ANUAL REPORT 2016

To Our Valued Shareholders:

In 2016 we took important steps to strengthen our business and prepare for the next phase of Arcos Dorados' growth.

I'm proud of the progress we made last year. We remain the clear leader in most of our major markets and our improved full year results are a testament to our disciplined execution of the strategic plan we announced in March of 2015. This plan not only resulted in positive topline performance and expanded margins last year, it made us a leaner, more efficient organization with a stronger balance sheet.

During 2016, we achieved the targets of our strategy that were most under our control, while effectively navigating a challenging consumer environment in many of our key markets, including a historically deep economic recession in Brazil.

Our redesigned affordability platform performed well in our major markets and we had several successful product launches during the year that supported volume trends and margin expansion. We also captured G&A savings opportunities, monetized certain assets to reduce our debt and implemented technology upgrades to improve operating efficiency.

The result of these actions was a 14.4% increase in comparable sales and 13.9% rise in constant currency revenue growth in 2016, despite a challenging consumption environment in several markets. The operating efficiencies we have built into our business also led to a 160 basis point expansion in the EBITDA margin, excluding the non-recurring PIS/COFINS recovery in Brazil in 2015.

In 2016, almost two million guests got a behind-the-scenes look at our restaurants as part of our Puertas Abiertas or "Open Doors" program. The program helps customers better appreciate our superior ingredient quality and food preparation standards.

When we bring guests into our kitchens and pantries, we show them the high quality beef, chicken, bread, produce and condiments that go into their sandwiches. They also learn about our disciplined food safety standards and see the attention to detail that goes into the preparation of every meal we serve.

As the leading Quick Service Restaurant (QSR) brand in Latin America, sustainability and strong corporate citizenship matter to us and our customers. We are proud to take a leadership role in the region.

We are aligned with McDonald's Corporation's global commitments around sustainable sourcing, already serving 100% Rainforest Alliance Certified coffee in Brazil and 100% Marine Stewardship Council certified fish in our McFish sandwich. Last year we made our first purchases of certified sustainable beef in Brazil, committed to transition to cage free eggs by 2025 and began sourcing only from pork producers with a plan to phase out gestation pens.

As Latin America's largest generator of first-time jobs, we are uniquely positioned to make a positive impact on the lives of the region's youth. In 2016 we partnered with local governments and non-governmental organizations to establish youth training and employment programs. Moving forward, we are committed to being a part of the solution to the serious issue of youth unemployment in Latin America.

In keeping with the McDonald's brand globally, we are updating our restaurants and integrating technology to provide customers with a modern and progressive experience. In November of 2016, we launched our first Experience of the Future restaurant pilot in Argentina, which includes self-order kiosks, digital menu boards, dual point service and other features.

Economic conditions remain difficult in the region, but we expect consumption trends in our major markets to improve over the course of the next three years. Over the next three years, we will build on our recent achievements by implementing strategies and making the necessary investments to drive guest traffic in our restaurants. We expect this to lead to stronger comparable sales performance, which we expect will lead to continued increases in our operating cash flow generation.

Having meaningfully reduced General and Administrative expenses, additional leverage will largely reflect topline growth. Given our debt reduction goal has already been met, we will not pursue further asset monetization deals but continue to review refranchising opportunities.

Based on our plan to expand our footprint as growth prospects show signs of improvement, we have come to an agreement with McDonald's Corporation on a restaurant opening and reinvestment plan for the 2017 to 2019 period.

We have committed to open a minimum of 180 new restaurants and to reinvest an aggregate of at least $292 million over this timeframe. In addition, McDonald's Corporation agreed to provide growth support for the same period. We project that the impact of this support could result in an effective royalty rate of 5.3% in 2017, 5.7% in 2018 and 5.9% in 2019.

We are in a stronger position today than we were a year ago. The next phase of our plan takes us from a turnaround mindset to an outlook of growth. While we remain cautious in the short-term, we are confident that we are on the right path to generate significant value for our shareholders. This year marks Arcos Dorados' 10-year anniversary. We are proud of the business we have built over the last decade, becoming the leading QSR brand in Latin America with operations in 20 countries and territories.

We have an unmatched footprint and have established a reputation for operational excellence within the McDonald's system. We remain committed to our employees, our customers and our shareholders. Over the next several years, we will continue to work hard to profitably grow our business and capture the potential of the McDonald's brand in Latin America.

Thank you for your continued support.

Sincerely,

Sergio Alonso
Chief Executive Officer

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ARCOS DORADOS HOLDINGS INC.

FORM 20-F
(Annual and Transition Report (foreign private issuer))

Filed 04/27/17 for the Period Ending 12/31/16

Telephone	598 2626-3000
CIK	0001508478
Symbol	ARCO
SIC Code	5812 - Eating Places
Industry	Restaurants & Bars
Sector	Consumer Cyclicals
Fiscal Year	12/31

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

For the transition period from ________________ to ________________

Commission file number: 001-35129

ARCOS DORADOS HOLDINGS INC.

(Exact name of Registrant as specified in its charter)

British Virgin Islands
(Jurisdiction of incorporation or organization)

Dr. Luis Bonavita 1294, Office 501
Montevideo, Uruguay, 11300 WTC Free Zone
(Address of principal executive offices)

Juan David Bastidas
Chief Legal Officer
Arcos Dorados Holdings Inc.
Dr. Luis Bonavita 1294, 5th floor, Office 501, WTC Free Zone
Montevideo, Uruguay 11300
Telephone: +598 2626-3000
Fax: +598 2626-3018
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A shares, no par value	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital stock or common stock as of the close of the period covered by the annual report.

Class A shares: 130,711,224
Class B shares: 80,000,000

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities

Exchange Act of 1934.

☐ Yes ☒ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer, " accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

ARCOS DORADOS HOLDINGS INC.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "U.S. dollars," "dollars," "U.S.$" or "$" are to the U.S. dollar. All references to "Argentine *pesos* " or "ARS$" are to the Argentine *peso* . All references to "Brazilian *reais* " or "R$" are to the Brazilian *real* . All references to "Mexican *pesos* " or "Ps." are to the Mexican *peso* . All references to "Venezuelan *bolívares* " or "Bs." are to the Venezuelan *bolívar* , the legal currency of Venezuela. See "Item 3. Key Information—A. Selected Financial Data—Exchange Rates and Exchange Controls" for information regarding exchange rates for the Argentine, Brazilian and Mexican currencies since January 1, 2012.

Definitions

In this annual report, unless the context otherwise requires, all references to "Arcos Dorados," the "Company," "we," "our," "ours," "us" or similar terms refer to Arcos Dorados Holdings Inc., together with its subsidiaries. All references to "systemwide" refer only to the system of McDonald's-branded restaurants operated by us or our franchisees in 20 countries and territories in Latin America and the Caribbean, including Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curaçao, Ecuador, French Guiana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Trinidad and Tobago, Uruguay, the U.S. Virgin Islands of St. Croix and St. Thomas, and Venezuela, which we refer to as the "Territories," and do not refer to the system of McDonald's-branded restaurants operated by McDonald's Corporation, its affiliates or its franchisees (other than us).

We own our McDonald's franchise rights pursuant to a Master Franchise Agreement for all of the Territories, except Brazil, which we refer to as the MFA, and a separate, but substantially identical, Master Franchise Agreement for Brazil, which we refer to as the Brazilian MFA. We refer to the MFA and the Brazilian MFA, as amended or otherwise modified to date, collectively as the MFAs. We commenced operations on August 3, 2007, as a result of our purchase of McDonald's operations and real estate in the Territories (except for Trinidad and Tobago), which we refer to collectively as the "McDonald's LatAm" business, and the acquisition of McDonald's franchise rights pursuant to the MFAs, which together with the purchase of the McDonald's LatAm business, we refer to as the "Acquisition."

Financial Statements

We maintain our books and records in U.S. dollars and prepare our financial statements in accordance with accounting principles and standards generally accepted in the United States, or "U.S. GAAP."

The financial information contained in this annual report includes our consolidated financial statements at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, as stated in their report included elsewhere in this annual report.

We were incorporated on December 9, 2010 as a direct, wholly owned subsidiary of Arcos Dorados Limited, the prior holding company for the Arcos Dorados business. On December 13, 2010, Arcos Dorados Limited effected a downstream merger into and with us, with us as the surviving entity. The merger was accounted for as a reorganization of entities under common control in a manner similar to a pooling of interest and the consolidated financial statements reflect the historical consolidated operations of Arcos Dorados Limited as if the reorganization structure had existed since Arcos Dorados Limited was incorporated in July 2006.

Our fiscal year ends December 31. References in this annual report to a fiscal year, such as "fiscal year 2016," relate to our fiscal year ended on December 31 of that calendar year.

Operating Data

In January 2013, we made certain organizational changes in the structure of our geographical divisions in order to balance their relative weight in terms of number of restaurants and revenues. As a result of the reorganization effective January 1, 2013, Colombia and Venezuela, which were part of the South Latin America division, or "SLAD," became part of the Caribbean division with headquarters located in Colombia. Therefore, from the beginning of 2013, SLAD is comprised of Argentina, Chile, Ecuador, Peru and Uruguay, and the Caribbean division is comprised of Aruba, Colombia, Curaçao, French Guiana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago, the U.S. Virgin Islands of St. Croix and St. Thomas, and Venezuela. Our other geographical divisions are

Brazil and the North Latin America division, or "NOLAD," consisting of Costa Rica, Mexico and Panama. In accordance with ASC 280, Segment Reporting, we began reporting the results of the revised structure of our geographical divisions on our segment financial reporting in the first quarter of fiscal year 2013. In accordance with ASC 280, Segment Reporting, we have restated our comparative segment information as of and for the year ended December 31, 2012 based on the structure prevailing since January 1, 2013.

As of January 1, 2016, senior management made changes in the allocation of certain expenses across operating segments. We made corresponding changes in the allocation of these expenses in order to align our segment financial reporting with the new allocation used by senior management as of that date. In accordance with ASC 280, Segment Reporting, we have restated our comparative segment information as of and for the years ended December 31, 2015 and 2014 based on the new allocation of expenses prevailing since January 1, 2016.

We operate McDonald's-branded restaurants under two different operating formats: those directly operated by us, or "Company-operated" restaurants, and those operated by franchisees, or "franchised" restaurants. All references to "restaurants" are to our freestanding, food court, in-store and mall store restaurants and do not refer to our McCafé locations or Dessert Centers. Systemwide data represents measures for both our Company-operated restaurants and our franchised restaurants.

We are the majority stakeholder in three joint ventures with third parties that collectively own 18 restaurants. We consider these restaurants to be Company-operated restaurants. We also have granted developmental licenses to 11 restaurants. Developmental licensees own or lease the land and buildings on which their restaurants are located and pay a franchise fee to us in addition to the continuing franchise fee due to McDonald's. We consider these restaurants to be franchised restaurants.

Market Share and Other Information

Market data and certain industry forecast data used in this annual report were obtained from internal reports and studies, where appropriate, as well as estimates, market research, publicly available information (including information available from the United States Securities and Exchange Commission, or the SEC, website) and industry publications, including Millward Brown Optimor, the United Nations Economic Commission for Latin America and the Caribbean and the CIA World Factbook. Industry publications generally state that the information they include has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal reports and studies, estimates and market research, which we believe to be reliable and accurately extracted by us for use in this annual report, have not been independently verified. However, we believe such data is accurate and agree that we are responsible for the accurate extraction of such information from such sources and its correct reproduction in this annual report.

Basis of Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Rounding

We have made rounding adjustments to some of the figures included in this annual report. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

FORWARD-LOOKING STATEMENTS

This annual report contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Many of the forward-looking statements contained in this annual report can be identified by the use of forward-looking words such as "anticipate," "believe," "could," "expect," "should," "plan," "intend," "estimate" and "potential," among others.

Forward-looking statements appear in a number of places in this annual report and include, but are not limited to, statements regarding our intent, belief or current expectations. Forward-looking statements are based on our

management's beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to of various factors, including, but not limited to, those identified in "Item 3. Key Information—D. Risk Factors" in this annual report. These risks and uncertainties include factors relating to:

- general economic, political, demographic and business conditions in Latin America and the Caribbean;
- fluctuations in inflation and exchange rates in Latin America and the Caribbean;
- our ability to implement our growth strategy;
- the success of operating initiatives, including advertising and promotional efforts and new product and concept development by us and our competitors;
- our ability to compete and conduct our business in the future;
- changes in consumer tastes and preferences, including changes resulting from concerns over nutritional or safety aspects of beef, poultry, french fries or other foods or the effects of health pandemics and food-borne illnesses such as "mad cow" disease and avian influenza or "bird flu," and changes in spending patterns and demographic trends, such as the extent to which consumers eat meals away from home;
- the availability, location and lease terms for restaurant development;
- our intention to focus on our restaurant reimaging plan;
- our franchisees, including their business and financial viability and the timely payment of our franchisees' obligations due to us and to McDonald's;
- our ability to comply with the requirements of the MFAs, including McDonald's standards;
- our decision to own and operate restaurants or to operate under franchise agreements;
- the availability of qualified restaurant personnel for us and for our franchisees, and the ability to retain such personnel;
- changes in commodity costs, labor, supply, fuel, utilities, distribution and other operating costs;
- changes in labor laws;
- our ability, if necessary, to secure alternative distribution of supplies of food, equipment and other products to our restaurants at competitive rates and in adequate amounts, and the potential financial impact of any interruptions in such distribution;
- changes in government regulation;
- material changes in tax legislation;
- other factors that may affect our financial condition, liquidity and results of operations; and
- other risk factors discussed under "Item 3. Key Information—D. Risk Factors."

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

ENFORCEMENT OF JUDGMENTS

We are incorporated under the laws of the British Virgin Islands with limited liability. We are incorporated in the British Virgin Islands because of certain benefits associated with being a British Virgin Islands company, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of exchange control or currency restrictions, and the availability of professional and support services. However, the British Virgin Islands has a less developed body of securities laws as compared to the United States and provides protections for investors to a significantly lesser extent. In addition, British Virgin Islands companies may not have standing to sue before the federal courts of the United States.

A majority of our directors and officers, as well as certain of the experts named herein, reside outside of the United States. A substantial portion of our assets and several of such directors, officers and experts are located principally in Argentina, Brazil and Uruguay. As a result, it may not be possible for investors to effect service of process outside Argentina, Brazil and Uruguay upon such directors or officers, or to enforce against us or such parties in courts outside Argentina, Brazil and Uruguay judgments predicated solely upon the civil liability provisions of the federal securities laws of the United States or other non-Argentine, Brazilian or Uruguayan regulations, as applicable. In addition, local counsel to the Company have advised that there is doubt as to whether the courts of Argentina, Brazil or Uruguay would enforce in all respects, to the same extent and in as timely a manner as a U.S. court or non-Argentine, Brazilian or Uruguayan court, an original action predicated solely upon the civil liability provisions of the U.S. federal securities laws or other non-Argentine, Brazilian or Uruguayan regulations, as applicable; and that the enforceability in Argentine, Brazilian or Uruguayan courts of judgments of U.S. courts or non-Argentine, Brazilian or Uruguayan courts predicated upon the civil liability provisions of the U.S. federal securities laws or other non-Argentine, Brazilian or Uruguayan regulations, as applicable, will be subject to compliance with certain requirements under Argentine, Brazilian or Uruguayan law, including the condition that any such judgment does not violate Argentine, Brazilian or Uruguayan public policy.

We have been advised by Maples and Calder, our counsel as to British Virgin Islands law, that the United States and the British Virgin Islands do not have a treaty providing for reciprocal recognition and enforcement of judgments of courts of the United States in civil and commercial matters and that a final judgment for the payment of money rendered by any general or state court in the United States based on civil liability, whether or not predicated solely upon the U.S. federal securities laws, would not be automatically enforceable in the British Virgin Islands. We have been advised by Maples and Calder that a final and conclusive judgment obtained in U.S. federal or state courts under which a sum of money is payable (*i.e.* , not being a sum claimed by a revenue authority for taxes or other charges of a similar nature by a governmental authority, or in respect of a fine or penalty or multiple or punitive damages) may be the subject of an action on a debt in the court of the British Virgin Islands under British Virgin Islands common law.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. Directors and Senior Management

Not applicable.

B. Advisers

Not applicable.

C. Auditors

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

A. Offer Statistics

Not applicable.

B. Method and Expected Timetable

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The selected balance sheet data as of December 31, 2016 and 2015 and the income statement data for the years ended December 31, 2016, 2015 and 2014 of Arcos Dorados Holdings Inc. are derived from the consolidated financial statements included elsewhere in this annual report, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global. The selected balance sheet data as of December 31, 2014, 2013 and 2012 and the income statement data for the years ended December 31, 2013 and 2012 of Arcos Dorados Holdings Inc. are derived from consolidated financial statements audited by Pistrelli, Henry Martin y Asociados S.R.L., which are not included herein.

In January 2013, we made certain organizational changes in the structure of our geographical divisions in order to balance their relative weight in terms of number of restaurants and revenues. As a result of the reorganization effective January 1, 2013, Colombia and Venezuela, which were part of SLAD, became part of the Caribbean division with headquarters located in Colombia. Therefore, from the beginning of 2013, SLAD is comprised of Argentina, Chile, Ecuador, Peru and Uruguay, and the Caribbean division is comprised of Aruba, Colombia, Curaçao, French Guiana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago, the U.S. Virgin Islands of St. Croix and St. Thomas, and Venezuela. Our other geographical divisions are Brazil and NOLAD, consisting of Costa Rica, Mexico and Panama. In accordance with ASC 280 Segment Reporting, we began reporting the results of the revised structure of our geographical divisions on our segment financial reporting in the first quarter of fiscal year 2013. In accordance with ASC 280, Segment Reporting, we have restated our comparative segment information as of and for the year ended December 31, 2012 based on the structure prevailing since January 1, 2013.

As of January 1, 2016, senior management made changes in the allocation of certain expenses across operating segments. We made corresponding changes in the allocation of these expenses in order to align our segment financial reporting with the new allocation used by senior management as of that date. In accordance with ASC 280, Segment Reporting, we have restated our comparative segment information as of and for the years ended December 31, 2015 and 2014 based on the new allocation of expenses prevailing since January 1, 2016.

We were incorporated on December 9, 2010 as a direct, wholly owned subsidiary of Arcos Dorados Limited, the prior holding company for the Arcos Dorados business. On December 13, 2010, Arcos Dorados Limited effected a downstream merger into and with us, with us as the surviving entity. The merger was accounted for as a reorganization of entities under common control in a manner similar to a pooling of interest and the consolidated financial statements reflect the historical consolidated operations of Arcos Dorados Limited as if the reorganization structure had existed since Arcos Dorados Limited was incorporated in July 2006. We did not commence operations until the Acquisition on August 3, 2007.

We maintain our books and records in U.S. dollars and prepare our consolidated financial statements in accordance with U.S. GAAP. This financial information should be read in conjunction with "Presentation of Financial and Other Information," "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements, including the notes thereto, included elsewhere in this annual report.

