to specific agreement sections and FDD Items. Key obligations include site compliance, training, fee payment, standards adherence, advertising, insurance, recordkeeping, and non-competition. No territorial development or sales quotas are required.

Detail	Finding	Source
Site Selection	Sections 1(a) and 1(b) of Franchise Agreement; McDonald's selects sites, franchisee does not	<small>Item 9 (p.21)</small>
Training Obligation	Section 3 and 6 of Franchise Agreement; must complete Candidate Development Program including Leading Great Restaurants at HU	<small>Item 9 (p.21)</small>
Fee Payment	Sections 8(a) and 9 of Franchise Agreement; Sections 3.01(A) and 3.01(B) of Operator's Lease	<small>Item 9 (p.21)</small>
Standards Compliance	Sections 1(c), 1(d), 4, and 12 of Franchise Agreement and Section 2.08 of Operator's Lease	<small>Item 9 (p.21)</small>
Advertising	Section 5 of Franchise Agreement; minimum 4% of Gross Sales	<small>Item 9 (p.21)</small>
Non-Competition During Term	Section 11 of Franchise Agreement; no involvement in competing or similar business during term	<small>Item 9 (p.22)</small>
Non-Competition After Termination	Section 11(b); 18 months, within 10-mile radius	<small>Item 9 (p.22)</small>
Territorial Development/Sales Quotas	Not Applicable	<small>Item 9 (p.21)</small>

Owner Participation

Sections 1(e), 6, 12(g), and 13 of Franchise Agreement;
full-time, best efforts personal supervision required

Item 9 (p.21)

10. Financing

McDonald's typically does not offer financing. However, McDonald's Corporation may guarantee loans made by Bank of America, N.A. to franchisees for remodeling, acquisitions, and other approved purposes. As of March 2025, the APR was 7.42% (Term SOFR + 0.10% + 3%), with loan terms of 3–5 years and 7-year amortization. A default on these loans constitutes a default under the Franchise Agreement.

Detail	Finding	Source
Typical Financing Offered	No financing typically offered by McDonald's; Operator's Lease is a standard commercial lease with no financing terms	Item 10 (p.22)
Loan Guarantee Program	McDonald's Corporation may guarantee loans from Bank of America, N.A. for remodeling, acquisitions, BFL option exercises, and other approved purposes	Item 10 (p.22)
Interest Rate	Term SOFR + 0.10% SOFR adjustment + 3.00%; as of March 17, 2025, APR was 7.42%; Term SOFR was 4.42%	Item 10 (p.22)
Guarantee Fee	McDonald's predecessor receives 1.50% of average outstanding balance as guarantee fee	Item 10 (p.22)
Loan Terms	3 to 5 years with 7-year amortization; secured by restaurant equipment, seating, signage, decor, and inventory	Item 10 (p.22)
Personal Guarantee Required	Personal guarantee from franchisee and spouse required; waiver of jury trial; no consolidation with other actions	Item 10 (p.22)
Default Consequences	Loan default constitutes default under Franchise Agreement; franchisee must sign Operator Assistance Program Agreement and waive all claims against McDonald's	Item 10 (p.22)
BFL Financing	BFL arrangement does not contain financing terms but may provide conditional option to purchase certain restaurant assets for a lump sum	Item 10 (p.22)

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

McDonald's provides pre-opening obligations including site preparation, approved supplier lists, and training access. Ongoing obligations include operational consulting, O&T Manual access, and advertising support. Training is conducted through Hamburger University and field offices; the Candidate Development Program can take 6 months to 2 years. McDonald's selects all restaurant sites; franchisees do not choose locations.

