

**Torres Rojas, Genara**

FOI# 12304

**From:** mklein@nypost.com  
**Sent:** Wednesday, April 27, 2011 1:54 PM  
**To:** Van Duyne, Sheree  
**Cc:** Torres Rojas, Genara; Duffy, Daniel  
**Subject:** Freedom of Information Online Request Form

Information:

First Name: Melissa  
Last Name: Klein  
Company: New York Post  
Mailing Address 1: 1211 Avenue of the Americas  
Mailing Address 2:  
City: New York  
State: NY  
Zip Code: 10036  
Email Address: [mklein@nypost.com](mailto:mklein@nypost.com)  
Phone: 212-30-5774  
Required copies of the records: Yes

List of specific record(s):

Any contracts or RFPs for the McDonalds franchise at LaGuardia Airport. I believe the contract was awarded in 1992 to Manash Foods Inc. Thank you.

**THE PORT AUTHORITY OF NY & NJ**

Daniel D. Duffy  
FOI Administrator

October 12, 2011

Ms. Melissa Klein  
New York Post  
1211 Avenue of the Americas  
New York, NY 10036

Re: Freedom of Information Reference No. 12304

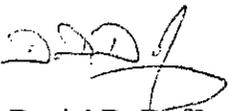
Dear Ms. Klein:

This is a response to your April 27, 2011 request, which has been processed under the Port Authority's Freedom of Information Policy (the "Policy," copy enclosed) for a copy of the contract or RFP for the McDonalds franchise at LaGuardia Airport.

Material responsive to your request and available under the Policy, which consists of 11 pages, is enclosed, for a \$2.75 photocopying charge for this material (25¢ per page). Payment should be made in cash, certified check or money order payable to "The Port Authority of New York & New Jersey" and should be sent to my attention at 225 Park Avenue South, 17<sup>th</sup> Floor, New York, NY 10003.

Please refer to the above FOI Reference number in any future correspondence relating to your request.

Sincerely,



Daniel D. Duffy  
FOI Administrator

Enclosure

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Franchise") made this 17th day of September, 1992, for the operation of a McDonald's restaurant located at LaGuardia Airport, U.S. Air Terminal, QUEENS, NEW YORK (the "Restaurant") by and between:

McDONALD'S CORPORATION,

a Delaware corporation,

("McDonald's")

and

Deborah Holder

William Holder

("Licensee")

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

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

1. *Nature and Scope of Franchise.*

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

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

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

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

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

(f) Licensee agrees to pay to McDonald's all required payments under this Franchise, including, without limitation, the payments set forth in paragraphs 8 and 9 herein and paragraph 3.01 of the Lease. In addition, Licensee shall make a non-interest bearing security deposit in the amount set forth in paragraphs 1.03 and 3.07 of the Lease. All payments hereby required constitute a single financial arrangement between Licensee and McDonald's which, taken as a whole and without regard to any designation or descriptions, reflect the value of the authorization being made available to the Licensee by McDonald's in this Franchise and the services rendered by McDonald's during the term hereof.

2. **License Grant and Term.**

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

- (i) to adopt and use the McDonald's System at the Restaurant;
- (ii) to advertise to the public that he is a licensee of McDonald's;
- (iii) to adopt and use, but only in connection with the sale of those food and beverage products which have been designated by McDonald's at the Restaurant, the trade names, trademarks and service marks which McDonald's shall designate, from time to time, to be part of the McDonald's System; and
- (iv) to occupy the Restaurant as provided herein.

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

(b) The term of the Franchise shall begin on the opening date of the Restaurant and end ~~twenty (20)~~ years thereafter, but in no event later than December 31, 1998, unless terminated prior thereto pursuant to the provisions hereof.

3. **General Services of McDonald's.** McDonald's shall advise and consult with Licensee periodically in connection with the operation of the Restaurant and also, upon Licensee's request, at other reasonable times. McDonald's shall communicate to Licensee its know-how, new developments, techniques and improvements in areas of restaurant management, food preparation, and service which are pertinent to the operation of a restaurant using the McDonald's System. The communications shall be accomplished by visits by Field Consultants, printed and filmed reports, seminars, and newsletter mailings. McDonald's shall also make available to Licensee all additional services, facilities, rights and privileges relating to the operation of the Restaurant which McDonald's makes generally available, from time to time, to all its licensees operating McDonald's restaurants.