	For the Years Ended December 31,				
	2016	**2015 (1)**	**2014 (1)**	**2013 (1)**	**2012 (1)**
	(in thousands of U.S. dollars, except for per share data)				
Income Statement Data:					
Sales by Company-operated restaurants	$ 2,803,334	$ 2,930,379	$ 3,504,302	$ 3,859,883	$ 3,634,371
Revenues from franchised restaurants	125,296	122,361	146,763	173,427	163,023
Total revenues	**2,928,630**	**3,052,740**	**3,651,065**	**4,033,310**	**3,797,394**
Company-operated restaurant expenses:					
Food and paper	(1,012,976)	(1,037,487)	(1,243,907)	(1,350,515)	(1,269,146)
Payroll and employee benefits	(607,082)	(660,773)	(791,677)	(814,112)	(753,120)
Occupancy and other operating	(752,428)	(793,622)	(939,481)	(1,055,188)	(984,004)
Royalty fees	(142,777)	(149,089)	(173,663)	(188,885)	(180,547)
Franchised restaurants—occupancy	(55,098)	(54,242)	(63,939)	(63,273)	(56,057)
General and administrative expenses	(221,075)	(270,680)	(272,065)	(317,745)	(314,619)
Other operating income (expenses), net	41,386	6,560	(95,476)	(15,070)	(3,261)
Total operating costs and expenses	**(2,750,050)**	**(2,959,333)**	**(3,580,208)**	**(3,804,788)**	**(3,560,754)**
Operating income	**178,580**	**93,407**	**70,857**	**228,522**	**236,640**
Net interest expense	(66,880)	(64,407)	(72,750)	(88,156)	(54,247)
Loss from derivative instruments	(3,065)	(2,894)	(685)	(4,141)	(891)
Foreign currency exchange results	32,354	(54,032)	(74,117)	(38,783)	(18,420)
Other non-operating (expenses) income	(2,360)	(627)	146	(848)	(2,119)
Income (loss) before income taxes	**138,629**	**(28,553)**	**(76,549)**	**96,594**	**160,963**
Income tax expense	(59,641)	(22,816)	(32,479)	(42,722)	(46,375)
Net income (loss)	**78,988**	**(51,369)**	**(109,028)**	**53,872**	**114,588**
Less: Net income attributable to non-controlling interests	(178)	(264)	(305)	(18)	(256)
Net income (loss) attributable to Arcos Dorados Holdings Inc.	**78,810**	**(51,633)**	**(109,333)**	**53,854**	**114,332**
Earnings (Loss) per share:					
Basic net income (loss) per common share attributable to Arcos Dorados	$ 0.37	$ (0.25)	$ (0.52)	$ 0.26	$ 0.55
Diluted net income (loss) per common share attributable to Arcos Dorados	$ 0.37	$ (0.25)	$ (0.52)	$ 0.26	$ 0.55

	As of December 31,				
	2016	2015	2014	2013	2012
	(in thousands of U.S. dollars, except for share data)				
Balance Sheet Data [2] :					
Cash and cash equivalent	$ 194,803	$ 112,519	$ 139,030	$ 175,648	$ 184,851
Total current assets	**445,190**	**378,996**	**447,196**	**666,451**	**601,498**
Property and equipment, net	847,966	833,357	1,092,994	1,244,311	1,176,350
Total non-current assets	**1,059,863**	**1,024,206**	**1,347,584**	**1,513,808**	**1,447,665**
Total assets	**1,505,053**	**1,403,202**	**1,794,780**	**2,180,259**	**2,049,163**
Accounts payable	217,914	187,685	220,337	311,060	244,365
Short-term debt and current portion of long-term debt	28,099	163,740	38,684	12,276	2,202
Total current liabilities	**548,308**	**577,314**	**542,066**	**659,156**	**578,274**
Long-term debt, excluding current portion	551,580	491,327	761,080	771,171	649,968
Total non-current liabilities	**605,169**	**538,998**	**795,127**	**825,804**	**724,579**
Total liabilities	**1,153,477**	**1,116,312**	**1,337,193**	**1,484,960**	**1,302,853**
Total common stock	506,884	504,772	498,616	491,735	484,569
Total equity	**351,576**	**286,890**	**457,587**	**695,299**	**746,310**
Total liabilities and equity	**1,505,053**	**1,403,202**	**1,794,780**	**2,180,259**	**2,049,163**
Shares outstanding	210,711,224	210,538,896	210,216,043	209,867,426	209,529,412

	For the Years Ended December 31,				
	2016	2015	2014	2013	2012 [3]
	(in thousands of U.S. dollars, except percentages)				
Other Data:					
Total Revenues					
Brazil	$ 1,333,237	$ 1,361,989	$ 1,816,046	$ 1,842,324	$ 1,797,556
Caribbean division [4]	409,671	398,144	594,220	830,447	754,730
NOLAD	363,965	367,364	385,114	407,772	384,041
SLAD	821,757	925,243	855,685	952,767	861,067
Total	**2,928,630**	**3,052,740**	**3,651,065**	**4,033,310**	**3,797,394**
Operating Income [5]					
Brazil	$ 122,636	$ 116,820	$ 155,799	$ 188,445	$ 193,339
Caribbean division [4]	(12,392)	(40,102)	(91,859)	37,837	40,692
NOLAD	45,145	8,710	(9,150)	(5,314)	(5,557)
SLAD	66,359	78,022	62,768	84,324	74,824
Corporate and others and purchase price allocation	(43,168)	(70,043)	(46,701)	(76,770)	(66,658)
Total	**178,580**	**93,407**	**70,857**	**228,522**	**236,640**
Operating Margin [5][6]					
Brazil	9.2 %	8.6 %	8.6 %	10.2 %	10.8 %
Caribbean division [4]	(3.0)	(10.1)	(15.5)	4.6	5.4
NOLAD	12.4	2.4	(2.4)	(1.3)	(1.4)
SLAD	8.1	8.4	7.3	8.9	8.7
Total	**6.1**	**3.1**	**1.9**	**5.7**	**6.2**

Adjusted EBITDA [(5)(7)]					
Brazil	$ 168,076	$ 174,102	$ 220,711	$ 245,957	$ 240,954
Caribbean division [(4)]	18,049	2,059	(11,284)	67,180	69,109
NOLAD	36,288	31,424	25,035	27,397	26,738
SLAD	76,327	100,718	82,859	105,495	93,756
Corporate and others	(60,295)	(78,132)	(65,647)	(101,562)	(89,996)
Total	**238,445**	**230,171**	**251,674**	**344,467**	**340,561**
Adjusted EBITDA Margin [(5)(8)]					
Brazil	12.6 %	12.8 %	12.2 %	13.4 %	13.4 %
Caribbean division [(4)]	4.4	0.5	(1.9)	8.1	9.2
NOLAD	10.0	8.6	6.5	6.7	7.0
SLAD	9.3	10.9	9.7	11.1	10.9
Total	**8.1**	**7.5**	**6.9**	**8.5**	**9.0**
Other Financial Data:					
Working capital [(9)]	$ (103,118)	$ (198,318)	$ (94,870)	$ 7,295	$ 23,224
Capital expenditures [(10)]	92,282	92,055	170,638	313,786	300,482
Dividends declared per common share	—	—	0.24	0.24	0.24

	As of December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Number of systemwide restaurants	**2,156**	**2,141**	**2,121**	**2,062**	**1,948**
Brazil	902	883	866	812	731
Caribbean division	353	356	359	365	353
NOLAD	517	518	513	507	503
SLAD	384	384	383	378	361
Number of Company-operated restaurants	**1,553**	**1,588**	**1,577**	**1,538**	**1,453**
Brazil	584	615	614	583	533
Caribbean division	266	267	270	270	259
NOLAD	365	364	352	344	335
SLAD	338	342	341	341	326
Number of franchised restaurants	**603**	**553**	**544**	**524**	**495**
Brazil	318	268	252	229	198
Caribbean division	87	89	89	95	94
NOLAD	152	154	161	163	168
SLAD	46	42	42	37	35

(1) Due to certain changes in accounting for expenses in 2016, certain reclassifications have been made from “Occupancy and other operating expenses” to “Payroll and employee benefits” in the Income Statement Data for the fiscal years ended December 31, 2015 and 2014 in order to ensure comparability with our results for the fiscal year ended December 31, 2016. Income Statement Data for the fiscal years ended December 31, 2013 and 2012 has not been restated and is therefore not comparable to 2016, 2015 and 2014. See Note 2 to our consolidated financial statements for additional information.

(2) Due to changes in accounting standards, certain reclassifications have been made from “Non-current assets” to “Short-term debt and current portion of long-term debt” and to “Long-term debt, excluding current portion” in the Balance Sheet Data as of December 31, 2015. Balance Sheet Data as of December 31, 2014, 2013 and 2012 has not been restated and is therefore not comparable to the Balance Sheet Data as of December 31, 2016 and 2015. See Note 2 to our consolidated financial statements for additional information.

(3) Segment information as of and for the year ended December 31, 2012 is presented based on the segment structure prevailing as of and from January 1, 2013. See "Presentation of Financial and Other Information—Operating Data."

(4) Currency devaluations in Venezuela have had a significant effect on our income statements and have impacted the comparability of our income statements in 2016 and 2015 as compared to 2014, 2013 and 2012. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Foreign Currency Translation—Venezuela."

(5) Segment information for the years ended December 31, 2016, 2015 and 2014 is presented based on the allocation of expenses prevailing as of January 1, 2016. See "Presentation of Financial and Other Information—Operating Data." Segment information for the years ended December 31, 2013 and 2012 has not been restated and is therefore not comparable to the segment information for the years ended December 31, 2016, 2015 and 2014.

(6) Operating margin is operating income divided by total revenues, expressed as a percentage.

(7) Adjusted EBITDA is a measure of our performance that is reviewed by our management. Adjusted EBITDA does not have a standardized meaning and, accordingly, our definition of Adjusted EBITDA may not be comparable to Adjusted EBITDA as used by other companies. Total Adjusted EBITDA is a non-GAAP measure. For our definition of Adjusted EBITDA, see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Key Business Measures"

(8) Adjusted EBITDA margin is Adjusted EBITDA divided by total revenues, expressed as a percentage.

(9) Working capital equals current assets minus current liabilities.

(10) Includes property and equipment expenditures and purchase of restaurant businesses paid at the acquisition date.

Presented below is the reconciliation between net income and Adjusted EBITDA on a consolidated basis:

	For the Years Ended December 31,				
Consolidated Adjusted EBITDA Reconciliation	**2016**	**2015**	**2014**	**2013**	**2012**
	(in thousands of U.S. dollars)				
Net income (loss) attributable to Arcos Dorados Holdings Inc.	**$ 78,810**	**$ (51,633)**	**$ (109,333)**	**$ 53,854**	**$ 114,332**
Plus (Less):					
Net interest expense	66,880	64,407	72,750	88,156	54,247
Loss from derivative instruments	3,065	2,894	685	4,141	891
Foreign currency exchange results	(32,354)	54,032	74,117	38,783	18,420
Other non-operating expenses (income), net	2,360	627	(146)	848	2,119
Income tax expense	59,641	22,816	32,479	42,722	46,375
Net income attributable to non-controlling interests	178	264	305	18	256
Operating income	**178,580**	**93,407**	**70,857**	**228,522**	**236,640**
Plus (Less):					
Items excluded from computation that affect operating income:					
Depreciation and amortization	92,969	110,715	116,811	114,860	92,328
Gains from sale or insurance recovery of property and equipment	(57,244)	(12,308)	(3,379)	(10,326)	(3,328)
Write-offs and related contingencies of property and equipment	5,776	6,038	7,111	6,489	4,259
Impairment of long-lived assets	7,697	12,343	50,886	2,958	1,982
Impairment of goodwill	5,045	679	2,029	—	683
Stock-based compensation related to the special awards in connection with the initial public offering under the 2011 Plan	—	210	2,503	1,964	7,997
Reorganization and optimization plan	5,341	18,346	4,707	—	—
2008 Long-Term Incentive Plan incremental compensation from modification	281	741	149	—	—
Adjusted EBITDA	**238,445**	**230,171**	**251,674**	**344,467**	**340,561**

Exchange Rates and Exchange Controls

In 2016, 73.9% of our total revenues were derived from our restaurants in Argentina, Brazil, Mexico and Puerto Rico. While we maintain our books and records in U.S. dollars, our revenues are conducted in the local currency of the territories in which we operate, and as such may be affected by changes in the local exchange rate to the U.S. dollar. The exchange rates discussed in this section have been obtained from each country's central bank. However, in most cases, for consolidation purposes, we use a foreign currency to U.S. dollar exchange rate provided by Bloomberg that differs slightly from that reported by the aforementioned central banks.

Argentina

During 2001 and 2002, Argentina went through a period of severe political, economic and social crisis. Among other consequences, the crisis resulted in Argentina defaulting on its foreign debt obligations and the introduction of numerous changes in economic policies, including currency controls that tightened restrictions on capital flows, exchange controls, an official U.S. dollar exchange and transfer restrictions that substantially limited the ability of companies to retain foreign currency or make payments abroad. In addition, since 2007, Argentina has faced significant inflationary pressures and experienced several economic recessions, from which the Argentine economy has yet not fully recovered.

Since President Mauricio Macri assumed office on December 10, 2015, the Macri administration has adopted several significant economic and policy reforms. For instance, the Macri administration eased currency controls in place since 2001 and reached agreements with a large majority of holdout creditors (in terms of claims) in connection with its 2001-2002 default on foreign indebtedness, which allowed Argentina to regain access to international financial markets.

In addition, on January 8, 2016, President Macri declared a state of administrative emergency on the national statistics system in response to the divergence between official and private inflation statistics that began in 2007 and resulted in censure by the International Monetary Fund (the "IMF") in 2013. The declaration temporarily suspended publication of statistical data by the INDEC, the national institute for statistics. Since then, the Macri administration's appointee to the INDEC implemented a series of methodological reforms, which have reduced the divergence between official and private inflation statistics and led the IMF to lift its censure on November 10, 2016.

While exchange control restrictions have been eased, exchange control restrictions impacted our ability to transfer funds abroad and prevented or delayed payments that our Argentine subsidiaries were required to make outside Argentina in the past.

The Argentine *peso* depreciated 14.3% against the U.S. Dollar in 2012, 32.4% in 2013, 30.7% in 2014, 51.7% in 2015, 21.9% in 2016, and appreciated 2.9% in the first quarter of 2017.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates for the purchase of U.S. dollars expressed in Argentine *pesos* per U.S. dollar. The average rate is calculated by using the average of the Central Bank of Argentina's reported exchange rates on each day during a monthly period and on the last day of each month during an annual or interim period. As of April 25, 2017, the exchange rate for the purchase of U.S. dollars as reported by the Central Bank of Argentina was ARS$15.414 per U.S. dollar.

	Period-End	Average for Period	Low	High
	(Argentine *pesos* per U.S. dollar)			
	ARS$	ARS$	ARS$	ARS$
Year Ended December 31:				
2012	4.917	4.224	4.305	4.917
2013	6.518	5.543	4.923	6.518
2014	8.552	8.231	6.543	8.556
2015	13.005	9.442	8.554	13.763
2016	15.850	14.945	13.069	16.039

Quarter Ended:				
March 31, 2017	15.382	15.681	15.368	16.053
Month Ended:				
October 31, 2016	15.175	15.181	15.115	15.225
November 30, 2016	15.844	15.340	15.018	15.844
December 31, 2016	15.850	15.830	15.523	16.039
January 31, 2017	15.912	15.907	15.808	16.053
February 24, 2017	15.455	15.599	15.368	15.835
March 31, 2017	15.382	15.524	15.382	15.669
April 30, 2017 (through April 25, 2017)	15.414	15.451	15.174	15.669

Note: For consolidation purposes, we use an Argentine *peso* / U.S. dollar exchange rate provided by Bloomberg that differs slightly from that reported by the Central Bank of Argentina.

Exchange Controls

In June 2005, the Argentine government issued Decree 616/2005, which established additional restrictions over all capital flows that could result in future payment obligations of foreign currency by residents to non-residents. Pursuant to the decree, all private sector indebtedness of physical persons or corporations in Argentina were required to be agreed upon and repaid not prior to 365 days from the date of entry of the funds into Argentina, regardless of the form of repayment. The decree outlined several types of transactions that were exempted from its requirements, including foreign trade financings and primary offerings of debt securities issued pursuant to a public offering and listed on an authorized market.

In addition, the decree stipulated that all capital inflows within the private sector to the local exchange market due to foreign indebtedness of physical persons or corporations within Argentina (excluding foreign trade financings and primary offerings of debt securities issued pursuant to a public offering and listed on an authorized market), as well as all capital inflows of non-residents received by the local exchange market destined for local money holdings, all kinds of financial assets or liabilities of the financial and non-financial private sector (excluding foreign direct investment and primary offerings of debt securities issued pursuant to a public offering and listed on an authorized market) and investments in securities issued by the public sector that are acquired in secondary markets, had to meet certain requirements described in section 4 of the decree, including the following:

- the funds could only be transferred outside the local exchange market after a 365-day period from the date of entry of the funds into Argentina (the "Minimum Stay Period") of 365 calendar days;
- any amounts resulting from the exchange of the funds had to be credited to an account within the Argentine banking system;
- a non-transferable, non-interest-bearing deposit had to be maintained for a term of 365 calendar days, in an amount equal to 30% of any inflow of funds to the Argentine foreign exchange market (the "Deposit"); and
- the Deposit had to be in U.S. dollars, in any of the financial entities of Argentina, and could not be used as collateral or guaranty for any credit transaction. Any breach of the provisions of Argentine foreign exchange regulations is subject to criminal penalties.

The requirements of Decree No. 616/2005 were subsequently eased by the Macri administration as detailed below.

On December 18, 2015, through Resolution No. 3/2015, the Ministry of Treasury and Public Finance amended Executive Decree No. 616/2005, stating that for new inflows of funds into Argentina through the Argentine foreign exchange market, (i) the Minimum Stay Period was reduced from 365 calendar days to 120 calendar days from the date of entry of the funds into Argentina and (ii) the rate of the Deposit was reduced to 0% of the funds, effectively eliminating it as a requirement. Subsequently, on January 5, 2017, the Ministry of Treasury published Resolution No. 1-E/2017, which further reduced the Minimum Stay Period from 120 to 0 days, effectively eliminating it as a requirement.

On August 8, 2016, the Central Bank of Argentina also introduced material changes to the foreign exchange regime by means of Communication “A” 6037 (“Communication 6037”) that significantly eased foreign exchange controls. The current foreign exchange regime is detailed below.

Inflow and settlement through the local foreign exchange market. The proceeds from foreign financial indebtedness incurred by institutions in the private non-financial sector and the financial sector and by Argentine local governments are not required to be transferred and settled through the local foreign exchange market, which would otherwise require conversion into Argentine *pesos* .

Whether funds are settled through the local foreign exchange market or not, resident debtors with foreign debt from the private non-financial sector and the financial sector are required to register such debt in the “Report of Issuances of Securities and Other Foreign Indebtedness of the Private Financial and Non-Financial Sector” pursuant to Central Bank of Argentina’s Communication “A” 3602, as amended, supplemented and restated (“Communication 3602”).

Payment of Services and Profits (Interest, Earnings and Dividends). Local residents are entitled to access the local foreign exchange market to transfer outside of Argentina amounts for payment of any services, interests, earnings, dividends and the acquisition of non-financial, non-produced assets (*activos no financieros no producidos*).

Access to the local foreign exchange market for any of these purposes requires the presentation of documentation evidencing compliance with the reporting regimes established by Communication 3602 and, in the case of direct investments (such as an ownership interest of at least 10% of a local company’s capital stock or voting rights), the requirements of Communication “A” 4237 (as amended, supplemented and restated) shall also apply.

Payment of Principal on Foreign Financial Debts. In the case of access to the local foreign exchange market for payment of principal on foreign financial indebtedness, including cancellation of financial standby arrangements granted by Argentine banking entities, applicable regulations require a sworn affidavit by the debtor confirming the filing, if applicable, in the “Report of Issuances of Securities and Other Foreign Indebtedness of the Private Financial and Non-Financial Sector” pursuant to Communication 3602.

Foreclosure of Local Guarantees . Only an Argentine financial entity that provides a guarantee for an Argentine import operation shall have access to the local foreign exchange market in order to make payments under such guarantee. Consequently, an Argentine resident that is not a financial entity and that is a guarantor of any cross-border financing shall not have access to the local foreign exchange market in order to make payments or transfer funds abroad pursuant to the guarantee.