Detail	Finding	Source
Pre-Opening: Site Preparation	McDonald's constructs or arranges construction of premises per its plans/specs and delivers premises to franchisee for equipment installation	Item 11 (p.22)
Site Selection	McDonald's selects all restaurant sites; franchisees do not select or approve sites	Item 11 (p.25)
Advertising Requirement	Franchisee must spend at least 4% of Gross Sales annually; OP-NAD contribution currently 2.25% of sales; local cooperative rates vary; McDonald's does not maintain advertising fund	Item 11 (p.23)
Training Program – Hamburger University	McDonald's operates Hamburger University (HU) in Chicago as international training center; basic Candidate Development Program must be completed; McDonald's bears HU overhead costs	Item 11 (p.26)
Training Duration	Can take 6 months to 2 years to complete all learning plans from Shift Leader through Restaurant Leader	Item 11 (p.26)
Training Cost	McDonald's bears HU costs; franchisee pays travel, living, compensation expenses; no fee for basic minimum Candidate Development Program at field offices	Item 11 (p.26)
Leading Great Restaurants Class	Required in-person class: 32 hours (4 days) at Hamburger University in Chicago	Item 11 (p.27)
Store Systems Cost	\$150,000 to \$250,000 including POS, Cashless System, indoor/outdoor digital menu boards, kiosks, table locators, hardware, software	Item 11 (p.24)
Computer Systems Access	McDonald's has independent access to transaction-level POS data; no contractual limits on its right to access	Item 11 (p.24)

Operations Manual	O&T Manual available for review before purchase; contains operations procedures, inventory control, bookkeeping, business practices	Item 11 (p.23)
Instructor Experience	Average 15+ years of McDonald's restaurant business experience	Item 11 (p.26)

12. Territory

No exclusive territory is granted. The Franchise Agreement grants only location-specific rights and contains no exclusive area, protected territory, or right to exclude other McDonald's restaurants. McDonald's may develop new restaurants that compete with existing franchisees and reserves rights to sell products under the Marks in other channels of distribution (e.g., McCafe packaged coffee in supermarkets).

Detail	Finding	Source
Exclusive Territory	No exclusive territory granted; franchise is limited to specific restaurant location only	Item 12 (p.29)
Franchisor Competition Rights	McDonald's may establish new franchisee or McOpCo outlets that may alter customer trading patterns and compete with franchisee	Item 12 (p.29)
Alternative Channels	McDonald's reserves the right to use the Marks in any other channel of distribution; e.g., McCafe packaged coffee in supermarkets and e-commerce	Item 12 (p.29)
Internal Policies	Internal policies McDonald's may apply for new restaurant development are not part of the Franchise Agreement and create no contract right for franchisees	Item 12 (p.29)

13. Trademarks

McDonald's USA, LLC licenses the Marks from affiliate Restaurant Brands, LLC, which owns the trademarks. Key registered marks include The Golden Arches Logo, McDonald's (name), and the McDonald's and Golden Arches Logo Sign Design. All required affidavits and renewals are filed. There are no pending infringement or cancellation proceedings materially affecting franchisee use.

Detail	Finding	Source
Trademark Ownership	McDonald's USA, LLC does not own the Marks; licensed from affiliate Restaurant Brands, LLC for 20 years with automatic renewals	Item 13 (p.29)
Principal Marks – Golden Arches Logo	Reg. No. 893,440, registered 06/23/70, Int. Class 43	Item 13 (p.29)
Principal Marks – McDonald's Name	Reg. No. 743,572, registered 01/08/63, Int. Class 43	Item 13 (p.29)
Principal Marks – Sign Design	McDonald's and Golden Arches Logo Sign Design, Reg. No. 1,287,408, registered 07/24/84	Item 13 (p.29)
Incontestability	Marks registered more than 6 years have become incontestable; all required affidavits and renewals filed	Item 13 (p.29)
License Duration	License from Restaurant Brands lasts 20 years from effective date with automatic renewals; terminable only by agreement, insolvency proceedings, or failure to use Marks as prescribed	Item 13 (p.29)
Pending Proceedings	No pending infringement, opposition, or cancellation proceedings; no decisions materially affecting franchisee use	Item 13 (p.29)
Franchisee Use Restrictions	Cannot use McDonald's name or any Mark as part of operating company name or with modifying words/designs without approval	Item 13 (p.30)

14. Patents, Copyrights, and Proprietary Information

No patents are required to be disclosed. McDonald's and its predecessor claim copyrights in the O&T Manual, menus, advertising materials, and similar items, though these are not registered with the U.S. Copyright Office. The O&T Manual and system materials contain extensive trade secrets and confidential proprietary information. Unauthorized disclosure may lead to civil or criminal prosecution and franchise termination.