4. **Manuals.** McDonald's shall provide Licensee with the business manuals prepared by McDonald's for use by licensees of McDonald's restaurants similar to the Restaurant to be operated by Licensee. The business manuals contain detailed information including: (a) required operations procedures; (b) methods of inventory control; (c) bookkeeping and accounting procedures; (d) business practices and policies; and (e) other management, advertising, and personnel policies. Licensee agrees to promptly adopt and use exclusively the formulas, methods and policies contained in the business manuals, now and as they may be modified by McDonald's from time to time. Licensee acknowledges that McDonald's is the owner of all proprietary rights in and to the McDonald's System and that the information revealed in the business manuals, in their entirety, constitute confidential trade secrets. Without the prior written consent of McDonald's, Licensee shall not disclose the contents of the business manuals to any person, except employees of Licensee for purposes related solely to the operation of the Restaurant, nor shall Licensee reprint or reproduce the manuals in whole or in part for any purpose except in connection with instruction of employees in the operation of Licensee's Restaurant. Such manuals, as modified by McDonald's from time to time, and the policies contained therein, are incorporated in this Franchise by reference.

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

Licensee shall use only advertising and promotional materials and programs provided by McDonald's or approved in advance, in writing, by McDonald's. Neither the approval by McDonald's of Licensee's advertising and promotional material nor the providing of such material by McDonald's to Licensee shall, directly or indirectly, require McDonald's to pay for such advertising or promotion.

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

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

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

8. **Service Fee.** Licensee shall pay a semi-monthly service fee on or before the 1st and 16th day of each month in an amount equal to three and one-half percent (3.5%) of the Gross Sales of the Restaurant for the respective preceding half-month periods immediately ended. Delinquent service fees shall bear simple interest after the respective dates thereof until paid at the highest interest rate allowed by law or if there is no maximum rate permitted by law, at 15% per annum.

9. **Initial Fee.** Licensee acknowledges that: (a) the initial grant of this Franchise constitutes the sole consideration for the payment of an Initial Fee of Twenty-Two Thousand Five Hundred Dollars (\$22,500.00) paid by Licensee to McDonald's; and (b) the fee has been earned by McDonald's (except where the construction of the Restaurant has not been completed within one year from the date of the execution and delivery of this Franchise). If the Restaurant has not been constructed or is not ready for occupancy at the time of the execution of this Franchise, McDonald's shall use

its best efforts to expedite the construction and lease of the Restaurant to Licensee. However, McDonald's shall not be liable to Licensee in any manner for any delays in or lack of completion of such construction for any reason. McDonald's shall be under no obligation to enforce performance or to seek other remedies for non-performance of any lease, clause or contract necessary for the construction of the Restaurant and reserves the right, in case construction of the Restaurant should be abandoned, the lease assigned, or other interest in the premises be relinquished, to terminate this Franchise upon reimbursement to Licensee of the Initial Fee. At such time as the Restaurant is completed and ready for occupancy the Initial Fee shall be deemed to be earned. If the Restaurant is not ready for occupancy within one year from the date of this Franchise, Licensee shall have the right to terminate this Franchise and obtain an immediate refund of the Initial Fee upon written request to McDonald's.

10. **Reports.** On or before the 1st and 16th day of each month, Licensee shall render to McDonald's a statement, in such form as McDonald's shall reasonably require from time to time, of all receipts from the operation of the Restaurant for the respective preceding half-month periods immediately ended. On or before the twenty-fifth (25th) day of each month Licensee shall submit to McDonald's an operating statement and a statistical report for the previous month in form satisfactory to McDonald's. Licensee shall keep and preserve full and complete records of Gross Sales for at least three years in a manner and form satisfactory to McDonald's and shall also deliver such additional financial, operating and other information and reports as McDonald's may reasonably request on the forms and in the manner prescribed by McDonald's. Licensee further agrees to submit within ninety (90) days following the close of each fiscal year of his Restaurant's operation, a profit and loss statement covering operations during such fiscal year and a balance sheet taken as of the close of such fiscal year, all prepared in accordance with generally accepted accounting principles. The profit and loss statement and the balance sheet shall, if McDonald's shall request certification, be certified by a certified public accountant. Licensee shall at his expense cause his public accountant and certified public accountant, if any, to consult with McDonald's concerning such statement and balance sheet. The original of each such report required by this paragraph 10 shall be mailed to McDonald's at the address indicated in paragraph 22 herein.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In determining whether to grant or to withhold such consent, McDonald's shall consider of each prospective transferee, by way of illustration, the following: (i) work experience and aptitude, (ii) financial background,

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

16. *Licensee not an Agent of McDonald's.* Licensee shall have no authority, express or implied, to act as agent of McDonald's or any of its affiliates for any purpose. Licensee is, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Restaurant and its business, including any personal property, equipment, fixtures or real property connected therewith and for all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of the Restaurant.

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

(a) Worker's Compensation insurance prescribed by law in the state in which the Restaurant is located and Employer's Liability Insurance with \$100,000 minimum limit. If the state in which the Restaurant is located allows the option of not carrying Worker's Compensation Insurance, and Licensee chooses to exercise that option, Licensee shall nonetheless carry and maintain other insurance with limits at least equal to those established by the state's Worker's Compensation law or as may be approved by McDonald's.