However, as of the date hereof, subject to the satisfaction of certain conditions, resident individuals, legal entities from the private sector organized in Argentina and not authorized to deal in foreign exchange, certain trusts and other estates domiciled in Argentina, as well as Argentine local governments will be allowed access to the local foreign exchange market without the prior authorization of the Central Bank of Argentina to purchase foreign currency without specific allocation (*atesoramiento*). Previously, acquisitions of foreign currency for a non-specific purpose were subject to monthly caps. The Central Bank of Argentina eliminated these caps on August 9, 2016 through Communication 6037.

In addition, non-residents have access to the local foreign exchange market to transfer outside of Argentina payments for services, income and current transfers payable in Argentina, pursuant to the specific legal framework that regulates the access to this market by non-residents.

Notwithstanding the measures recently adopted by the Macri administration, the Central Bank of Argentina and the federal government in the future may impose additional exchange controls that may impact our ability to transfer funds abroad and may prevent or delay payments that our Argentine subsidiaries are required to make outside Argentina.

Brazil

Brazilian Resolution 3,568 establishes that, without prejudice to the duty of identifying customers, operations of foreign currency purchase or sale up to $3,000 or its equivalent in other currencies are not required to submit documentation relating to legal transactions underlying these foreign exchange operations. According to Resolution 3,568, the Central Bank of Brazil may define simplified forms to record operations of foreign currency purchases and sales of up to $3,000 or its equivalent in other currencies.

The Brazilian Monetary Council may issue further regulations in relation to foreign exchange transactions, as well as on payments and transfers of Brazilian currency between Brazilian residents and non-residents (such transfers being commonly known as the international transfer of *reais*), including those made through so-called non-resident accounts.

Brazilian law also imposes a tax on foreign exchange transactions, or "IOF/Exchange," on the conversion of *reais* into foreign currency and on the conversion of foreign currency into *reais* . As of October 7, 2014, the general IOF/Exchange rate applicable to almost all foreign currency exchange transactions was increased from zero to 0.38%, although other rates may apply in particular operations, such as the below transactions which are currently not taxed:

- inflow related to transactions carried out in the Brazilian financial and capital markets, including investments in our common shares by investors which register their investment under Resolution No. 4,373;
- outflow related to the return of the investment mentioned under the first bulleted item above; and
- outflow related to the payment of dividends and interest on shareholders' equity in connection with the investment mentioned under the first bulleted item above.

Notwithstanding these rates of the IOF/Exchange, in force as of the date hereof, the Minister of Finance is legally entitled to increase the rate of the IOF/Exchange to a maximum of 25% of the amount of the currency exchange transaction, but only on a prospective basis.

Although the Central Bank of Brazil has intervened occasionally to control movements in the foreign exchange rates, the exchange market may continue to be volatile as a result of capital movements or other factors, and, therefore, the Brazilian *real* may substantially decline or appreciate in value in relation to the U.S. dollar in the future.

Brazilian law further provides that whenever there is a significant imbalance in Brazil's balance of payments or reasons to foresee such a significant imbalance, the Brazilian government may, and has done so in the past, impose temporary restrictions on the remittance of funds to foreign investors of the proceeds of their investments in Brazil. The likelihood that the Brazilian government would impose such restricting measures may be affected by the extent of Brazil's foreign currency reserves, the availability of foreign currency in the foreign exchange markets on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole and other factors. We cannot assure you that the Central Bank will not modify its policies or that the Brazilian government will not institute restrictions or delays on cross-border remittances in respect of securities issued in the international capital markets.

The Brazilian *real* depreciated 9.6% against the U.S. dollar in 2012, 15.5% in 2013, 11.3% in 2014, 47.0% in 2015, and appreciated 19.4% in 2016 and 5.9% in the first quarter of 2017.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates for the purchase of U.S. dollars expressed in Brazilian *reais* per U.S. dollar as reported by the Central Bank of Brazil. As of April 25, 2017, the exchange rate for the purchase of U.S. dollars as reported by the Central Bank of Brazil was R$3.158 per U.S. dollar.

	Period-End	Average for Period	Low	High
	(Brazilian *reais* per U.S. dollar)			
	R$	R$	R$	R$
Year Ended December 31:				
2012	2.112	1.955	1.702	2.112
2013	2.343	2.158	1.953	2.446
2014	2.656	2.356	2.197	2.740
2015	3.905	3.388	2.569	4.195
2016	3.259	3.450	3.119	4.156

	Period-End	Average for Period	Low	High
		(Brazilian *reais* per U.S. dollar)		
	R$	R$	R$	R$
Quarter Ended:				
March 31, 2017	3.168	3.146	3.064	3.273
Month Ended:				
October 31, 2016	3.181	3.187	3.119	3.236
November 30, 2016	3.397	3.342	3.202	3.445
December 31, 2016	3.259	3.352	3.259	3.465
January 31, 2017	3.127	3.200	3.127	3.273
February 28, 2017	3.099	3.104	3.051	3.148
March 31, 2017	3.168	3.128	3.077	3.174
April 30, 2017 (through April 25, 2017)	3.158	3.125	3.092	3.158

Note: For consolidation purposes, we use a Brazilian *reais* / U.S. dollar exchange rate provided by Bloomberg that differs slightly from that reported by the Central Bank of Brazil.

Mexico

For the last few years, the Mexican government has maintained a policy of non-intervention in the foreign exchange markets, other than conducting periodic auctions for the purchase of U.S. dollars, and has not had in effect any exchange controls (although these controls have existed and have been in effect in the past). We cannot assure you that the Mexican government will maintain its current policies with regard to the Mexican *peso* or that the Mexican *peso* will not further depreciate or appreciate significantly in the future.

The Mexican *peso* depreciated 19.8% against the U.S. dollar in 2016 and appreciated 9.0% in the first quarter of 2017.

The following table sets forth, for the periods indicated, the high, low, average and period-end free-market exchange rate for the purchase of U.S. dollars, expressed in nominal Mexican *pesos* per U.S. dollar, as reported by the Central Bank of Mexico in the Federal Official Gazette. All amounts are stated in Mexican *pesos* per U.S. dollar. The annual and interim average rates reflect the average of month-end rates, and monthly average rates reflect the average of daily rates. As of April 25, 2017, the free-market exchange rate for the purchase of U.S. dollars as reported by the Central Bank of Mexico in the Federal Official Gazette as the rate of payment of obligations denominated in non-Mexican currency payable in Mexico was Ps.18.923 per U.S. dollar.

	Period End	Average for Period	Low	High
		(Mexican *pesos* per U.S. dollar)		
	Ps.	Ps.	Ps.	Ps.
Year Ended December 31:				
2012	13.010	13.167	12.630	14.395
2013	13.077	12.821	11.981	13.439
2014	14.718	13.358	12.846	14.785
2015	17.207	15.967	14.556	17.378
2016	20.664	18.789	17.177	21.051
Quarter Ended:				
March 31, 2017	18.796	20.321	18.708	21.908
Month Ended:				
October 31, 2016	18.844	18.973	18.515	19.409
November 30, 2016	20.552	19.969	18.509	21.051
December 31, 2016	20.664	20.543	20.223	20.749
January 31, 2017	21.021	21.396	20.619	21.908
February 28, 2017	19.834	20.353	19.701	20.791
March 31, 2017	18.796	19.301	18.708	19.937
April 30, 2017 (through April 25, 2017)	18.923	18.736	18.486	18.923

Note: For consolidation purposes, we use a Mexican *peso* /U.S. dollar exchange rate provided by Bloomberg that differs slightly from that reported by the Central Bank of Mexico.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our business, financial condition and results of operations could be materially and adversely affected if any of the risks described below occur. As a result, the market price of our class A shares could decline, and you could lose all or part of your investment. This annual report also contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks facing our company or investments in Latin America and the Caribbean described below and elsewhere in this annual report.

Certain Factors Relating to Our Business

Our rights to operate and franchise McDonald's-branded restaurants are dependent on the MFAs, the expiration of which would adversely affect our business, results of operations, financial condition and prospects.

Our rights to operate and franchise McDonald's-branded restaurants in the Territories, and therefore our ability to conduct our business, derive exclusively from the rights granted to us by McDonald's in two MFAs through 2027. The initial term of the franchise for French Guiana, Guadeloupe and Martinique expires on August 2, 2017 and includes an option to extend the agreement for these territories for an additional period of 10 years through August 2, 2027. On July 20, 2016, we exercised our option to extend our rights to operate and franchise McDonald's-branded restaurants in these three territories. As a result, our ability to continue operating in our current capacity following the extended term of the MFAs is dependent on the renewal of our contractual relationship with McDonald's.

McDonald's has the right, in its reasonable business judgment based on our satisfaction of certain criteria set forth in the MFAs, to grant us an option to extend the term of the MFAs with respect to all Territories for an additional period of 10 years after the expiration in 2027 of the initial term of the MFAs upon such terms as McDonald's may determine. Pursuant to the MFAs, McDonald's will determine whether to grant us the option to renew between August 2020 and August 2024. If McDonald's grants us the option to renew and we elect to exercise the option, then we and McDonald's will amend the MFAs to reflect the terms of such renewal option, as appropriate. We cannot assure you that McDonald's will grant us an option to extend the term of the MFAs or that the terms of any renewal option will be acceptable to us, will be similar to those contained in the MFAs or will not be less favorable to us than those contained in the MFAs.

If McDonald's elects not to grant us the renewal option or we elect not to exercise the renewal option, we will have a three-year period in which to solicit offers for our business, which offers would be subject to McDonald's approval. Upon the expiration of the MFAs, McDonald's has the option to acquire all of our non-public shares and all of the equity interests of our wholly owned subsidiary Arcos Dourados Comercio de Alimentos Ltda., the master franchisee of McDonald's for Brazil, at their fair market value.

In the event McDonald's does not exercise its option to acquire LatAm, LLC and Arcos Dourados Comercio de Alimentos Ltda., the MFAs would expire and we would be required to cease operating McDonald's-branded restaurants, identifying our business with McDonald's and using any of McDonald's intellectual property. Although we would retain our real estate and infrastructure, the MFAs prohibit us from engaging in certain competitive businesses, including Burger King, Subway, KFC or any other quick-service restaurant, or QSR, business, or duplicating the McDonald's system at another restaurant or business during the two-year period following the expiration of the MFAs. As the McDonald's brand and our relationship with McDonald's are among our primary competitive strengths, the expiration of the MFAs for any of the reasons described above would materially and adversely affect our business, results of operations, financial condition and prospects.

Our business depends on our relationship with McDonald's and changes in this relationship may adversely affect our business, results of operations and financial condition.

Our rights to operate and franchise McDonald's-branded restaurants in the Territories, and therefore our ability to conduct our business, derive exclusively from the rights granted to us by McDonald's in the MFAs. As a result, our revenues are dependent on the continued existence of our contractual relationship with McDonald's.

Pursuant to the MFAs, McDonald's has the ability to exercise substantial influence over the conduct of our business. For example, under the MFAs, we are not permitted to operate any other QSR chains, we must comply with McDonald's high quality standards, we must own and operate at least 50% of all McDonald's-branded restaurants in each of the Territories, we must maintain certain guarantees in favor of McDonald's, including a standby letter of credit (or other similar financial guarantee acceptable to McDonald's) in an amount of $80.0 million, to secure our payment obligations under the MFAs and related credit documents, we cannot incur debt above certain financial ratios, we cannot transfer the equity interests of our subsidiaries, any significant portion of their assets or any of the real estate properties we own without McDonald's consent, and McDonald's has the right to approve the appointment of our chief executive officer and chief operating officer. In addition, the MFAs require us to reinvest a significant amount of money, including through reimaging our existing restaurants, opening new restaurants and advertising, which plans McDonald's has the right to approve. Under the 2017-2019 restaurant opening and reinvestment plan, we are required to open 180 restaurants and to reinvest $292 million in existing restaurants from 2017 through 2019. We cannot assure you that we will have available the funds necessary to finance these commitments, and their satisfaction may require us to incur additional indebtedness, which could adversely affect our financial condition. Moreover, we may not be able to obtain additional indebtedness on favorable terms, or at all. Failure to comply with these commitments could constitute a material breach of the MFAs and may lead to a termination by McDonald's of the MFAs. In addition, on January 25, 2017, McDonald's Corporation agreed to provide growth support for the same period. We project that the impact of this support could result in an effective royalty rate of 5.3% in 2017, 5.7% in 2018 and 5.9% in 2019.

Notwithstanding the foregoing, McDonald's has no obligation to fund our operations. In addition, McDonald's does not guarantee any of our financial obligations, including trade payables or outstanding indebtedness, and has no obligation to do so.

If the terms of the MFAs excessively restrict our ability to operate our business or if we are unable to satisfy our restaurant opening and reinvestment commitments under the MFAs, our business, results of operations and financial condition would be materially and adversely affected.

For certain periods of 2014, 2015 and 2016, McDonald's Corporation granted us limited waivers for our non-compliance with certain quarterly financial ratios specified in the MFA; a failure to extend such waiver or comply with our original commitments could result in a material breach of the MFA.

During certain periods of 2014, 2015 and 2016, we were not in compliance with certain quarterly financial ratios specified in the MFA. We obtained a limited waiver from McDonald's Corporation through and including June 30, 2016. During the waiver period we were not required to maintain these quarterly financial ratios. We have been in compliance with these quarterly ratios since the expiration of the waiver. However, if we are unable to comply with our original commitments under the MFA or to obtain a waiver for any non-compliance in the future, we could be in material breach. If we breach the MFA, McDonald's will have certain rights, including the ability to acquire all or portions of our business. See "Item 10. Additional Information—C. Material Contracts—The MFAs."

McDonald's has the right to acquire all or portions of our business upon the occurrence of certain events and, in the case of a material breach of the MFAs, may acquire our non-public shares or our interests in one or more Territories at 80% of their fair market value.

Pursuant to the MFAs, McDonald's has the right to acquire our non-public shares or our interests in one or more Territories upon the occurrence of certain events, including the death or permanent incapacity of our controlling shareholder or a material breach of the MFAs. In the event McDonald's were to exercise its right to acquire all of our non-public shares, McDonald's would become our controlling shareholder.

McDonald's has the option to acquire all, but not less than all, of our non-public shares at 100% of their fair market value during the twelve-month period following the eighteen-month anniversary of the death or permanent incapacity of Mr. Staton, our Executive Chairman and controlling shareholder. In addition, if there is a material breach that relates to one or more Territories in which there are at least 100 restaurants in operation, McDonald's has the right either to acquire all of our non-public shares or our interests in our subsidiaries in such Territory or Territories. By contrast, if the initial material breach of the MFAs affects or is attributable to any of the Territories in which there are less than 100 restaurants in operation, McDonald's only has the right to acquire the equity interests of any of our subsidiaries in the relevant Territory. For example, since we have more than 100 restaurants in Mexico, if a Mexican subsidiary were to materially breach the MFA, McDonald's would have the right either to acquire our entire business throughout Latin America and the Caribbean or just our Mexican operations, whereas upon a similar breach by our Ecuadorean subsidiary, McDonald's would only have the right to acquire our interests in our operations in Ecuador.

McDonald's was granted a perfected security interest in the equity interests of LatAm, LLC, Arcos Dourados Comercio de Alimentos Ltda. and certain of their subsidiaries to protect this right. In the event this right is exercised as a result of a material breach of the MFAs, the amount to be paid by McDonald's would be equal to 80% of the fair market value of the acquired equity interests. If McDonald's exercises its right to acquire our interests in one or more Territories as a result of a material breach, our business, results of operations and financial condition would be materially and adversely affected. See "Item 10. Additional Information—C. Material Contracts—The MFAs—Termination" for more details about fair market value calculation.

The failure to successfully manage our future growth may adversely affect our results of operations.

Our business has grown significantly since the Acquisition, largely due to the opening of new restaurants in existing and new markets within the Territories, and also from an increase in comparable store sales. Our total number of restaurant locations has increased from 1,569 at the date of the Acquisition to 2,156 as of December 31, 2016. However, during 2014, 2015 and 2016, our rate of restaurant openings slowed. This was mainly due to a shift in capital allocation strategy to increase our focus on existing restaurants over continued expansion.

Our growth is, to a certain extent, dependent on new restaurant openings and therefore may not be constant from period to period; it may accelerate or decelerate in response to certain factors. There are many obstacles to opening new restaurants, including determining the availability of desirable locations, securing reliable suppliers, hiring and training new personnel and negotiating acceptable lease terms, and, in times of adverse economic conditions, franchisees may be more reluctant to provide the investment required to open new restaurants. In addition, our growth in comparable store sales is dependent on continued economic growth in the countries in which we operate as well as our ability to continue to predict and satisfy changing consumer preferences.

We plan our capital expenditures on an annual basis, taking into account historical information, regional economic trends, restaurant opening and reimaging plans, site availability and the investment requirements of the MFAs in order to maximize our returns on invested capital. The success of our investment plan may, however, be harmed by factors outside our control, such as changes in macroeconomic conditions, changes in demand and construction difficulties that could jeopardize our investment returns and our future results and financial condition.

We depend on oral agreements with third-party suppliers and distributors for the provision of products that are necessary for our operations.

Supply chain management is an important element of our success and a crucial factor in optimizing our profitability. We use McDonald's centralized supply chain management model, which relies on approved third-party suppliers and distributors for goods, and we generally use several suppliers to satisfy our needs for goods. This system encompasses selecting and developing suppliers of core products—beef, chicken, buns, produce, cheese, dairy mixes, beverages and toppings—who are able to comply with McDonald's high quality standards, and establishing sustainable relationships with these suppliers. McDonald's standards include cleanliness, product consistency, timeliness, following internationally recognized manufacturing practices, meeting or exceeding all local food regulations and compliance with our Hazard Analysis Critical Control Plan, a systematic approach to food safety that emphasizes protection within the processing facility, rather than detection, through analysis, inspection and follow-up.

Our 16 largest suppliers account for approximately 55.0% of our purchases. Very few of our suppliers have entered into written contracts with us as we only have oral agreements with a vast majority of them. Our supplier approval process is thorough and lengthy in order to ensure compliance with McDonald's high quality standards. We therefore tend to develop strong relationships with approved suppliers and, given our importance to them, have found that oral agreements with them are generally sufficient to ensure a reliable supply of quality products. While we source our supplies from many approved suppliers in Latin America and the Caribbean, thereby reducing our dependence on any one supplier, the informal nature of the majority of our relationships with suppliers means that we may not be assured of long-term or reliable supplies of products from those suppliers.

In addition, certain supplies, such as beef, must often be locally sourced due to restrictions on their importation. In light of these restrictions, as well as the MFAs' requirement to purchase certain core supplies from approved suppliers, we may not be able to quickly find alternate or additional supplies in the event a supplier is unable to meet our orders.

If our suppliers fail to provide us with products in a timely manner due to unanticipated demand, production or distribution problems, financial distress or shortages, if our suppliers decide to terminate their relationship with us or if McDonald's determines that any product or service offered by an approved supplier is not in compliance with its standards and we are obligated to terminate our relationship with such supplier, we may have difficulty finding appropriate or compliant replacement suppliers. As a result, we may face inventory shortages that could negatively affect our operations.

Our financial condition and results of operations depend, to a certain extent, on the financial condition of our franchisees and their ability to fulfill their obligations under their franchise agreements.

As of December 31, 2016, 28.0% of our restaurants were franchised. Under our franchise agreements, we receive monthly payments which are, in most cases, the greater of a fixed rent or a certain percentage of the franchisee's gross sales. Franchisees are independent operators with whom we have franchise agreements. We typically own or lease the real estate upon which franchisees' restaurants are located and franchisees are required to follow our operating manual that specifies items such as menu choices, permitted advertising, equipment, food handling procedures, product quality and approved suppliers. Our operating results depend to a certain extent on the restaurant profitability and financial viability of our franchisees. The concurrent failure by a significant number of franchisees to meet their financial obligations to us could jeopardize our ability to meet our obligations.

In addition, we are liable for our franchisees' monthly payment of a continuing franchise fee to McDonald's, which represents a percentage of those franchised restaurants' gross sales. To the extent that our franchisees fail to pay this fee in full, we are responsible for any shortfall. As such, the concurrent failure by a significant number of franchisees to pay their continuing franchise fees could have a material adverse effect on our results of operations and financial condition.