Detail	Finding	Source
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Patents	No patents required to be disclosed	Item 14 (p.30)
Copyrights	Claimed in O&T Manual, menus, advertising and marketing materials, and similar items; not registered with U.S. Copyright Office	Item 14 (p.30)
Copyright License	Copyrighted works not owned by McDonald's USA are licensed from predecessor; terminable only by agreement, insolvency, or breach	Item 14 (p.30)
Trade Secrets	Includes methods, specifications, standards, real estate/marketing plans, supplier knowledge, financial information, recipes, food preparation processes, and other confidential information	Item 14 (p.30)
Financial Information Confidentiality	Franchisees must not disclose financial performance/operating results/sales data that could affect McDonald's stock	Item 14 (p.31)
Consequences of Unauthorized Disclosure	May lead to civil or criminal prosecution and termination of the Franchise Agreement	Item 14 (p.31)

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

Franchisees are required to provide full-time and best efforts to the personal, on-premises supervision of day-to-day restaurant operations. This obligation is stated in paragraphs 1(e) and 13 of the Franchise Agreement.

Detail	Finding	Source
Owner Participation Requirement	Full-time and best efforts personal on-premises supervision required; no absentee ownership permitted	Item 15 (p.31)
Agreement Reference	Paragraphs 1(e) and 13 of the Franchise Agreement	Item 15 (p.31)

16. Restrictions on What the Franchisee May Sell

Franchisees may only sell products authorized by McDonald's and may only use the premises as a McDonald's restaurant. McDonald's has the right to add, delete, or change authorized products without limitation. All products must meet McDonald's packaging, ingredient, and preparation standards.

Detail	Finding	Source
Product Restrictions	May only sell McDonald's-authorized products; premises may only be used as a McDonald's restaurant	Item 16 (p.31)
McDonald's Rights to Change Menu	McDonald's has the right to add, delete, or change authorized products at any time without limitation	Item 16 (p.31)
Packaging/Ingredient Requirements	Must use only McDonald's-approved packaging, paper goods, ingredients, and preparation methods	Item 16 (p.31)
Customer Restrictions	No limitations on customers to whom franchisee may sell goods and services	Item 16 (p.31)

17. Renewal, Termination, Transfer, and Dispute Resolution

Franchisees have no right to renew or extend their franchise. McDonald's may offer a new term franchise at its sole discretion per its New Term Policy. Termination requires cause (material breach). Transfers require McDonald's prior written approval, subject to right of first refusal. Post-termination non-compete applies for 18 months within 10 miles. Illinois law governs; disputes resolved in Illinois courts.

Detail	Finding	Source
Franchise Term	Traditional: generally 20 years; Satellite: varies; STO/STR: generally 10 years; BFL: generally 3 years	Item 17 (p.32)
Renewal Rights	No right to renew or extend; McDonald's may offer new term franchise at sole discretion per New Term Policy (Exhibit K); not a contract right	Item 17 (p.32)
Termination by Franchisor	Termination only for cause; non-curable defaults include bankruptcy, nonpayment (30+ days), judgment \$5,000+ unsatisfied 30+ days, unauthorized transfer, knowing sale of unapproved food, intentional understatement of Gross Sales, felony conviction	Item 17 (p.32)
Franchisee Termination Rights	Not applicable; franchisee has no right to terminate	Item 17 (p.32)
Transfer Requirements	Requires McDonald's prior written approval; new franchisee must qualify; royalty increases to current fee (with exceptions); transferor remains personally liable for term	Item 17 (p.32)
Right of First Refusal	McDonald's can match any offer for franchisee's business (10 days to exercise after 20-day notice)	Item 17 (p.33)
Non-Compete During Term	No involvement in competing or similar business during franchise term	Item 17 (p.33)
Non-Compete Post-Termination	18 months after termination, within 10-mile radius; also applies after assignment or sale	Item 17 (p.33)
Post-Termination Obligations	Within 30 days: sell furniture/fixtures/signs/equipment at FMV; return manuals; cease use of McDonald's System and trademarks; no payment for intangible assets	Item 17 (p.32)
Governing Law		Item 17 (p.33)