(b) Comprehensive general liability insurance in a form approved by McDonald's with a combined single limit of \$1,000,000.00 for Bodily Injury and Property Damage, per occurrence.

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

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

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

All insurance shall be placed with a reputable insurance company licensed to do business in the state in which the Restaurant is located and having a Financial Size Category of XV and Policyholders Rating of "A+" or "A" (Excellent) as assigned by Alfred M. Best and Company, Inc.

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

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

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

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

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

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

(f) Licensee shall acquire any interest in a business in violation of sub-paragraph 11(a);

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

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

(i) Licensee shall violate sub-paragraph 11(e) by use of any name, trademark, service mark, or other intellectual property right of McDonald's exceeding the restrictions of said paragraph 11;

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

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

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

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

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

20. **Effect of Termination.**

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

(b) Upon termination of this Franchise due to any breach or breaches, Licensee shall not, without the prior written consent of McDonald's, remove any furniture, fixtures, signs, equipment or other property or leasehold improvements from the premises either prior to or for a period of thirty (30) days following such termination. McDonald's

shall have the option for thirty (30) days following any such termination to purchase Licensee's furniture, fixtures, signs, equipment, leasehold improvements and other property or any portion thereof for a sum equal to the fair market value of such property. In the event of such a termination, there shall be no payment by McDonald's for intangible assets of Licensee.

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

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

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

22. *Notices.* Any notice hereunder shall be in writing and shall be delivered by personal service or by United States certified or registered mail, with postage prepaid, addressed to Licensee at the Restaurant or to McDonald's at ONE McDONALD'S PLAZA, OAK BROOK, ILLINOIS 60521. Either party, by a similar written notice, may change the address to which notices shall be sent.

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

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

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

26. *Scope and Modification of Franchise.* This Franchise (including Exhibit A and any riders hereto) constitutes the entire agreement between the parties and supersedes all prior and contemporaneous, oral or written, agreements or understandings of the parties. No interpretation, change, termination or waiver of any of the provisions hereof shall be binding upon McDonald's unless in writing signed by an officer of McDonald's or its Licensing Director, and which is specifically identified as an amendment hereto. No modification, waiver, termination, rescission, discharge or cancellation of this Franchise shall affect the right of any party hereto to enforce any claim or right hereunder, whether or not liquidated, which occurred prior to the date of such modification, waiver, termination, rescission, discharge or cancellation.

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

28. **Acknowledgement.** Licensee acknowledges that:

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

(b) Licensee hereby represents that he has received a copy of this Franchise, has read and understands all obligations being undertaken and has had an opportunity to consult with his attorney with respect thereto at least five (5) days prior to his execution thereof;

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

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

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

(f) This Franchise supersedes any and all other agreements, representations, respecting the Restaurant and contains all the terms, conditions, and obligations of the parties with respect to the grant of this Franchise;

(g) McDonald's is the sole owner of the trademarks, trade names, service marks and good will associated therewith, and Licensee acquires no right, title, or interest in those names and marks other than the right to use them only in the manner and to the extent prescribed and approved by McDonald's;

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

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

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

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

McDONALD'S CORPORATION

By: Eugene Stachowiak  
EUGENE STACHOWIAK, AS  
ASSISTANT VICE PRESIDENT -  
LICENSING

Prepared By: Diane Stachowiak

Deborah Holder 10/2/92  
Licensee Date  
Deborah Holder

William Holder 10/2/92  
Licensee Date  
William Holder

New Restaurant Rider

This Rider is attached to and incorporated into that certain Franchise Agreement ("Agreement") dated September 17, 1992, by and between McDonald's Corporation ("McDonald's") and Deborah and William Holder ("Licensee").

1. Prior to the opening date of the Restaurant, all construction extras ordered or authorized by Licensee for which McDonald's has paid the parties constructing the Restaurant shall be paid by Licensee to McDonald's.

2. Licensee hereby agrees to the insertion by McDonald's into the Supplement Operator's Lease of dates of commencement and termination, when said dates are ascertained, and the finalized legal description of the Restaurant location.

3. The amount of the monthly base rental payment set forth in the Operator's Lease is computed based in part upon total current real estate and estimated construction costs. If such costs increase more than \$10,000.00 from now until 120 days after Restaurant opening, the monthly base rental payment will be recomputed and increased based upon said increased costs, but only to a maximum monthly base rental increase of \$325.00, according to the same rental formula. The corresponding monthly base sales will be adjusted accordingly. The effective date of said increase will be 120 days after Restaurant opening.

4. Pursuant to the Head Lease, Licensee is also aware of the Buy-Out Provision of Section 1.6.3.

5. Pursuant to the Lease, Licensee is also responsible for the following charges and obligations:

Utilities as set forth in Article 1.8.5. (Pages 13 and 14) of the Head Lease.

Common Area Charges as set forth in Article 1.8.4B of the Head Lease.