We do not have full operational control over the businesses of our franchisees.

We are dependent on franchisees to maintain McDonald's quality, service and cleanliness standards, and their failure to do so could materially affect the McDonald's brand and harm our future growth. Although we exercise significant influence over franchisees through the franchise agreements, franchisees have some flexibility in their operations, including the ability to set prices for our products in their restaurants, hire employees and select certain service providers. In addition, it is possible that some franchisees may not operate their restaurants in accordance with our quality, service, cleanliness, health or product standards. Although we take corrective measures if franchisees fail to maintain McDonald's quality, service and cleanliness standards, we may not be able to identify and rectify problems with sufficient speed and, as a result, our image and operating results may be negatively affected.

Ownership and leasing of a broad portfolio of real estate exposes us to potential losses and liabilities.

As of December 31, 2016, we owned the land for 496 of our 2,156 restaurants and the buildings for all but 11 of our restaurants. The value of these assets could decrease or rental costs could increase due to changes in local demographics, the investment climate and increases in taxes.

The majority of our restaurant locations, or those operated by our franchisees, are subject to long-term leases. We may not be able to renew leases on acceptable terms or at all, in which case we would have to find new locations to lease or be forced to close the restaurants. If we are able to negotiate a new lease at an existing location, we may be subject to a rent increase. In addition, current restaurant locations may become unattractive due to changes in neighborhood demographics or economic conditions, which may result in reduced sales at these locations.

The success of our business is dependent on the effectiveness of our marketing strategy.

Market awareness is essential to our continued growth and financial success. Pursuant to the MFAs, we create, develop and coordinate marketing plans and promotional activities throughout the Territories, and franchisees contribute a percentage of their gross sales to our marketing plan. In addition, we are required under the MFAs to spend at least 5% of our sales on advertising and promotional activities. Pursuant to the MFAs, McDonald's has the right to review and approve our marketing plans in advance and may request that we cease using the materials or promotional activities at any time if McDonald's determines that they are detrimental to its brand image. We also participate in global and regional marketing activities undertaken by McDonald's and pay McDonald's up to 0.2% of our sales in order to fund such activities.

If our advertising programs are not effective, or if our competitors begin spending significantly more on advertising than we do, we may be unable to attract new customers or existing customers may not return to our restaurants and our operating results may be negatively affected.

We use non-committed lines of credit to partially finance our working capital needs.

We use non-committed lines of credit to partially finance our working capital needs. Given the nature of these lines of credit, they could be withdrawn and no longer be available to us, or their terms, including the interest rate, could change to make the terms no longer acceptable to us. The availability of these lines of credit depends on the level of liquidity in financial markets, which can vary based on events outside of our control, including financial or credit crises. Any inability to draw upon our non-committed lines of credit could have an adverse effect on our working capital, financial condition and results of operations.

Covenants and events of default in the agreements governing our outstanding indebtedness could limit our ability to undertake certain types of transactions and adversely affect our liquidity.

As of December 31, 2016, we had $610.2 million in total outstanding indebtedness, consisting of $579.7 million in long-term debt and $30.5 million related to the fair market value of our outstanding derivative instruments. The agreements governing our outstanding indebtedness contain covenants and events of default that may limit our financial flexibility and ability to undertake certain types of transactions. For instance, we are subject to negative covenants that restrict some of our activities, including restrictions on:

- creating liens;
- paying dividends;
- maintaining certain leverage ratios;
- entering into sale and lease-back transactions; and
- consolidating, merging or transferring assets.

During certain periods of 2014, we were not in compliance with certain quarterly financial ratios specified in our revolving credit facility with Bank of America, N.A. We were able to successfully negotiate an amendment to the credit facility to increase these financial ratios, and we are currently in compliance with the revised ratios. See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Net Cash (used in) Financing Activities—Revolving Credit Facilities".

If we fail to satisfy the covenants set forth in these agreements or another event of default occurs under the agreements, our outstanding indebtedness under the agreements could become immediately due and payable. If our outstanding indebtedness becomes immediately due and payable and we do not have sufficient cash on hand to pay all amounts due, we could be required to sell assets, to refinance all or a portion of our indebtedness or to obtain additional financing. Refinancing may not be possible and additional financing may not be available on commercially acceptable terms, or at all.

Our inability to attract and retain qualified personnel may affect our growth and results of operations.

We have a strong management team with broad experience in human resources, product development, supply chain management, operations, finance, marketing, real estate development and training. Our growth plans place substantial demands on our management team, and future growth could increase those demands. In addition, pursuant to the MFAs, McDonald’s is entitled to approve the appointment of our chief executive officer and chief operating officer. Our ability to manage future growth will depend on the adequacy of our resources and our ability to continue to identify, attract and retain qualified personnel. Failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Also, the success of our operations depends in part on our ability to attract and retain qualified regional and restaurant managers and general staff. If we are unable to recruit and retain our employees, or fail to motivate them to provide quality food and service, our image, operations and growth could be adversely affected.

The resignation, termination, permanent incapacity or death of our Executive Chairman could adversely affect our business, results of operations, financial condition and prospects.

Due to Mr. Staton’s unique experience and leadership capabilities, it would be difficult to find a suitable successor for him if he were to cease serving as Executive Chairman for any reason. In the event of Mr. Staton’s death or permanent incapacity, pursuant to the MFA, McDonald’s has the right to acquire all of our non-public shares during the twelve-month period beginning on the eighteen-month anniversary of his death or incapacity.

In addition, in the event that we need to appoint a new CEO, pursuant to the MFA, we must submit to McDonald’s the name of such proposed successor for McDonald’s approval. If we and McDonald’s have not agreed upon a successor CEO after six months, McDonald’s may designate a temporary CEO in its sole discretion pending our submission of information relating to a further candidate and McDonald’s approval of that candidate. A delay in finding a suitable successor CEO could adversely affect our business, results of operations, financial condition and prospects.

Labor shortages or increased labor costs could harm our results of operations.

Our operations depend in part on our ability to attract and retain qualified restaurant managers and crew. While the turnover rate varies significantly among categories of employees, due to the nature of our business we traditionally experience a high rate of turnover among our crew and we may not be able to replace departing crew with equally qualified or motivated staff.

As of December 31, 2016, we had 82,040 employees in our company-operated restaurants and staff. Controlling labor costs is critical to our results of operations, and we closely monitor those costs. Some of our employees are paid minimum wages; any increases in minimum wages or changes to labor regulations in the Territories could increase our labor costs. For example, during 2016, Venezuela implemented four increases in the minimum wage, a 20% increase in March, a 30% increase in May, a 50% increase in September and a 20% increase in November, resulting in a new minimum wage of Bs.$40,638.15 as of December 2016. In Argentina, a law enacted in November 2010 requires companies to pay overtime to all employees (except directors and managers). In addition, certain proposed bills have attempted to implement additional payments for weekends and mandatory employee profit-sharing, but none of those have been enacted by Congress. These or similar regulations, if adopted, may have an adverse impact on our results of operations. Competition for employees could also cause us to pay higher wages.

Some of our employees are represented by unions and are working under agreements that are subject to annual salary negotiations. We cannot guarantee the results of any such collective bargaining negotiations or whether any such negotiations will result in a work stoppage. In addition, employees may strike for reasons unrelated to our union arrangements. Any future work stoppage could, depending on the affected operations and the length of the work stoppage, have a material adverse effect on our financial position, results of operations or cash flows.

A failure by McDonald's to protect its intellectual property rights, including its brand image, could harm our results of operations.

The profitability of our business depends in part on consumers' perception of the strength of the McDonald's brand. Under the terms of the MFAs, we are required to assist McDonald's with protecting its intellectual property rights in the Territories. Nevertheless, any failure by McDonald's to protect its proprietary rights in the Territories or elsewhere could harm its brand image, which could affect our competitive position and our results of operations.

Under the MFAs, we may use, and grant rights to franchisees to use, McDonald's intellectual property in connection with the development, operation, promotion, marketing and management of our restaurants. McDonald's has reserved the right to use, or grant licenses to use, its intellectual property in Latin America and the Caribbean for all other purposes, including to sell, promote or license the sale of products using its intellectual property. If we or McDonald's fail to identify unauthorized filings of McDonald's trademarks and imitations thereof, and we or McDonald's do not adequately protect McDonald's trademarks and copyrights, the infringement of McDonald's intellectual property rights by others may cause harm to McDonald's brand image and decrease our sales.

Non-compliance with anti-terrorism and anti-corruption regulations could harm our reputation and have an adverse effect on our business, results of operations and financial condition.

A material breach under the MFAs would occur if we, or our subsidiaries that are a party to the MFAs, materially breached any of the representations or warranties or obligations under the MFAs (not cured within 30 days after receipt of notice thereof from McDonald's) relating to or otherwise in connection with any aspect of the master franchise business, the franchised restaurants or any other matter in or affecting any one or more Territories, including by failing to comply with anti-terrorism or anti-corruption policies and procedures required by applicable law.

We maintain policies and procedures that require our employees to comply with anti-corruption laws, including the Foreign Corrupt Practices Act of 1977 (the "FCPA"), and our corporate standards of ethical conduct. However, we cannot ensure that these policies and procedures will always protect us from intentional, reckless or negligent acts committed by our employees or agents. If we are not in compliance with the FCPA and other applicable anti-corruption laws, we may be subject to criminal and civil penalties and other remedial measures, which could have an adverse impact on our business, financial condition, and results of operations. Any investigation of any potential violations of the FCPA or other anti-corruption laws by U.S. or other governmental authorities could adversely impact our reputation, cause us to lose or become disqualified from bids, and lead to other adverse impacts on our business, financial condition and results of operations.

Any tax increase or change in tax legislation may adversely affect our results of operations.

Since we conduct our business in many countries in Latin America and the Caribbean, we are subject to the application of multiple tax laws and multinational tax conventions. Our effective tax rate therefore depends on these tax laws and multinational tax conventions, as well as on the effectiveness of our tax planning abilities. Our income tax position and effective tax rate are subject to uncertainty as our income tax position for each year depends on the profitability of Company-operated restaurants and on the profitability of franchised restaurants operated by our franchisees in tax jurisdictions that levy a broad range of income tax rates. It is also dependent on changes in the valuation of deferred tax assets and liabilities, the impact of various accounting rules, changes to these rules and tax laws and examinations by various tax authorities. If our actual tax rate differs significantly from our estimated tax rate, this could have a material impact on our financial condition. In addition, any increase in the rates of taxes, such as income taxes, excise taxes, value added taxes, import and export duties, and tariff barriers or enhanced economic protectionism could negatively affect our business. Fiscal measures that target either QSRs or any of our products could also be taken.

We cannot assure you that any governmental authority in any country in which we operate will not increase taxes or impose new taxes on our operations or products in the future.

Tax assessments in any of the jurisdictions in which we operate may negatively affect our business and results of operations.

As part of the ordinary course of business, we are subject to inspections by federal, municipal and state tax authorities in Latin America. These inspections may generate tax assessments which, depending on their results, may have an adverse effect on our financial results. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings."

Litigation and other pressure tactics could expose our business to financial and reputational risk.

Given that we conduct our business in many countries, we may be subject to multi-jurisdictional private and governmental lawsuits, including but not limited to lawsuits relating to labor and employment practices, taxes, trade and business practices, franchising, intellectual property, consumer, real property, landlord/tenant, environmental, advertising, nutrition and antitrust matters. In the past, QSR chains have been subject to class-action lawsuits claiming that their food products and promotional strategies have contributed to the obesity of some customers. We cannot guarantee that we will not be subject to these types of lawsuits in the future. We may also be the target of pressure tactics such as strikes, boycotts and negative publicity from government officials, suppliers, distributors, employees, unions, special interest groups and customers that may negatively affect our reputation.

Information technology system failures or interruptions or breaches of our network security may interrupt our operations, subject us to increased operating costs and expose us to litigation.

We rely heavily on our computer systems and network infrastructure across our operations including, but not limited to, point-of-sale processing at our restaurants. As of the date of this annual report, we have not experienced any information security problems. However, despite our implementation of security measures and controls that provide reasonable assurance regarding our security posture, there remains the risk that our technology systems are vulnerable to damage, disability or failures due to physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. If our technology systems were to fail, and we were unable to recover in a timely way, we could experience an interruption in our operations which could have a material adverse effect on our financial condition and results of operations.

Our insurance may not be sufficient to cover certain losses.

We face the risk of loss or damage to our properties, machinery and inventories due to fire, theft and natural disasters such as earthquakes and floods. While our insurance policies cover some losses in respect of damage or loss of our properties, machinery and inventories, our insurance may not be sufficient to cover all such potential losses. In the event that such loss exceeds our insurance coverage or is not covered by our insurance policies, we will be liable for the excess in losses. In addition, even if such losses are fully covered by our insurance policies, such fire, theft or natural disaster may cause disruptions or cessations in its operations and adversely affect our financial condition and results of operations.

Certain Factors Relating to Our Industry

The food services industry is intensely competitive and we may not be able to continue to compete successfully.

Although competitive conditions in the QSR industry vary in each of the countries in which we conduct our operations, we compete with many well-established restaurant companies on price, brand image, quality, sales promotions, new product development and restaurant locations. Since the restaurant industry has few barriers to entry, our competitors are diverse and range from national and international restaurant chains to individual, local restaurant operators. Our largest competitors include Burger King, Yum! Brands (which operates KFC restaurants and Pizza Hut and Pizza Hut Express restaurants), Carl’s Junior and Subway. In Brazil, we also compete with Habib’s, a Brazilian QSR chain that focuses on Middle Eastern food, and Bob’s, a primarily Brazilian QSR chain that focuses on hamburger product offerings. We also face strong competition from street vendors of limited product offerings, including hamburgers, hot dogs, pizzas and other local food items. We expect competition to increase as our competitors continue to expand their operations, introduce new products and market their brands.

If any of our competitors offers products that are better priced or more appealing to the tastes of consumers, increases its number of restaurants, obtains more desirable restaurant locations, provides more attractive financial incentives to management personnel, franchisees or hourly employees or has more effective marketing initiatives than we do in any of the markets in which we operate, this could have a material adverse effect on our results of operations.

Increases in commodity prices or other operating costs could harm our operating results.

Food and paper costs represented 36.1% of our total sales by company-operated restaurants in 2016, and we import approximately 28.5% of our food and paper raw materials. We rely on, among other commodities, beef, chicken, produce, dairy mixes, beverages and toppings. The cost of food and supplies depends on several factors, including global supply and demand, new product offerings, weather conditions, fluctuations in energy costs and tax incentives, all of which makes us susceptible to substantial price and currency fluctuations and other increased operating costs. Our hedging strategies on the imported portion of our food and paper raw materials may not be successful in fully offsetting cost increases due to currency fluctuations. Furthermore, due to the competitive nature of the restaurant industry, we may be unable to pass increased operating costs on to our customers, which could have an adverse effect on our results of operations.

Demand for our products may decrease due to changes in consumer preferences or other factors.

Our competitive position depends on our continued ability to offer items that have a strong appeal to consumers. If consumer dining preferences change due to shifts in consumer demographics, dietary inclinations, trends in food sourcing or food preparation and our consumers begin to seek out alternative restaurant options, our financial results might be adversely affected. In addition, negative publicity surrounding our products could also materially affect our business and results of operations.

Our success in responding to consumer demands depends in part on our ability to anticipate consumer preferences and introduce new items to address these preferences in a timely fashion.

Our business activity may be negatively affected by disruptions, catastrophic events or health pandemics.

Unpredictable events beyond our control, including war, terrorist activities, political and social unrest and natural disasters, could disrupt our operations and those of our franchisees, suppliers or customers, have a negative effect on consumer spending or result in political or economic instability. These events could reduce demand for our products or make it difficult to ensure the regular supply of products through our distribution chain.

In addition, incidents of health pandemics, food-borne illnesses or food tampering could reduce sales in our restaurants. Widespread illnesses such as avian influenza, the H1N1 influenza virus, e-coli, bovine spongiform encephalopathy (or “mad cow” disease), hepatitis A or salmonella could cause customers to avoid meat or fish products. For example, the H1N1 influenza virus outbreak in Argentina and Mexico in 2009 significantly impacted our sales in those countries. Furthermore, our reliance on third-party food suppliers and distributors increases the risk of food-borne illness incidents being caused by third-party food suppliers and distributors who operate outside of our control and/or multiple locations being affected rather than a single restaurant. For example, we cannot predict whether the recent scandal relating to beef, chicken and pork production in Brazil will have any impact on our results of operations. In addition, recent events in our region related to the Dengue and Zika viruses have resulted in heightened health concerns in the region, which could reduce the visits to our restaurants if these cases are not controlled. The latest reports of the Panamerican Health Association related to Processed and Ultra Processed Foods put our products on the list of their recommendations to avoid the consumption of or to apply additional taxes or restrictions to media ads.

Food safety events involving McDonald’s outside of Latin America or other well-known QSR chains could negatively impact our business industry. Another extended issue in our region is the use of social media to post complaints against the QSR segment and the use of mobile phones to capture any deviation in our processes, products or facilities. Media reports of health pandemics or food-borne illnesses found in the general public or in any QSR could dramatically affect restaurant sales in one or several countries in which we operate, or could force us to temporarily close an undetermined number of restaurants. As a restaurant company, we depend on consumer confidence in the quality and safety of our food. Any illness or death related to food that we serve could substantially harm our operations. While we maintain extremely high standards for the quality of our food products and dedicate substantial resources to ensure that these standards are met, the spread of these illnesses is often beyond our control and we cannot assure you that new illnesses resistant to any precautions we may take will not develop in the future.

In addition, our industry has long been subject to the threat of food tampering by suppliers, employees or customers, such as the addition of foreign objects to the food that we sell. Reports, whether true or not, of injuries caused by food tampering have in the past negatively affected the reputations of QSR chains and could affect us in the future. Instances of food tampering, even those occurring solely at competitor restaurants, could, by causing negative publicity about the restaurant industry, adversely affect our sales on a local, regional, national or systemwide basis. A decrease in customer traffic as a result of public health concerns or negative publicity could materially affect our business, results of operations and financial condition.

Restrictions on promotions and advertisements directed at families with children and regulations regarding the nutritional content of children's meals may harm McDonald's brand image and our results of operations.

A significant portion of our business depends on our ability to make our product offerings appealing to families with children. Argentina, Brazil, Chile, Colombia, Mexico, Peru and Uruguay are considering imposing, or have already imposed, restrictions on the ways in which we market our products, including proposals restricting our ability to advertise directly to children through the use of toys and to sell toys in conjunction with food.

In June 2012, Chile passed a law banning the inclusion of toys in children's meals with certain nutritional characteristics. This law came into effect on June 26, 2016. The ban in Chile also restricts advertisements to children under the age of 14. Initially, we were able to continue offering toys with children's meals without changing the contents of the children's meals, according to the preliminary interpretation of the legislation. However, due to more recent interpretations, we were required to modify the contents of some of our products and stop selling cheeseburgers in children's meals. We were subject to several audits by the Chilean authorities. We are in the process of evaluating alternatives for this menu, as we believe that the restrictions will become more burdensome in the near future. In addition, Chilean Law Nº 20,869, which also came into effect on June 26, 2016, restricts advertisements on television and in movie theaters between 6:00 a.m. and 10:00 p.m., and affects food products that exceed certain standards of nutritional quality set by the Chilean authorities. We currently do not expect that the law will have a material impact on our consolidated results.

Similar to law in Chile, Peru passed a law in 2013 restricting our ability to advertise our food to children under the age of 16 and banning the inclusion of toys in children's meals. However, the law will not be enforced until the Peruvian regulatory authorities issue regulations to determine the scope of the law. Such regulations have not yet been issued. While it is difficult to predict how the Peruvian authorities will enforce or interpret this law, we currently do not expect that the law will have a material impact on our consolidated results.