	Illinois law; disputes to be resolved in Illinois (mediation/arbitration/litigation)
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Dispute Resolution	No mandatory arbitration; disputes may use open-door policy, Ombudsman process, or mediation as common practice; lawsuits filed in Illinois
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18. Public Figures

McDonald's does not use any public figure to promote its franchise. No payments to public figures for franchise endorsements are disclosed.

Detail	Finding	Source
Public Figures Used	None; McDonald's does not use any public figure to promote its franchise	Item 18 (p.34)

19. Financial Performance Representations

Item 19 discloses annual sales volumes for approximately 12,572 domestic traditional McDonald's restaurants open at least 1 year as of December 31, 2024. Average annual sales for franchised restaurants was \$3,966,000; median was \$3,797,000. Pro forma statements are provided at \$3M, \$3.2M, and \$3.4M sales levels showing operating income before occupancy costs of \$734,000–\$879,000 (24.5%–25.9% of sales).

Detail	Finding	Source
Number of Traditional Restaurants in Data Set	Approximately 12,572 domestic traditional restaurants open at least 1 year as of December 31, 2024	Item 19 (p.35)
Average Annual Sales (All Traditional)	\$4,002,000	Item 19 (p.35)
Median Annual Sales (All Traditional)	\$3,838,000	Item 19 (p.35)
Average Annual Sales (Franchised Traditional)	\$3,966,000; median \$3,797,000	Item 19 (p.35)
	\$4,793,000; median \$4,612,000	Item 19 (p.35)

Average Annual Sales (McOp-Co Traditional)

Highest/Lowest Annual Sales (Franchised)	Highest \$19,680,000; lowest \$914,000	Item 19 (p.35)
% of Franchised Traditional Above \$3M	Approximately 78% had sales >\$3,000,000; 71% >\$3,200,000; 64% >\$3,400,000	Item 19 (p.35)
Pro Forma: \$3M Sales Level	Cost of sales 28.3%; Gross Profit 71.6%; Operating Income Before Occupancy Costs \$734,000 (24.5%)	Item 19 (p.36)
Pro Forma: \$3.4M Sales Level	Cost of sales 28.1%; Gross Profit 71.9%; Operating Income Before Occupancy Costs \$879,000 (25.9%)	Item 19 (p.36)
Effective Rent Range	Range of effective rent percentages in 2024 for franchised restaurants was 0.00% to 33.33%	Item 19 (p.37)
Royalty Rate Used in Pro Forma	4% of Gross Sales (royalties paid by covered restaurants during covered period)	Item 19 (p.36)
Pro Forma Data Basis	Based on 11,332 independent franchisee traditional restaurants; excludes McOpCo, Satellites, and restaurants that changed ownership in 2024	Item 19 (p.35)

20. Outlets and Franchisee Information

As of end of 2024, McDonald's operated 13,559 total U.S. outlets: 12,887 franchised and 672 company-owned. Net franchised outlets grew by 115 in 2024. Item 20 includes detailed state-by-state tables of outlet openings, closings, terminations, transfers, and projected new openings. Lists of current and former franchisees are provided in Exhibits R and S.