Since 2014, the Mexican Ministry of Health empowered the Federal Commission for Prevention of Sanitary Risks (*Comisión Federal para la Protección contra Riesgos Sanitarios* or COFEPRIS) to regulate advertising directed at families with children. On April 15, 2014, COFEPRIS issued certain regulations which establish the maximum contents of fat, sodium and sugars that every meal advertised to children on television and in cinemas may contain. In February of 2015, COFEPRIS ordered us to stop advertising Happy Meals on television until we disclosed all the nutritional information for Happy Meals to COFEPRIS. We provided this information to COFEPRIS, but we have not yet received any legal authorization to advertise Happy Meals either during the general times when children may be watching television or during any programming geared towards children. Generally, we are prohibited from advertising Happy Meals from 2:30 p.m. to 7:30 p.m., Monday through Friday, and from 7:00 a.m. to 7:00 p.m. on Saturday and Sunday.

In Brazil, the Federal Prosecutor's Office filed suit in 2009 seeking to enjoin various QSRs, including us, from including toys in our children's meals. The Lower Federal Court in São Paulo ruled that the lawsuit was without merit. The Prosecutor's Office filed an appeal against this decision, which will be adjudicated by the Regional Federal Court in São Paulo. As of the date of this annual report, this appeal is still pending and the outcome remains uncertain. In addition, the number of proposed laws seeking to restrict the sale of toys with meals increased significantly in Brazil at the federal, state and municipal levels. In April 2013, a consumer protection agency in Brazil fined us $1.6 million for a 2010 advertising campaign relating to our offering of meals with toys from the motion picture *Avatar* . We filed a lawsuit seeking to annul the fine. The lower court ruled there was no basis for the penalty and the consumer protection agency appealed this decision. The Appellate Court in São Paulo upheld the decision and the consumer protection agency filed a special appeal against this decision, which was also rejected. The consumer protection agency subsequently filed an interlocutory appeal. We presented counter-arguments and a decision on this interlocutory appeal is still pending. Although similar fines relating to our current and previous advertising campaigns involving the sale of toys may be possible in the future, as of the date of this annual report, we are unaware of any other such fines.

On July 28, 2014, Colombia enacted Decree 975 of 2014, which sets forth certain directives regarding advertising directed at children. These directives include, (i) limiting any insinuation that the food and beverage being advertised is a substitute for any of the principal daily meals; (ii) any advertising directed at children or adolescents, during certain times of the day when children and adolescents are more likely to be consuming such advertising, must include disclosure that the advertisement is not part of the actual program; and (iii) requiring parental approval for any advertisement through a child/adolescent digital platform that requests any download or purchase.

Certain jurisdictions in the United States are also considering curtailing or have curtailed food retailers' ability to sell meals to children including free toys if these meals do not meet certain nutritional criteria. Similar restrictions, if imposed in the Territories, may have a negative impact on our results of operations. In general, regulatory developments that adversely impact our ability to promote and advertise our business and communicate effectively with our target customers, including restrictions on the use of licensed characters, may have a negative impact on our results of operations.

Environmental laws and regulations may affect our business.

We are subject to various environmental laws and regulations. These laws and regulations govern, among other things, discharges of pollutants into the air and water and the presence, handling, release and disposal of, and exposure to, hazardous substances. These laws and regulations provide for significant fines and penalties for noncompliance. Third parties may also assert personal injury, property damage or other claims against owners or operators of properties associated with release of, or actual or alleged exposure to, hazardous substances at, on or from our properties.

Liability from environmental conditions relating to prior, existing or future restaurants or restaurant sites, including franchised restaurant sites, may have a material adverse effect on us. Moreover, the adoption of new or more stringent environmental laws or regulations could result in a material environmental liability to us.

We may be adversely affected by legal actions, claims or damaging publicity with respect to our business.

We could be adversely affected by legal actions and claims brought by consumers or regulatory authorities in relation to the quality of our products and eventual health problems or other consequences caused by our products or by any of their ingredients. We could also be affected by legal actions and claims brought against us for products made in a jurisdiction outside the jurisdictions where we are operating. An array of legal actions, claims or damaging publicity may affect our reputation as well as have a material adverse effect on our revenues and businesses.

Similarly, adverse publicity about us or our brand regarding health concerns, legal or regulatory proceedings, perceptions of the QSR category, management or suppliers whether or not deserved, could jeopardize our reputation. In recent years the use of social media as a complaint mechanism has increased substantially. Negative posts or comments about us on any social media forum could harm our reputation. Damage to our reputation or loss of consumer confidence in our products for any of these reasons could adversely affect our business, results of operations, cash flows and financial condition, as well as require resources to rebuild our reputation.

Certain Factors Relating to Latin America and the Caribbean

Our business is subject to the risks generally associated with international business operations.

We engage in business activities throughout Latin America and the Caribbean. In 2016, 73.9% of our revenues were derived from Brazil, Argentina, Mexico and Puerto Rico. As a result, our business is and will continue to be subject to the risks generally associated with international business operations, including:

- governmental regulations applicable to food services operations;
- changes in social, political and economic conditions;
- transportation delays;
- power, water and other utility shutdowns or shortages;

- limitations on foreign investment;
- restrictions on currency convertibility and volatility of foreign exchange markets;
- inflation;
- import-export quotas and restrictions on importation;
- changes in local labor conditions;
- changes in tax and other laws and regulations;
- expropriation and nationalization of our assets in a particular jurisdiction; and
- restrictions on repatriation of dividends or profits.

Some of the Territories have been subject to social and political instability in the past, and interruptions in operations could occur in the future. Our business, financial condition and results of operations could be adversely affected by any of the foregoing factors.

Changes in governmental policies in the Territories could adversely affect our business, results of operations, financial condition and prospects.

Governments throughout Latin America and the Caribbean have exercised, and continue to exercise, significant influence over the economies of their respective countries. Accordingly, the governmental actions, political developments, regulatory and legal changes or administrative practices in the Territories concerning the economy in general and the food services industry in particular could have a significant impact on us. We cannot assure you that changes in the governmental policies of the Territories will not adversely affect our business, results of operations, financial condition and prospects.

Latin America has experienced, and may continue to experience, adverse economic conditions that have impacted, and may continue to impact, our business, financial condition and results of operations.

The success of our business is dependent on discretionary consumer spending, which is influenced by general economic conditions, consumer confidence and the availability of discretionary income in the countries in which we operate. Latin American countries have historically experienced uneven periods of economic growth, recessions, periods of high inflation and economic instability. Currently, the economic growth rates of the economies of many Latin American countries have slowed and some have entered recessions. Any prolonged economic downturn could result in a decline in discretionary consumer spending. This may reduce the number of consumers who are willing and able to dine in our restaurants, or consumers may make more value-driven and price-sensitive purchasing choices, eschewing our core menu items for our entry-level food options. We may also be unable to sufficiently increase prices of our menu items to offset cost pressures, which may negatively affect our financial condition.

In addition, a prolonged economic downturn may lead to higher interest rates, significant changes in the rate of inflation or an inability to access capital on acceptable terms. Our suppliers and service providers could experience cash flow problems, credit defaults or other financial hardships. If our franchisees cannot adequately access the financial resources required to open new restaurants, this could have a material effect on our growth strategy.

Many of our customers depend on remittances from family members living overseas. Laws, regulations or events that limit such remittances or any changes to United States immigration policy may adversely affect our financial condition and results of operations.

Many of the jurisdictions in which we operate depend on remittances as a source of revenue. Many of our customers rely on remittances from family members living overseas as a primary or secondary source of income. Any law, regulation or event that restricts, taxes or prevents those remittances may adversely affect demand for our products and our customers' ability to repay their consumer loans, which in turn may adversely affect our financial condition and results of operations. In particular, President Trump's administration has recently mentioned the possibility of taxing remittances to Mexico. We cannot assure you that the Trump administration will not implement similar taxing of remittances to the countries in which we operate. The implementation of any such measure may have a material adverse effect on our financial condition and results of operations.

Inflation and government measures to curb inflation may adversely affect the economies in the countries where we operate, our business and results of operations.

Many of the countries in which we operate, including Brazil and Argentina, have experienced, or are currently experiencing, high rates of inflation. In addition, Venezuela has been considered hyperinflationary under U.S. GAAP since 2010. Although inflation rates in many of the other countries in which we operate have been relatively low in the recent past, we cannot assure you that this trend will continue. The measures taken by the governments of these countries to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and retarding economic growth. Inflation, measures to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in many of these countries and to heightened volatility in their securities markets. Periods of higher inflation may also slow the growth rate of local economies that could lead to reduced demand for our core products and decreased sales. Inflation is also likely to increase some of our costs and expenses, which we may not be able to fully pass on to our customers, which could adversely affect our operating margins and operating income.

Exchange rate fluctuations against the U.S. dollar in the countries in which we operate have negatively affected, and could continue to negatively affect, our results of operations.

We are exposed to exchange rate risk in relation to the United States dollar. While substantially all of our income is denominated in the local currencies of the countries in which we operate, our supply chain management involves the importation of various products, and some of our imports, as well as some of our capital expenditures and a significant portion of our long-term debt, are denominated in U.S. dollars. As a result, the decrease in the value of the local currencies of the countries in which we operate as compared to the U.S. dollar has increased our costs, and any further decrease in the value of such currencies will further increase our costs. Although we maintain a hedging strategy to attempt to mitigate some of our exchange rate risk, our hedging strategy may not be successful or may not fully offset our losses relating to exchange rate fluctuations.

As a result, fluctuations in the value of the U.S. dollar with respect to the various currencies of the countries in which we operate or in U.S. dollar interest rates could adversely impact our net income, results of operations and financial condition.

Price controls and other similar regulations in certain countries have affected and may continue to affect our results of operations.

Certain countries in which we conduct operations have imposed price controls that restrict our ability, and the ability of our franchisees, to adjust the prices of our products. This places downward pressure on the prices at which our products are sold and may limit the growth of our revenue. We cannot assure you that the negative effects of the previously imposed price controls will not continue in the future, or that new controls will not be imposed. Our inability to control the prices of our products could have an adverse effect on our results of operations.

For example, in September 2014, Argentina passed: (i) Law No. 26,991, the “Regulation on Production and Consumption Relationships Act,” which reformed a 1974 Act (Law on Supply of Goods and Services); and (ii) Law No. 26,992, the “Creation of the Observatory of Prices and Availability of Inputs, Goods and Services Act.”

The Regulation on Production and Consumption Relationships Act empowers the Secretary of Commerce to, among other things: (i) establish profit margins and set price levels (setting maximum, minimum and benchmark prices); (ii) issue regulations on commerce, intermediation, distribution or production of goods and services; (iii) impose the continuance of production, industrialization, commercialization, transport, distribution or rendering of services or impose the production of goods; (iv) set subsidies; (v) request any kind of documentation and correspondence related to commercial activities or the management of the businesses and impose the publication of prices and availability of goods and services and seize such documentation for up to 30 working days; (vi) impose registration and recordkeeping requirements; and (vii) impose licensing regimes for commercial activities. In addition, the Secretary of Commerce is entitled to impose certain penalties for failure to comply with the Regulation on Production and Consumption Relationships Act, including fines, temporary closure of businesses, seizure of goods and products and loss of fiscal benefits.

The Creation of the Observatory of Prices and Availability of Inputs, Goods and Services Act created a technical agency under the Secretary of Commerce (the Observatory of Prices and Availability of Inputs, Goods and Services) to control and systematize prices and availability of inputs, goods and services produced, traded or rendered in Argentina. Currently, this agency has not had an adverse impact on us, but we cannot assure you that it will not impact our business and results of operations in the future.

We could be subject to expropriation or nationalization of our assets and government interference with our business in certain countries in which we operate.

We face a risk of expropriation or nationalization of our assets and government interference with our business in several of the countries in which we do business. These risks are particularly acute in Venezuela. The current Venezuelan government has promoted a model of increased state participation in the economy through welfare programs, exchange and price controls and the promotion of state-owned companies. We can provide no assurance that Company-operated or franchised restaurants will not be threatened with expropriation and that our operations will not be transformed into state-owned enterprises. In addition, the Venezuelan government may pass laws, rules or regulations which may directly or indirectly interfere with our ability to operate our business in Venezuela which could result in a material breach of the MFAs, in particular if we are unable to comply with McDonald's operations system and standards. A material breach of the MFAs would trigger McDonald's option to acquire our non-public shares or our interests in Venezuela. See "—Certain Factors Relating to Our Business—McDonald's has the right to acquire all or portions of our business upon the occurrence of certain events and, in the case of a material breach of the MFAs, may acquire our non-public shares or our interests in one or more Territories at 80% of their fair market value."

We are subject to significant foreign currency exchange controls and depreciation in certain countries in which we operate.

Certain Latin American economies have experienced shortages in foreign currency reserves and their respective governments have adopted restrictions on the ability to transfer funds out of the country and convert local currencies into U.S. dollars. This may increase our costs and limit our ability to convert local currency into U.S. dollars and transfer funds out of certain countries, including for the purchase of dollar-denominated inputs, the payment of dividends or the payment of interest or principal on our outstanding debt. In the event that any of our subsidiaries are unable to transfer funds to us due to currency restrictions, we are responsible for any resulting shortfall.

In 2016, our subsidiaries in Argentina represented 18.3% of our total revenues. The devaluation of the Argentine *peso* at the end of 2015 has led to higher inflation levels, has significantly reduced real wages and has had a negative impact on businesses whose success is dependent on domestic market demand and supplies payable in foreign currency. In addition, since 2001, and until President Mauricio Macri assumed office, Argentina tightened restrictions on capital flows and imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments outside of Argentina. Furthermore, during the last few years, the Central Bank of Argentina had exercised a *de facto* prior approval power for certain foreign exchange transactions otherwise authorized to be carried out under the applicable regulations, such as dividend payments or repayment of principal of inter-company loans as well as the import of goods. Since assuming office on December 10, 2015, the Macri administration undertook significant economic and policy reforms, including certain reforms to the existing foreign exchange regulations that eased access to the local foreign exchange market.

Notwithstanding the measures recently adopted by the Macri administration, the Central Bank of Argentina and the federal government in the future may impose new, more severe exchange controls and restrictions on transfers abroad, or may tighten existing controls to prevent capital flight, counter a significant depreciation of the Argentine *peso* or address other unforeseen circumstances. Exchange control restrictions may impact our ability to transfer funds outside of Argentina and may prevent or delay payments that our Argentine subsidiaries are required to make outside Argentina. As a result, if we are further prohibited from transferring funds out of Argentina, or if we become subject to similar restrictions in other countries in which we operate, our results of operations and financial condition could be materially adversely affected. See "Item 3. Key Information—A. Selected Financial Data—Exchange Rates and Exchange Controls."

If we fail to comply with, or if we become subject to, more onerous government regulations, our business could be adversely affected.

We are subject to various federal, state and municipal laws and regulations in the countries in which we operate, including those related to the food services industry, health and safety standards, importation of goods and services, marketing and promotional activities, nutritional labeling, zoning and land use, environmental standards and consumer protection. We strive to abide by and maintain compliance with these laws and regulations. The imposition of new laws or regulations, including potential trade barriers, may increase our operating costs or impose restrictions on our operations, which could have an adverse impact on our financial condition.

For example, Argentine regulations require us to seek permission from the Argentine authorities in order to import goods and to file a statement with the Argentine authorities prior to rendering services to, or receiving services from, foreign residents if the services are valued above a threshold amount. These regulations may prevent or delay the receipt of goods or services that we require for our operations, or increase the costs associated with obtaining those goods and services, and therefore have an adverse impact on our business, results of operations or financial condition. Additionally, in 2014, Venezuela enacted a Foreign Investments Law that increases requirements and limitations for the transfer of dividends and repatriation of foreign investments.

Regulations governing the food services industry have become more restrictive. We cannot assure you that new and stricter standards will not be adopted or become applicable to us, or that stricter interpretations of existing laws and regulations will not occur. Any of these events may require us to spend additional funds to gain compliance with the new rules, if possible, and therefore increase our cost of operation.

Certain Factors Relating to Our Class A Shares

Mr. Staton, our Executive Chairman, controls all matters submitted to a shareholder vote, which will limit your ability to influence corporate activities and may adversely affect the market price of our class A shares.

Mr. Staton, our Executive Chairman, owns or controls common stock representing 41.6% and 76.8%, respectively, of our economic and voting interests. As a result, Mr. Staton is and will be able to strongly influence or effectively control the election of our directors, determine the outcome of substantially all actions requiring shareholder approval and shape our corporate and management policies. The MFAs' requirement that Mr. Staton at all times hold at least 51% of our voting interests likely will have the effect of preventing a change in control of us and discouraging others from making tender offers for our shares, which could prevent shareholders from receiving a premium for their shares. Moreover, this concentration of share ownership may make it difficult for shareholders to replace management and may adversely affect the trading price for our class A shares because investors often perceive disadvantages in owning shares in companies with controlling shareholders. This concentration of control could be disadvantageous to other shareholders with interests different from those of Mr. Staton and the trading price of our class A shares could be adversely affected. See "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders" for a more detailed description of our share ownership.

Furthermore, the MFAs contemplate instances where McDonald's could be entitled to purchase the shares of Arcos Dorados Holdings Inc. held by Mr. Staton. However, our publicly held class A shares will not be similarly subject to acquisition by McDonald's.

Sales of substantial amounts of our class A shares in the public market, or the perception that these sales may occur, could cause the market price of our class A shares to decline.

Sales of substantial amounts of our class A shares in the public market, or the perception that these sales may occur, could cause the market price of our Class A shares to decline. This could also impair our ability to raise additional capital through the sale of our equity securities. Under our articles of association, we are authorized to issue up to 420,000,000 class A shares, of which 130,711,224 class A shares were outstanding as of December 31, 2016. We cannot predict the size of future issuances of our shares or the effect, if any, that future sales and issuances of shares would have on the market price of our class A shares.

As a foreign private issuer, we are permitted to, and we will, rely on exemptions from certain NYSE corporate governance standards applicable to U.S. issuers, including the requirement that a majority of an issuer's directors consist of independent directors. This may afford less protection to holders of our Class A shares.

Section 303A of the New York Stock Exchange, or NYSE, Listed Company Manual requires listed companies to have, among other things, a majority of their board members be independent, and to have independent director oversight of executive compensation, nomination of directors and corporate governance matters. As a foreign private issuer, however, we are permitted to, and we will, follow home country practice in lieu of the above requirements. British Virgin Islands law, the law of our country of incorporation, does not require a majority of our board to consist of independent directors or the implementation of a nominating and corporate governance committee, and our board thus may not include, or may include fewer, independent directors than would be required if we were subject to these NYSE requirements. Since a majority of our board of directors may not consist of independent directors as long as we rely on the foreign private issuer exemption to these NYSE requirements, our board's approach may, therefore, be different from that of a board with a majority of independent directors, and as a result, the management oversight of our Company may be more limited than if we were subject to these NYSE requirements.

Certain Risks Relating to Investing in a British Virgin Islands Company

We are a British Virgin Islands company and it may be difficult for you to obtain or enforce judgments against us or our executive officers and directors in the United States.

We are incorporated under the laws of the British Virgin Islands. Most of our assets are located outside the United States. Furthermore, most of our directors and officers reside outside the United States, and most of their assets are located outside the United States. As a result, you may find it difficult to effect service of process within the United States upon these persons or to enforce outside the United States judgments obtained against us or these persons in U.S. courts, including judgments in actions predicated upon the civil liability provisions of the U.S. federal securities laws. Likewise, it may also be difficult for you to enforce in U.S. courts judgments obtained against us or these persons in courts located in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for an investor to bring an action against us or these persons in a British Virgin Islands court predicated upon the civil liability provisions of the U.S. federal securities laws.

As there is no treaty in force on the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and the British Virgin Islands, courts in the British Virgin Islands will not automatically recognize and enforce a final judgment rendered by a U.S. court.

Any final and conclusive monetary judgment obtained against us in U.S. courts, for a definite sum, may be treated by the courts of the British Virgin Islands as a cause of action in itself so that no retrial of the issue would be necessary, provided that in respect of the U.S. judgment:

- the U.S. court issuing the judgment had jurisdiction in the matter and we either submitted to such jurisdiction or were resident or carrying on business within such jurisdiction and were duly served with process;
- the judgment given by the U.S. court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of ours;
- in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the court;
- recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy; and
- the proceedings pursuant to which judgment was obtained were not contrary to public policy.

Under our articles of association, we indemnify and hold our directors harmless against all claims and suits brought against them, subject to limited exceptions.

You may have more difficulty protecting your interests than you would as a shareholder of a U.S. corporation.

Our affairs are governed by the provisions of our memorandum of association and articles of association, as amended and restated from time to time, and by the provisions of applicable British Virgin Islands law. The rights of our shareholders and the responsibilities of our directors and officers under the British Virgin Islands law are different from those applicable to a corporation incorporated in the United States. There may be less publicly available information about us than is regularly published by or about U.S. issuers. Also, the British Virgin Islands regulations governing the securities of British Virgin Islands companies may not be as extensive as those in effect in the United States, and the British Virgin Islands law and regulations in respect of corporate governance matters may not be as protective of minority shareholders as state corporation laws in the United States. Therefore, you may have more difficulty protecting your interests in connection with actions taken by our directors and officers or our principal shareholders than you would as a shareholder of a corporation incorporated in the United States.

You may not be able to participate in future equity offerings, and you may not receive any value for rights that we may grant.

Under our memorandum and articles of association, existing shareholders are entitled to preemptive subscription rights in the event of capital increases. However, our articles of association also provide that such preemptive subscription rights do not apply to certain issuances of securities by us, including (i) pursuant to any employee compensation plans; (ii) as consideration for (a) any merger, consolidation or purchase of assets or (b) recapitalization or reorganization; (iii) in connection with a pro rata division of shares or dividend in specie or distribution; or (iv) in a bona fide public offering that has been registered with the SEC.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Overview

We were incorporated as Arcos Dorados Holdings Inc. on December 9, 2010 under the laws of the British Virgin Islands as a direct, wholly owned subsidiary of Arcos Dorados Limited, the prior holding company for the Arcos Dorados business. On December 13, 2010, Arcos Dorados Limited effected a downstream merger into and with us, with us as the surviving entity. Following the merger, we replaced Arcos Dorados Limited in the corporate structure and replicated its governance structure.

We are a British Virgin Islands company incorporated with limited liability and our affairs are governed by the provisions of our memorandum and articles of association, as amended and restated from time to time, and by the provisions of applicable British Virgin Islands law, including the BVI Business Companies Act, 2004, or the BVI Act. Our company number in the British Virgin Islands is 1619553. As provided in sub-regulation 4.1 of our memorandum of association, subject to British Virgin Islands law, we have full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and, for such purposes, full rights, powers and privileges.

Our principal executive offices are located at Dr. Luis Bonavita 1294, Office 501, WTC Free Zone, Montevideo, Uruguay (CP 11300). Our telephone number at this address is +598 2626-3000. Our registered office in the British Virgin Islands is Maples Corporate Services (BVI) Limited, Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands.

Important Events

The Acquisition

McDonald’s Corporation has a longstanding history in Latin America and the Caribbean, dating to the opening of its first restaurant in Puerto Rico in 1967. Since then, McDonald’s expanded its presence across the region as consumer markets and opportunities arose, opening its first stores in Brazil in 1979, in Mexico and Venezuela in 1985 and in Argentina in 1986.

We commenced operations on August 3, 2007, as a result of the Acquisition of McDonald's LatAm business. Woods Staton, our Executive Chairman and controlling shareholder, was the joint venture partner of McDonald's Corporation in Argentina for over 20 years prior to the Acquisition and also served as President of McDonald's South Latin America division from 2004 until the Acquisition. Our senior management team includes executives who had previously worked in McDonald's LatAm business or with Mr. Staton.

We hold our McDonald's franchise rights pursuant to the MFA for all of the Territories except Brazil, executed on August 3, 2007, as amended and restated on November 10, 2008 and as further amended on August 31, 2010 and June 3, 2011, entered into by us, our wholly owned subsidiary Arcos Dorados Coöperatieve U.A., Arcos Dorados B.V. (these two entities together with us, collectively, the Owner Entities), LatAm, LLC, or the Master Franchisee, certain subsidiaries of the Master Franchisee, Los Laureles, Ltd. and McDonald's. On August 3, 2007, our subsidiary Arcos Dourados Comercio de Alimentos Ltda., or the Brazilian Master Franchisee, and McDonald's entered into the separate, but substantially identical, Brazilian MFA, which was amended and restated on November 10, 2008. See "Item 10. Additional Information—C. Material Contracts—The MFAs."

The Axionlog Split-off

We used to own and operate some of the distribution centers in the Territories, which operations and related properties we refer to as Axionlog (formerly known as Axis). Axionlog operated in Argentina, Chile, Mexico and Venezuela, and its main third-party customers were Sodexho, Eurest, Sadia, WalMart, Carrefour, Subway and Dairy Queen. We effected a split-off of Axionlog to our existing shareholders in March 2011. For additional information about the split-off of Axionlog, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Axionlog Split-off."

Capital Expenditures and Divestitures

Under the MFAs, we are required to agree with McDonald's on a restaurant opening plan and a reinvestment plan for each three-year period during the term of the MFAs. The restaurant opening plan specifies the number and type of new restaurants to be opened in the Territories during the applicable three-year period, while the reinvestment plan specifies the amount we must spend reimaging or upgrading restaurants in the Territories during the applicable three-year period. Prior to the expiration of the then-applicable three-year period we must agree with McDonald's on a subsequent restaurant opening plan and reinvestment plan. In the event that we are unable to reach an agreement on subsequent plans prior to the expiration of the then-existing plan, the MFAs provide for an automatic increase of 20% in the required amount of reinvestments as compared to the then-existing plan and a number of new restaurants no less than 210 multiplied by a factor that increases each period during the subsequent three-year restaurant opening plan. We may also propose, subject to McDonald's prior written consent, amendments to any restaurant opening plan or reinvestment plan to adapt to changes in economic or political conditions.

Under the 2017-2019 restaurant opening and reinvestment plan, we are required to open 180 restaurants and to reinvest $292 million in existing restaurants from 2017 through 2019. Total capital expenditures for 2017 to 2019 are expected to be approximately $500 million.

As a result of our previous reinvestment and reopening plans, property and equipment expenditures were $92.3 million, $91.0 million and $169.8 million in 2016, 2015 and 2014, respectively. In 2016, we opened 33 restaurants, reimaged 81 existing restaurants and opened one McCafé location and 140 Dessert Centers (see "—B. Business Overview—Our Operations—McCafé Locations and Dessert Centers"). In 2015, we opened 36 restaurants, reimaged 53 existing restaurants and opened two McCafé locations and 153 Dessert Centers (see "—B. Business Overview—Our Operations—McCafé Locations and Dessert Centers"). In 2014, we opened 82 restaurants, reimaged 46 existing restaurants and opened nine McCafé locations and 273 Dessert Centers (see "—B. Business Overview—Our Operations—McCafé Locations and Dessert Centers"). In 2016, 2015 and 2014, we closed 18, 16 and 23 restaurants, respectively.

In addition, outflows related to purchases of restaurant businesses paid at acquisition date totaled $nil million, $1.1 million and $0.8 million in 2016, 2015 and 2014, respectively.

Proceeds from the sale of property and equipment and sales of restaurant businesses, including related advances, totaled $113.5 million, $23.6 million and $5.2 million in 2016, 2015 and 2014, respectively.

Capital expenditures for 2017 are expected to be between $150 million and $180 million (including development and non-development capital expenditures), considering between 45 and 50 gross restaurant openings.

In March 2015, we announced a plan to monetize certain real estate assets in our portfolio that are either non-core (such as office buildings, excess properties and other facilities) or operating assets where the value significantly exceeds the operating potential of the asset. The MFAs define certain of our properties as "restricted" and our ability to transfer these properties is subject to McDonald's prior written consent. We have many long-standing assets across our region that have appreciated due to the significant development around those properties. As of the date of this Annual Report on Form 20-F, we have closed redevelopment deals involving less than a dozen properties. Based on existing deals, we expect the cumulative redevelopment proceeds, since inception, to total approximately $150 million by the end of 2017. The main goal of the redevelopment initiative was to reduce debt levels. We have decided not to pursue additional redevelopment deals at this time, as the stated debt reduction targets have been achieved.

B. Business Overview

Overview

We are the world's largest McDonald's franchisee in terms of systemwide sales and number of restaurants, according to McDonald's, representing 4.5% of McDonald's global sales in 2016. We have the exclusive right to own, operate and grant franchises of McDonald's restaurants in 20 countries and territories in Latin America and the Caribbean, including Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curaçao, Ecuador, French Guiana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Trinidad and Tobago, Uruguay, the U.S. Virgin Islands of St. Croix and St. Thomas, and Venezuela, which we refer to collectively as the Territories. As of December 31, 2016, we operated or franchised 2,156 McDonald's-branded restaurants, which represented 6.9% of McDonald's total franchised restaurants worldwide. In 2016 and 2015, we accrued $142.8 million and $149.1 million, respectively, in royalties to McDonald's (not including royalties accrued on behalf of our franchisees).

We operate in the QSR sub-segment of the fast food segment of the Latin American and Caribbean food service industry. In Latin America and the Caribbean, the fast food segment has benefited from the region's increasing modernization, as people in more densely populated areas adopt lifestyles that increasingly seek convenience, speed and value.

We commenced operations on August 3, 2007, as a result of the Acquisition. We operate McDonald's-branded restaurants under two different operating formats, Company-operated restaurants and franchised restaurants. As of December 31, 2016, of our 2,156 McDonald's-branded restaurants in the Territories, 1,553 (or 72.0%) were Company-operated restaurants and 603 (or 28.0%) were franchised restaurants. We generate revenues primarily from two sources: sales by Company-operated restaurants and revenues from franchised restaurants. Revenues from franchised restaurants primarily consist of rental income, which is generally based on the greater of a flat fee or a percentage of sales reported by franchised restaurants. We own the land for 496 of our restaurants (totaling approximately 1.1 million square meters) and the buildings for all but 11 of our restaurants.

Our business has grown significantly since the Acquisition: we have increased our presence in existing and new markets in the Territories by opening a net total of 588 restaurants (744 total restaurants opened, including 510 Company-operated and 234 franchised, while 156 closed), 172 McCafé locations and 1,658 Dessert Centers (see "—Our Operations—McCafé Locations and Dessert Centers").

We divide our operations into four geographical divisions: Brazil; the Caribbean division, consisting of Aruba, Colombia, Curaçao, French Guiana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago, the U.S. Virgin Islands of St. Croix and St. Thomas, and Venezuela; NOLAD, consisting of Costa Rica, Mexico and Panama; and SLAD, consisting of Argentina, Chile, Ecuador, Peru and Uruguay.

As of December 31, 2016, 41.8% of our restaurants were located in Brazil, 17.8% in SLAD, 24.0% in NOLAD and 16.4% in the Caribbean division. We believe our diversified market presence reduces our dependence on any one market and helps stabilize the impact of individual countries' economic cycles on our revenues. We focus on our customers by managing operations at the local level, including marketing campaigns and special offers, menu management and monitoring customer satisfaction, while leveraging our size by conducting administrative and strategic functions at the divisional or corporate level, as appropriate.

See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Segment Presentation" for a description of changes we have made in the structure of our geographical divisions effective January 1, 2013.

The following table presents a breakdown of total revenues by division:

	As of and for the Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012 (1)**
	(in thousands of U.S. dollars)				
Total Revenues					
Brazil	$ 1,333,237	$ 1,361,989	$ 1,816,046	$ 1,842,324	$ 1,797,556
Caribbean division (2)	409,671	398,144	594,220	830,447	754,730
NOLAD	363,965	367,364	385,114	407,772	384,041
SLAD	821,757	925,243	855,685	952,767	861,067
Total	**2,928,630**	**3,052,740**	**3,651,065**	**4,033,310**	**3,797,394**

(1) Segment information as of and for the year ended December 31, 2012 has been restated based on the segment structure prevailing as of and from January 1, 2013. See "Presentation of Financial and Other Information—Operating Data."

(2) Currency devaluations in Venezuela have had a significant effect on our income statements and have impacted the comparability of our income statements in 2016 and 2015 as compared to 2014, 2013 and 2012. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Foreign Currency Translation—Venezuela."

Our Operations

Company-Operated and Franchised Restaurants

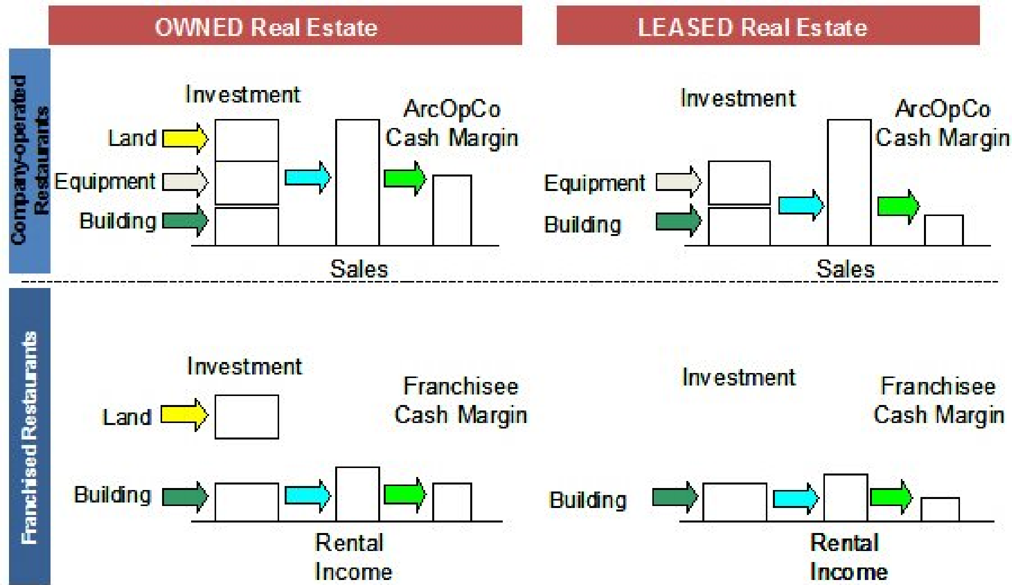
We operate our McDonald's-branded restaurants under two basic structures: (i) Company-operated restaurants operated by us and (ii) franchised restaurants operated by franchisees. Under both operating alternatives, the real estate location may either be owned or leased by us.

We own, fully manage and operate Company-operated restaurants and retain any operating profits generated by such restaurants, after paying operating expenses and the franchise and other fees owed to McDonald's under the MFAs. In Company-operated restaurants, we assume the capital expenditures for the building and equipment of the restaurant and, if we own the real estate location, for the land as well.

In contrast to Company-operated restaurants, franchised restaurants are operated and managed by the franchisee with technical and operational support from us as master franchisee, including training programs, operations manuals, access to our supply and distribution network and marketing assistance. Under our conventional franchise arrangements, franchisees provide a portion of the capital required by initially investing in the equipment, signs, seating and decor of their restaurants, and by reinvesting in the business over time. We are required by the MFAs to own the real estate or to secure long-term leases for franchised restaurant sites. We subsequently lease or sublease the property to franchisees. This arrangement allows for long-term occupancy of the property and assists in the alignment of our franchisees' interests with our own.

In exchange for the lease and services, franchisees pay a monthly rent to us, generally based on the greater of a fixed rent or a certain percentage of gross sales. In addition to this monthly rent, we collect the monthly continuing franchise fee, which generally is 5% of the U.S. dollar equivalent of the restaurant's gross sales, and pay these fees to McDonald's pursuant to the MFAs. However, if a franchisee fails to pay its monthly continuing franchise fee, we remain liable for payment in full of these fees to McDonald's. Pursuant to the MFAs, franchisees pay an initial franchise fee in connection with the opening of a new franchised restaurant and a transfer fee upon transfer of a franchised restaurant, both of which are subsequently shared by McDonald's and us. See "Item 10. Additional Information—C. Material Contracts—The MFAs—Franchise Fees."

The chart below illustrates the economics for Company-operated restaurants and franchised restaurants in the case of owned and leased real estate:



Source : Arcos Dorados

In addition, we are the majority stakeholder in several joint ventures that collectively own 18 restaurants in Argentina and Chile. We have also granted developmental licenses to 11 restaurants. Pursuant to the developmental licenses, the developmental licensees own or lease the land on and building in which the restaurant is located and pay a franchise fee to us in addition to the continuing franchise fee due to McDonald's. All of our joint ventures and developmental licenses were in existence at the time of the Acquisition.

Restaurant Categories

We classify our restaurants into one of four categories: (i) freestanding, (ii) food court, (iii) in-store and (iv) mall stores. Freestanding restaurants are the largest type of restaurant, have ample indoor seating and include a drive-thru area and parking lot. Food court restaurants are located in malls and consist primarily of a front counter and kitchen and do not have their own seating area. In-store restaurants are part of a larger building, but they do not have a drive-thru area or a parking lot. Mall stores are located in malls like food court restaurants, but have their own seating areas. As of December 31, 2016, 1,015 (or 47.1%) of our restaurants were freestanding, 507 (or 23.6%) were food courts, 295 (or 13.7%) were in-stores and 337 (or 15.6%) were mall stores. These percentages vary by country, and may shift as opportunities in malls and more densely populated areas become available in some of the Territories.

Below are examples of each of our restaurant categories:

Freestanding

In-store

Mall Store

Food Court

Source : Arcos Dorados

Returns on investment in each type of restaurant vary significantly due to the different capital expenditures required and their different sales potential; mall stores generally provide the highest return on investment while freestanding restaurants generally provide the lowest. Moreover, returns vary significantly on a country-by-country basis.

Reimaging

An important component of our development plan is the reimaging of existing restaurants. As of December 31, 2016, we had completed the reimaging of 672 of the 1,569 restaurants we purchased in the Acquisition, an increase of 81 restaurants as compared to December 31, 2015. Our restaurants that have undergone reimaging during the past three years have experienced an additional increase in sales per restaurant over the comparable sales growth experienced by restaurants which have not been reimaged in the same period. Both we and McDonald's are committed to maintaining an image for our restaurants that creates a contemporary dining experience. Over the last few years, we have invested substantially in the reimaging of our restaurants, and we, pursuant to the MFAs, have committed to a significant reimaging plan. See "Item 10. Additional Information—C. Material Contracts."

Objectives of the reimaging include elevating the customer's perception of McDonald's and creating a more sophisticated and highly aspirational environment. We have developed systemwide guidelines for the interior and exterior design of reimaged restaurants. When carrying out a reimaging project, we minimize the impact on the operations and sales of the restaurants by keeping the restaurants open and operating during the renovations and working in specific areas of the location at particular times.

Below are images of the exterior of a few of our restaurants that have benefited from reimaging:

Source : Arcos Dorados

McCafé Locations and Dessert Centers

Our brand extension efforts focus on the development of additional McCafé locations and Dessert Centers. McCafé locations are stylish, separate areas within restaurants where customers can purchase a variety of customizable beverages, including lattes, cappuccinos, mochas, hot and iced premium coffees and hot chocolate. McCafé locations have been very successful in creating a different customer experience, optimizing the use of our restaurants at all hours of operation and providing a higher profit margin than our regular restaurant operations. We believe the primary benefit of McCafé locations is that they attract new customers by increasing the variety of our product offerings and improving our image.