Detail	Finding	Source
Total U.S. Outlets (End 2024)	13,559 total; 12,887 franchised; 672 company-owned	Item 20 (p.37)
Franchised Outlet Net Change 2024	+115 (from 12,772 to 12,887)	Item 20 (p.37)
Company-Owned Outlet Net Change 2024	-13 (from 685 to 672)	Item 20 (p.37)

Franchised Outlet Openings 2024	167 opened; 29 terminations; 15 non-renewals; 8 reacquired by franchisor	Item 20 (p.44)
Total Transfers (Franchisee to Franchisee) 2024	843 transfers nationwide	Item 20 (p.40)
Projected New Openings (2025)	181 projected new franchised outlets; 14 projected new company-owned outlets	Item 20 (p.46)
States with Most 2024 Transfers	Texas (77), Florida (55), Arizona (43), Georgia (49), New York (49)	Item 20 (p.39)
Franchisees Who Ceased Operations (2024)	113 franchisees had franchise terminated, canceled, not renewed, or ceased operations during most recent fiscal year	Item 20 (p.47)
Franchisee Organizations	6 McDonald's-endorsed organizations: NFLA, AMOA, MHOA, NBMOA, WON, MOOPN; 1 independent: National Owners Association (NOA)	Item 20 (p.47)

21. Financial Statements

Audited consolidated financial statements of McDonald's USA, LLC are attached as Exhibit A, audited by Ernst & Young LLP and covering fiscal years ended December 31, 2024, 2023, and 2022. Total revenues in 2024 were \$10.63 billion; net income was \$3.46 billion. Total assets were \$22.2 billion and total members' equity was \$10.22 billion.

Detail	Finding	Source
Auditor	Ernst & Young LLP, Chicago, Illinois; report signed March 14, 2025	Item 21 (p.48)
Total Revenues (2024)	\$10,630.8 million (\$10.63 billion)	Item 21 (p.48)
Revenues from Franchised Restaurants (2024)	\$7,210.6 million (rents \$5,170.7M, royalties \$2,014.5M, initial fees \$25.4M)	Item 21 (p.48)
Sales by Company-Owned Restaurants (2024)	\$3,196.9 million	Item 21 (p.48)
Net Income (2024)	\$3,461.6 million	Item 21 (p.48)

Total Assets (Dec 31, 2024)	\$22,195.3 million	Item 21 (p.49)
Total Members' Equity (Dec 31, 2024)	\$10,222.0 million (Members' capital \$5,588.1M; Retained earnings \$4,633.9M)	Item 21 (p.49)
Cash Provided by Operations (2024)	\$4,552.4 million	Item 21 (p.49)
Royalty to Parent (2024)	\$1,069.4 million (2% of company-owned and franchised restaurant sales paid to McDonald's Corporation)	Item 21 (p.48)
Net Property and Equipment (Dec 31, 2024)	\$13,080.4 million (property at cost \$22,921.1M less accumulated D&A of \$9,840.7M)	Item 21 (p.49)

22. Contracts

All agreements used by McDonald's in offering a franchise are attached as Exhibits B through J and M to the FDD. These include the traditional, Satellite, and Walmart franchise agreements, the New Restaurant Rider, BFL Rider, Operator's Lease, assignment agreements, candidate agreements, and the New Term Offer Letter.

Detail	Finding	Source
Attached Agreements	Exhibits B (Traditional FA), C (Satellite FA), D (Walmart FA), E (New Restaurant Rider), F (BFL Rider), G (Operator's Lease), H (Assignment to Entity), I (Assignment Agreement), J (Candidate Agreements), M (New Term Offer Letter)	Item 22 (p.48)

23. Receipts

Receipts are included at the end of the disclosure document as required by FTC rules. Prospective franchisees must sign and return a receipt acknowledging delivery of the FDD.

Detail	Finding	Source
Receipts Location	See the Receipts at the end of the disclosure document	Item 23 (p.48)