McCafé locations have been a key factor in adding value to our customers' experience and represented 9.5% of the total transactions and 6.6% of total sales of the restaurants in which they were located in 2016. As of December 31, 2016, there were 316 McCafé locations in the Territories, of which 15.2% were operated by franchisees. Argentina and Brazil, with 87 and 91 locations, respectively, have the greatest number of McCafé locations. The first McCafé in Latin America was opened in Argentina in 1999. Pursuant to the MFAs, we have the right to add McCafé locations to the premises of our restaurants.

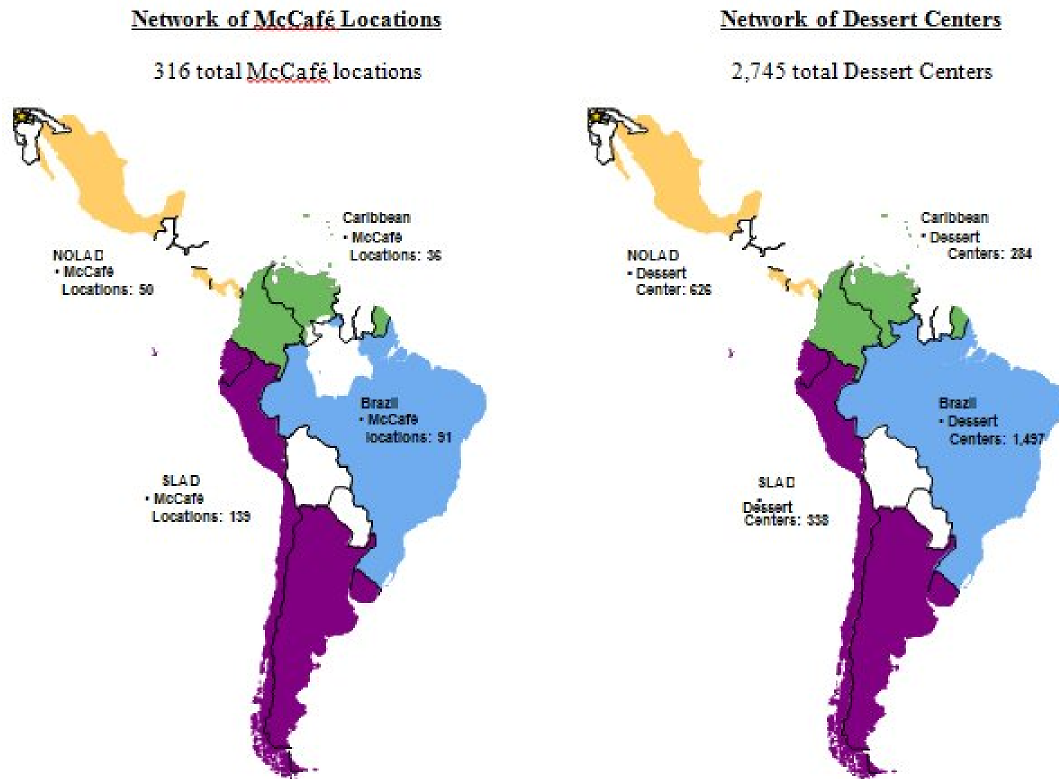
Below are images of the interior of two of our McCafé locations:

Source : Arcos Dorados

In addition to McCafé locations, Dessert Centers have been a very successful brand extension. Dessert Centers operate separately from existing restaurants, but depend on them for supplies and operational support. For example, a mall store restaurant can provide support for several Dessert Centers located in different locations throughout the same mall. Our Dessert Centers are conveniently located to attract customers, thereby serving as important transaction generators and providing an effective method of extending our band presence to non-traditional areas. At Dessert Centers, customers can purchase a variety of dessert items, including the McFlurry and soft-serve ice cream. Dessert Centers require low capital expenditures and provide returns on investment and operating margins that are significantly higher than our regular restaurant operations. As such, we believe they are an important driver in increasing our market penetration.

Dessert Centers represented 30.0% of our transactions and 10.5% of our total sales in 2016. As of December 31, 2016, there were 2,745 Dessert Centers in the Territories. Dessert Centers are highly successful in Brazil, where we have 1,497 locations. The first Dessert Center was created in Brazil in 1979.

The following maps set forth our McCafé locations and Dessert Centers in each of the Territories as of December 31, 2016:



Source : Arcos Dorados

The McDonald's Brand

Interbrand, a brand consulting firm, ranked McDonald's twelfth among the top twenty global brands in 2016. In addition, we believe that in Latin America and the Caribbean, the McDonald's brand benefits from an aspirational cachet as a "destination" restaurant with a reputation for safe, fresh and good-tasting food in an attractive setting. McDonald's strong brand equity stems from the dedicated execution of its brand promise and its ability to associate with the local community where it operates. McDonald's sets the standard in the restaurant industry worldwide for brand stewardship and marketing leadership.

Product Offerings

A crucial part of delivering the brand to clients depends on our product offerings, or more specifically, our menu strategy and management. The key objective of our menu strategy is the development and offering of quality food choices that attract customers to our restaurants on a regular basis. The elements we utilize to achieve this goal include offering McDonald's core menu, our product innovation initiatives and our focus on food safety.

Our menus feature three tiers of products: (i) affordable entry-level options, such as our *Combo del Día* (Combo of the Day), *Almuerzos Imperdibles* (Unmissable Lunches) and *Almuerzos Colombianos* (Colombian Lunches) in Colombia, (ii) core menu options, such as the Big Mac, Happy Meal and Quarter Pounder, and (iii) premium options, such as Big Tasty or Signature Line hamburgers and chicken sandwiches and low-calorie or low-sodium products that are marketed through common platforms rather than as individual items. These platforms can be based on the type of products, such as beef, chicken, salads or desserts, or on the type of customer targeted, such as the children's menu. We have offered a new menu with fewer calories and less sugar and sodium in the majority of our Territories since 2011. Since 2013, we have offered dairy products, fresh fruits or vegetables with our Happy Meals in all of the Territories except Venezuela.

Our core menu is the most important element of our menu strategy and includes well-recognized food choices that have global customer acceptance and are what customers repeatedly order at McDonald's-branded restaurants worldwide. During 2016, we have made extensions of our core products, such as Grand Big Mac and Big Cheddar McMelt in Brazil and cheddar and bacon fries in Argentina.

Product Development

We have been very innovative in our product development in Latin America and the Caribbean. In key countries, our understanding of the local market has enabled us to successfully introduce new items to appeal to local tastes and to provide our customers with additional food options. Our chicken-based offerings include bone-in chicken in markets such as Colombia, Peru, Panama and Costa Rica. We also offer Signature Line hamburgers with innovative flavors and premium offerings, such as Club House, Mushroom Dijon and Crispy Barbecue Onion. Also, we carefully monitor the sales of our products and are able to quickly modify them if necessary. For instance, although we always offer the McFlurry dessert product, we include in this product platform a promotional topping that is offered for a limited period of time, followed by a new promotional topping to maintain the sales momentum (for example, Ovomaltine, Toblerone, Milka and Kit Kat).

In 2011, we began the rollout of Made For You, or MFY, a new kitchen operating platform that we believe will allow us to improve the quality and freshness of our products, provide faster service and diversify our offerings. MFY's implementation is funded by cutting waste and productivity gains. As of December 31, 2013, we had implemented MFY in almost all of our Company-operated restaurants in Argentina, Aruba, Brazil, Curaçao, French Guiana, Mexico, Puerto Rico, Trinidad and Tobago, and the U.S. Virgin Islands. During 2014, we implemented MFY in Costa Rica, Panama, seven restaurants in Uruguay and 23 of our new restaurants in Colombia. During 2015, we completed MFY in Martinique, four restaurants in Guadalupe and 32 additional restaurants in Colombia. We plan to complete implementation of MFY in the French West Indies during 2017.

We work closely with McDonald's to develop new product offerings and McDonald's considers our recommendations regarding regional tastes and preferences and works with us to accommodate such tastes and preferences. We continue to benefit from McDonald's product development efforts following the Acquisition and have access to a library of products developed globally for the McDonald's system. In addition, we continue to benefit from the Hamburger Universities in the United States and Brazil and the food studio located in Brazil that aims to develop locally relevant products for the region. The Hamburger Universities and the food studio models have been McDonald's main global source of people and product development. The Hamburger Universities provide restaurant managers, mid-managers and owner/operators with training on best practices in different aspects of the business, like restaurant and people management, sales and accounting, while emphasizing consistent restaurant operations procedures, service, quality and cleanliness.

Product and Pricing Strategy

Value perceptions change significantly between markets and even between areas within a single market. In order to adjust pricing to meet customers' expectations in each market, we have developed local expertise aimed at understanding the dynamics of the local marketplace and the characteristics of its customers. We also examine trends in the pricing of raw materials, packaging, product-related operating costs as well as individual item sales volumes to fully understand profitability by item. In addition, we use international consultants with particular experience in this area to understand marketplace dynamics and consumer characteristics. These insights feed into the local markets' menu and pricing strategy as well as the marketing plan that is disseminated to both Company-operated and franchised restaurants. Restaurants may then adjust pricing and/or item offerings as they choose in an attempt to optimize sales, profitability and local preferences. This cycle is part of an overall revenue management philosophy and is part of our business management practices utilized throughout the region.

Advertisement & Promotion

We believe that sales in the QSR sub-segment can be significantly affected by the frequency and quality of our advertising and promotional programs. In particular, we benefit from the strength of McDonald's global resources, including its global alliances with some of the largest multinational conglomerates and sponsorship of sporting events such as the Olympic Games and the World Cup and participation in various movie promotions, which provides us with important advertising and promotion opportunities.

We promote the McDonald's brand and our products by advertising in all of the Territories. We create, develop and coordinate marketing plans and promotional activities throughout the Territories; however, pursuant to the MFAs, McDonald's reserves the right to review and approve any advertising materials and related promotional activities and may request that we cease using the materials or promotional activities at any time if McDonald's determines that they are detrimental to its brand image. We are required under the MFAs to spend at least 5% of our gross sales, and our franchisees generally are required to pay us 5% of their gross sales for the portion of advertising expenditures related to their restaurants, on advertisement and promotion activities. The only exception to this policy is in Mexico, where both we and our franchisees contribute funds to a cooperative that is responsible for advertisement and promotion activities for Mexico.

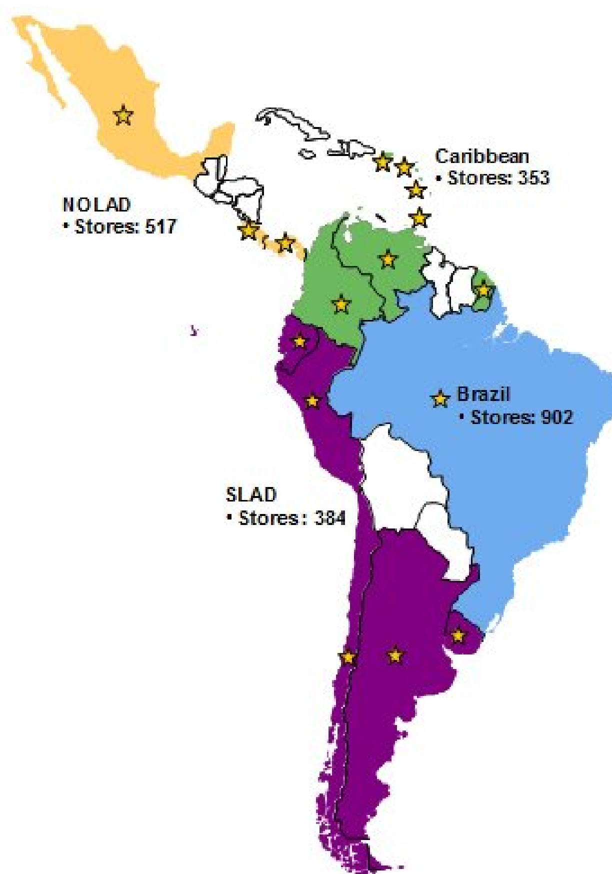
Our advertisement and promotion activities are guided by our overall marketing plan, which identifies the key strategic platforms that we aim to leverage to drive sales. The advertisement and promotion program is formulated based on the amount of advertisement and promotion support needed for each strategic platform for the year. Our key strategic platforms include menu relevance, by introducing premium products and extending core product lines, convenience and strengthening the kids and family experience. In terms of pricing, we understand that our customers seek great-tasting food at affordable prices and that their perception of value while at the restaurant is a significant factor in determining overall satisfaction and frequency of visits. For example, in 2016, in Colombia, we modified our platforms for *Almuerzos Colombianos,* which were created locally, to further address value expectations in our restaurants. We continue leveraging these platforms to increase penetration and grow market share.

Through the execution of these initiatives, we work to enhance the McDonald's experience for customers throughout the Territories, and increase our sales and customer counts. We aim to position ourselves as a "forever young" brand by delivering a youthfully energetic, distinctly casual, personally engaging and delightful dining/brand experience.

Regional Operations

The Company is divided into four geographical divisions: Brazil, the Caribbean division, NOLAD and SLAD. Except for Brazil, the divisions are subsequently divided into sub-groups comprised of individual Territories. The presidents of the divisions report directly to our chief operating officer.

The following map sets forth the number of our restaurants in each of our operating divisions as of December 31, 2016:



Source : Arcos Dorados

We remain close to customers by managing operations at the local level, including implementing recruiting centers, conducting marketing campaigns and promotions, monitoring consumer perception and managing menu offerings. We conduct administrative and strategic activities at either the divisional level or at our headquarters, as appropriate. In addition, we have designed standardized crew recruiting manuals and have implemented an online communication platform for crew and managers. These centralized operations help us maintain consistent procedures, quality control and brand management across all of our markets.

Set forth below is a summary of our restaurant portfolio as of December 31, 2016. Due to the reorganization of our segments effective January 1, 2013, the segment information below is not directly comparable to the segment information presented in our annual report on Form 20-F for years prior to 2013. See "Presentation of Financial and Other Information—Operating Data."

	Ownership					Store Type (1)						Real Property (2)	
Portfolio by Division	**Company-Operated**	**Joint Venture**	**Franchised**	**Develop-mental License**	**Total**	**Freestanding**	**Food Court**	**In-Store**	**Mall Store**	**Dessert Centers**	**McCafé Locations**	**Owned**	**Leased**
Brazil	584	—	318	—	902	391	280	88	143	1,497	91	108	794
Caribbean Division	266	—	86	1	353	234	25	40	54	284	36	128	224
NOLAD	365	—	142	10	517	272	138	53	53	626	50	163	344
SLAD	320	18	46	—	384	118	64	114	87	338	139	97	287
Total	**1,535**	**18**	**592**	**11**	**2,156**	**1,015**	**507**	**295**	**337**	**2,745**	**316**	**496**	**1,649**

(1) Non-traditional satellite restaurants are not included in these figures.

(2) Developmental licenses and mobile stores are not included in these figures.

Brazil

Brazil is our largest division in terms of restaurants, with 902 restaurants as of December 31, 2016 and $1,333.2 million in revenues in 2016, representing 41.8% and 45.5% of our total restaurants and revenues, respectively. Our operations in Brazil are based in Sao Paulo and McDonald’s has been present in Brazil since opening its first restaurant in Rio de Janeiro in 1979.

Caribbean Division

The Caribbean division includes eleven territories with 353 restaurants as of December 31, 2016 and $409.7 million in revenues in 2016, representing 16.4% and 14.0% of our total restaurants and revenues, respectively. Its primary market in terms of number of restaurants is Venezuela, representing 37.7% of the Caribbean division’s restaurants. Venezuela is our fourth-largest market in terms of restaurants. McDonald’s has been present in Venezuela since opening its first restaurant in Caracas in 1985. In terms of revenues, however, our primary market in this region is Puerto Rico, accounting for 33.5% of the Caribbean division’s revenues.

NOLAD

NOLAD includes three countries with 517 restaurants as of December 31, 2016 and $364.0 million in revenues in 2016, representing 24.0% and 12.4% of our total restaurants and revenues, respectively. Its primary market is Mexico, where the division’s management is based. McDonald’s has been present in Mexico since opening its first restaurant in Mexico City in 1985. Mexico represents 75.8% of NOLAD’s restaurants and 42.9% of NOLAD’s revenues, and Mexico is our second-largest market in terms of restaurants.

Our operations in Mexico differ from those in our other Territories (with the exception of Venezuela) in that the percentage of franchised restaurants is significantly higher than our systemwide average because some of McDonald’s previous joint venture partners were converted into franchisees immediately prior to the Acquisition. Since the Acquisition, we have been adjusting our business model in Mexico as several factors had significantly eroded that market’s profitability and, as a result, we have acquired 106 franchised restaurants. As of December 31, 2016, 32.9% of our restaurants in Mexico were franchised, while 28.0% of our restaurants overall were franchised.

SLAD

SLAD includes five countries with 384 restaurants as of December 31, 2016 and $821.8 million in revenues in 2016, representing 17.8% and 28.1% of our total restaurants and revenues, respectively. Its primary market is Argentina, where the division’s management is based. McDonald’s has been present in Argentina since opening its first restaurant in Buenos Aires in 1986. As of December 31, 2016, Argentina represented 58.6% of SLAD’s restaurants and 65.3% of SLAD’s revenues in 2016. Argentina is our third-largest market in terms of restaurants.

Seasonality

Our sales and revenues are generally greater in the second half of the year than in the first half. Although the impact on our results of operations is relatively small, this impact is due to increased consumption of our products during the winter and summer holiday seasons, affecting July and December, respectively.

Supply and Distribution

Supply chain management is an important element of our success and a crucial factor in optimizing our profitability. Currently, we have an integrated and centralized supply chain management system that focuses on (i) the highest possible quality and food safety, (ii) competitive market pricing that is predictable and sustainable over time, and (iii) leveraging of local, regional and global sourcing strategies to obtain a competitive advantage. This system consists of the selection and development of suppliers that are able to comply with McDonald’s high quality standards and the establishment of the appropriate type of relationships with these suppliers. These standards, which are based on the highest industry standards, such as International Organization for Standardization (ISO) standards, British Retail Consortium (BRC) standards and others, include cleanliness, product consistency and timeliness,

meeting or exceeding all local food regulations and compliance with our Hazard Analysis Critical Control Plan, or HACCP, a systematic approach to food safety that emphasizes protection within the processing facility, rather than detection, through analysis, inspection and follow-up. Due to our supply chain management and high quality standards, we believe our products have a competitive advantage because they have many attributes that make them appealing to our customers. For instance, our McNuggets are made of 100% white meat; our frying oil is 100% free of trans fatty acids; the dairy mix for our sundaes and the McFlurry undergo aseptic processes to rid them of bacteria; our vegetables are washed and sanitized; and our hamburger patties are made with 100% beef and do not contain additives.

Pursuant to the MFAs, we purchase core products and services, such as beef, chicken, buns, produce, cheese, dairy mixes and toppings, from approved suppliers and distributors who satisfy the above requirements. If McDonald's determines that any product or service offered by an approved supplier is not in compliance with its standards, it may terminate the supplier's approved status. Beyond the purchase of core products and services, we have no restrictions on which suppliers or distributors we may use. We have largely continued the supply relationships that McDonald's had established prior to the Acquisition, and we develop relationships with new suppliers in accordance with McDonald's Supplier Quality Management System, or SQMS.

Since the process to become an approved supplier is lengthy, expensive and requires proof of compliance with McDonald's high quality standards, we have found that oral agreements with our approved suppliers generally are sufficient to ensure a reliable supply of quality food products, and we have developed long-term relationships with many of our suppliers. In addition, we enter into written agreements with most of our suppliers regarding the cost of such goods, which can be based on pricing protocols, formula costing, benchmarking or open bidding, as appropriate. Our 16 largest suppliers account for approximately 55.0% of our supplies, and no single supplier or group of related suppliers account for more than 7.0% of our total food and paper costs. Among our main suppliers are McCain Foods Limited, HAVI Group L.P., JBS S.A., Reyes Holdings L.L.C., BRF S.A., The Coca-Cola Company, Campo del Tesoro S.A., Polenghi Industrias Alimenticias Ltda., Bimbo S.A. and Arytza S.A.

Our integrated supply chain management optimizes value as we work with suppliers to develop pricing protocols, inventory, planning and product quality. As of December 31, 2016, approximately 28.5% of the food and paper products used in our restaurants were imported, primarily from countries within Latin America, while the remaining amount were locally sourced. This percentage varies among the Territories; for example, 35.0% of the products consumed in Mexico are imported, while 17.0% and 48.0% of the products consumed in Brazil and Colombia, respectively, are imported. This includes the toys distributed in our restaurants, which are imported from China. Certain supplies, such as beef, must often be locally sourced due to restrictions on their importation. Combined with the MFAs' requirement to purchase certain core supplies from approved suppliers, although we maintain contingency plans to back up restaurant supplies, we may not be able to quickly find alternate or additional supplies in the event a supplier is unable to meet our orders. See "Item 3. Key Information—D. Risk Factors—Certain Factors Relating to Our Business—We depend on oral agreements with third-party suppliers and distributors for the provision of products that are necessary for our operations." The suppliers send all of their products to distribution centers that are in charge of transportation, warehousing, financial administration, demand and inventory planning and customer service. The distribution centers interact directly with our Company-operated and franchised restaurants.

Until March 16, 2011, we owned and operated some of the distribution centers in the Territories, which operations and related properties we refer to as Axionlog (formerly known as Axis). See "—A. History and Development of the Company—Important Events—The Axionlog Split-off." In 2011, we entered into a master commercial agreement with Axionlog on arm's-length terms pursuant to which Axionlog provides us with distribution inventory, storage (dry, frozen and chilled) and transportation services in Argentina, Chile, Colombia, Mexico, Uruguay, Peru and Venezuela. For additional information about our transactions with Axionlog, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Axionlog Split-off."

Supply Chain Management and Quality Assurance

All products that we sell meet McDonald's specifications, including new products and promotions. We work with our suppliers to implement key standards testing at each stage of our supply chain, including raw materials, processing and distribution. With respect to raw materials, we verify that produce suppliers undergo verification audits. All protein suppliers also undergo Animal Welfare Policy, "mad cow" disease and HACCP audits. At the processing stage, we implement a supplier quality management system that encourages continuous improvement in

each key product category. We conduct seminars annually with all key suppliers on topics such as standards calibration, product sensory evaluation and best practices, and all suppliers are audited annually by a third party for compliance with McDonalds's SQMS. As members of the Global Food Safety Initiative (GFSI), we encourage our suppliers to adopt any norm under the umbrella of GFSI that is recognized globally. We measure compliance through visits to processing plants, supplier summits, regularly scheduled audits and sensory testing that is achieved through a combination of product, equipment and operational procedures. At the distribution stage, we have implemented the Distribution Quality Management Program, which includes a shelf-life management system, strict temperature controls for receiving and storage of food products, a sophisticated stock recovery program and a quality inspection program.

Our quality testing extends to restaurant operations. The Quality Program that includes Across The Counter Quality (ATCQ), Behind The Counter Quality (BTCQ) and Field Service Support is designed for restaurant improvement and food safety verification processes that allow us to track the implementation of changes in restaurant operations, new products, procedures and equipment. We participate in the restaurant operations improvement process designed by McDonald's, under which Company-operated and franchised restaurants are visited at least three times in any 21-month cycle to identify system opportunities to continuously improve our operations. Visits are conducted by our operation consultants, who assess restaurants based on food quality, service and cleanliness. We also participate in the worldwide mystery shopper program designed by McDonald's, where all restaurants are visited twice a month by a third-party vendor who provides us with feedback from a customer perspective. This feedback, called customer satisfaction opportunity reports, is sent to a centralized monitoring system that evaluates key operations indicators. Our multidisciplinary teams, which include members of our Supply Chain and Marketing and Operations teams, work to improve quality and efficiency at the restaurant level throughout the Territories.

Our Competition

We compete with international, national, regional and local retailers of food products. We compete on the basis of price, convenience, service, menu variety and product quality. Our competition in the broadest perspective includes restaurants, quick-service eating establishments, pizza parlors, coffee shops, street vendors, ice cream vendors, convenience food stores, delicatessens and supermarkets.

Our Customers

We aim to provide our customers with safe, fresh and good-tasting food at a good value and a favorable dining experience in the family friendly environment demanded by our target demographic of young adults and families with children. Based on data from the United Nations Economic Commission for Latin America and the Caribbean, the Territories represented a market of approximately 641 million people in 2015—equivalent to the combined population of the United States, Germany, France, the United Kingdom and Italy—of which approximately 26.5% are under 14 years old and 44.3% are under 25 years old. As a business focused on young adults in the 14 to 35 age range and families with children, our operations have benefited, and we expect to continue to benefit, from our Territories' population size, age profile when compared to more developed markets and improving socio-economic conditions. In addition, our McCafé brand extension has successfully targeted a more adult customer base.

Despite ongoing risks generally associated with international business operations, the confluence of favorable factors throughout many of the Territories, including growth in our target demographic markets, offer an opportunity of profitable growth and the ability to serve an ever-increasing number of customers.

Regulation

We are subject to various multi-jurisdictional federal, regional and local laws in the countries in which we operate affecting the operation of our business, as are our franchisees and suppliers. Each restaurant is subject to licensing and regulation by a number of governmental authorities, which include zoning, health, safety, sanitation, tax, operating, building and fire agencies in the jurisdiction in which the restaurant is located. Difficulties in obtaining, or the failure to obtain, required licenses or approvals can delay or prevent the opening of a new restaurant in a particular area. Restaurant operations are also subject to federal and local laws governing matters such as wages, working conditions and overtime. We are also subject to tariffs and regulations on imported commodities and equipment and laws regulating foreign investment.

Substantive laws that regulate the franchisor/franchisee relationship presently exist in several of the countries in which we operate, including Brazil. These laws often limit, among other things, the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise and the ability of a franchisor to designate sources of supply and regulate franchise sales communications.

Certain countries in which we conduct operations have imposed price controls that restrict our ability, and the ability of our franchisees, to adjust the prices of our products.

For example, in September 2014, Argentina passed: (i) Law No. 26,991, the "Regulation on Production and Consumption Relationships Act," which reformed a 1974 Act (Law on Supply of Goods and Services); and (ii) Law No. 26,992, the "Creation of the Observatory of Prices and Availability of Inputs, Goods and Services Act."

The Regulation on Production and Consumption Relationships Act empowers the Secretary of Commerce to, among other things: (i) establish profit margins and set price levels (setting maximum, minimum and benchmark prices); (ii) issue regulations on commerce, intermediation, distribution or production of goods and services; (iii) impose the continuance of production, industrialization, commercialization, transport, distribution or rendering of services or impose the production of goods; (iv) set subsidies; (v) request any kind of documentation and correspondence related to commercial activities or the management of the businesses and impose the publication of prices and availability of goods and services and seize such documentation for up to 30 working days; (vi) impose registration and recordkeeping requirements; and (vii) impose licensing regimes for commercial activities.

In order to enforce its provisions, the Secretary of Commerce is granted the power to impose penalties for non-compliance including, among others: (i) fines of AR$500 to AR$10,000,000 or up to three times the economic profit obtained by offenders (the amounts can double in case of second-time offenders); (ii) temporary shutting down of businesses for up to 90 days; (iii) seizure of goods and products and their sale to consumers in case of an administratively determined shortage of said goods and products; and (iv) loss of governmental or fiscal benefits. Under the Regulation on Production and Consumption Relationships Act, companies would be forced to pay any fine issued immediately and then litigate before the courts to have the penalty revoked and the money refunded. The Secretary of Commerce may waive the advance payment of the fine in cases in which, at its discretion, such payment may cause irreparable harm to the party challenging the fine.

The Creation of the Observatory of Prices and Availability of Inputs, Goods and Services Act created a technical agency under the Secretary of Commerce, the Observatory of Prices and Availability of Inputs, Goods and Services, to control and systematize prices and availability of inputs, goods and services produced, traded or rendered in Argentina.

We are also subject to the labor laws applicable in the countries in which we operate. The adoption of new or more stringent labor laws or regulations could result in a material liability to us. For example, during 2016, Venezuela implemented four increases in the minimum wage, a 20% increase in March, a 30% increase in May, a 50% increase in September and a 20% increase in November, resulting in a new minimum wage of Bs.$40,638.15 as of December 2016. Similarly, in 2015, the United States Virgin Islands Legislative Assembly approved a minimum wage increase, which is projected for the next three years, starting from $7.25 to $10.50, to be prorated in June 2016 to $8.35, in June 2017 to $9.50 and June 2018 to $10.50. In Argentina, a law enacted in November 2010 requires companies to pay overtime to all employees (except directors and managers). In addition, certain proposed bills have attempted to implement additional payments for weekends and mandatory employee profit-sharing, but none of those have been enacted by Congress. See "Item 3. Key Information—D. Risk Factors—Certain Factors Relating to Our Business—Labor shortages or increased labor costs could harm our results of operations."

New interpretations or unexpected applications of existing labor laws or regulations may also affect our business practices or results of operations. In August 2012, the Labor Prosecutor's Office of the State of Pernambuco (*Ministério Público do Trabalho do Estado de Pernambuco*) in Brazil filed a civil complaint against us in the Labor Court of Pernambuco (*Justiça do Trabalho de Pernambuco*) regarding alleged noncompliance with certain labor laws. Several of these cases have already been resolved successfully, either by a judicial decision or a cash settlement. The remaining retained cases are pending a final decision. In March and November 2015, the Labor Prosecutor's Office requested documents in order to analyze our compliance with the labor laws and the settlement entered into with the State of Pernambuco, which we provided. All such information and documentation was reviewed by the Labor Prosecutor, who issued a preliminary report on December 1, 2016. On December 13, 2016,

an administrative hearing was held at the Labor Prosecutor's headquarters in São Paulo, in which the Labor Prosecutor emphasized the preliminary nature of the report and granted us the opportunity to submit information, explanations and documents relating to compliance with the settlement. On March 15, 2017, we submitted a petition and documents as evidence that we have complied with the settlement, and on March 17, 2017, we attended a meeting with the Labor Prosecutor to clarify our arguments. We delivered additional documents regarding our compliance with the settlement for the period ranging from December 2015 to April 2017 on April 20, 2017. An audit of the company's compliance with the settlement for such period will take place between May 2 and May 5, 2017.

In August 2015, UGT (*União Geral dos Trabalhadores*), a labor Union, filed a complaint before the Federal Prosecutor's Office claiming that we breached tax, labor, franchise and antitrust laws. The Prosecutor's Office dismissed the complaint relating to labor law, as there is already an open investigation relating to the same complaint. The Prosecutor's Office then ordered the investigation to be split between the tax and franchise and antitrust law accusations. On November 23, 2016, the Prosecutor's Office dismissed the complaint concerning franchise and antitrust law accusations. As of the date of this annual report on Form 20-F, the dismissal of the complaint is pending ratification by the Superior Council.

See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings—Retained Lawsuits and Contingent Liabilities."

In September 2014, Argentina enacted Law No. 26,993 (the "Prior Conciliation Service in Consumer Relations"). The Prior Conciliation Service in Consumer Relations is an administrative dispute resolution service within the Argentine Ministry of Production, by which consumers may freely submit their claims, with the purpose of reaching a settlement before a mediator within 30 days from the filing of the relevant claim. Consumers may only carry out proceedings before this administrative entity when the claims do not exceed a value equivalent to 55 times the minimum wage. Pursuant to Law No. 26,993, companies that are summoned to, but do not appear before, the Prior Conciliation Service in Consumer Relations may be subject to a fine equivalent to one minimum wage.

In addition, we may become subject to legislation or regulation seeking to regulate high-fat and/or high-sodium foods, particularly in Argentina, Brazil, Chile, Puerto Rico and Uruguay. Moreover, restrictions on advertising by food retailers and QSRs have been proposed or adopted in Argentina, Brazil, Chile, Colombia, Mexico, Peru and Uruguay, including proposals to restrict our ability to sell toys in conjunction with food. Certain jurisdictions in the United States are considering curtailing or have curtailed McDonald's ability to sell children's meals including free toys if these meals do not meet certain nutritional criteria. Similar restrictions, if imposed in the Latin American countries where we do business, may have a negative impact on our results of operations. We will comply with any laws or regulations that may be enacted, and we can provide no assurance of the effect that any possible future laws and regulations will have on our operating results. See "Item 3. Key Information—D. Risk Factors—Certain Factors Relating to Our Industry—Restrictions on promotions and advertisements directed at families with children and regulations regarding the nutritional content of children's meals may harm McDonald's brand image and our results of operations."

Environmental Issues

To the best of our knowledge, there are currently no international, federal, state or local environmental laws, rules or regulations that we expect will materially affect our results of operations or our position with respect to our competitors. However, we can provide no assurance of the effect that any possible future environmental laws will have on our operating results.

Insurance

We maintain insurance policies in accordance with the requirements of the MFAs and as appropriate beyond those requirements, to the extent we believe additional coverage is necessary. Our insurance policies include commercial general liability, workers compensation, "all risk" property and business interruption insurance, among others. See "Item 10. Additional Information—C. Material Contracts—The MFAs—Insurance."

Social Initiatives and Charitable Activities

The well-being of the communities where we operate is of considerable importance to us and we are engaged in a wide range of programs focused on positively impacting those communities. In addition to the current support we give to Ronald McDonald House Charities, we intend to expand our social reach in 2017 by strengthening our initiatives in the areas of Youth Employment and Sustainability.

We have made many positive strides with respect to our social responsibility initiatives in 2016, including publishing our first Regional Social Impact and Sustainability Report in order to better communicate the broader portfolio of social initiatives we are implementing.

The following paragraphs summarize some of our principal programs and contributions.

Youth Employment

Youth unemployment is one of the most critical issues facing countries in Latin America. Through our *Youth Employment* initiative, we promote social mobility by providing employment opportunities to young people in Latin America that help them develop valuable customer service and leadership skills that can be applied to a wide range of career paths in the future. We are implementing this initiative through strategic alliances and by leveraging our trajectory and experience in this field. We are also developing projects for labor participation that promote gender equality and include technical training and programs to support the employment of people with disabilities. For instance, we recently partnered with the Ministries of Labor of Mexico and Argentina to promote employment participation of certain minority groups.

Another initiative is *Empleo con Apoyo* , which aims to provide employment opportunities to youth with disabilities, encouraging the development of their skills and raise awareness with respect to the needs of individuals with disabilities. During 2016 more than 1,300 employees were part of this program.

In addition, in April 2012, we became one of the founders and partners of the New Employment Opportunities (NEO) Program developed by the Inter-American Development Bank and the International Youth Foundation, which promotes the employability of the region's youth. As of December 2016, NEO has reached 147,152 youth in 12 countries within the region.

Additionally, we have continued to strengthen our partnerships with other organizations, such as Forge Foundation, Kuepa and the Global Fairness Initiative.

We are an important employer in Latin America for youth and employed more than 70,000 young people during 2016. With our expanded initiatives, we see tremendous potential to have a positive social impact on the region.

Community

We primarily contribute to the communities in which we operate through the Ronald McDonald House Charities, which is dedicated to creating, finding and supporting programs that directly improve the health and well-being of children by providing "a home away from home" to children undergoing medical treatment in hospitals and their families. As of December 31, 2016, there were 49 Ronald McDonald House Charities programs in 13 countries in Latin America and the Caribbean, including 24 Ronald McDonald Houses, 24 Ronald McDonald Family Rooms and one Ronald McDonald Care Mobile, which was built to deliver pediatric care services to remote locations.

One of our biggest charitable events is the McHappy Day, when McDonald's restaurants across Latin America raise money for various community causes by donating the proceeds from the sales of Big Macs on that day. In 2016, McHappy Day involved more than 35,000 community volunteers and our franchisees and suppliers. We raised over $9.6 million.

We also spearheaded a local community farming program involving 21 farms with the Qorichacra lettuce growing venture in Cusco, which we launched together with the Syngenta Foundation. Through this program, we provide training and support in production standards to local farmers so that the vegetables they produce meet our standards and the standards of several hotels and restaurants in Cusco. This support enabled 146 families to increase their income and improve their living standards. Furthermore, 468 families have replicated this methodology in 11 districts in the Cusco and Apurimac regions. The learnings from Qorichacra have encouraged us to develop more local farming initiatives to supply our lettuce locally in a few cities in Brazil and Puerto Rico. Our hope is that more such initiatives will flourish with our leadership as a provider of training, quality control and standards, and as a significant local buyer of vegetables. As another example, in Brazil we work with suppliers to educate local farmers about sustainable agriculture. To date, 26 farms have been created in Brazil and/or expanded to produce lettuce, tomatoes and other produce for McDonald's restaurants in the region. This enables us contribute to the local economy through the creation of jobs while also sourcing produce sustainably.

Nutrition and Well-Being

As part of our commitment to offering nutritious and high quality products to our customers, we are dedicated to actively promoting a balanced lifestyle. This includes providing reliable, accessible information to guide educated nutritional decisions. We were the first restaurant chain in Latin America to provide full nutritional and calorie information about our menu on our websites in every country, as well as giving consumers within the restaurants full printed nutritional information on every tray liner. In 2014 we added a nutritional calculator on our websites to complement nutritional transparency with a personalized tool to enable our customers to make the right nutritional choices for their lifestyle.

From a safety and quality perspective, we only use products that have passed strict quality and hygiene controls throughout the production chain, inside our restaurants and up to the moment they are served to our customers. These products are sourced from our approved supplier network for all McDonald's restaurants.

We participate in several educational, sports and well-being programs throughout Latin America and the Caribbean, promoting our brand and encouraging our employees and customers to participate. One such event is the McDonald's 5K Women's Run (*Las Mujeres Corremos*), a regional race held annually since 2010 that brought together nearly 44,600 women in 2016, running in 13 cities in Latin America.

Sustainability

We strive to be an environmental steward dedicated to conserving natural resources and minimizing waste. We have developed sustainability initiatives with a focus on sustainable supplies, and energy and water efficiency. To carry out these initiatives, we have developed strategic partnerships with prestigious organizations such as the World Wildlife Fund ("WWF"), the Nature Conservancy, the Rainforest Alliance and the Forest Stewardship Council.

To improve the sustainability of our supplies, we defined six priority items for our business with WWF's support: beef, chicken, fish, palm oil, coffee and the packaging we use. Today, coffee, fish and packaging are certified as 100% sustainable in Brazil, and we continue to work with the certification plans in order to achieve sustainability certifications for our supplies in all our markets in Latin America.

We strive to work with suppliers that have strong standards of animal welfare and that meet McDonald's standards and policies. We have committed to ensuring that all pork used in our restaurants will be sourced by producers that can demonstrate plans to promote group housing for their sows. We are actively working with our pork suppliers, producers and other stakeholders to transition over time to this standard. The responsible use of antibiotics is important for animal health, as well as to ensure the future effectiveness of antimicrobial medicines. In March 2015, we announced that we will only source from suppliers who can guarantee that their animals (i) are raised without growth-stimulating antibiotics; (ii) have only received antibiotics to cure or prevent disease under veterinary supervision; (iii) are only administered antibiotics approved for veterinary use; and (iv) are raised in environments that encourage healthy animal welfare and husbandry conditions to help reduce the need for antibiotic use. We are continuously working with our suppliers and producers to achieve this goal for the responsible use of antibiotics.

Protecting the Amazon—one of Latin America's greatest environmental treasures—is a top priority. All of our suppliers have committed to ending procurement of any supplies from the Amazon. In October 2011, McDonald's signed a global moratorium against harvesting soy from the Amazon region and has maintained this commitment every year since, including actively supporting the 2014 renewal of the Brazilian Soy Moratorium. In August 2016, we sourced the first sustainable beef in Latin America from the Novo Campo Project, an initiative that complies with the standards of the Brazilian Roundtable for Sustainable Beef.

By working very closely and sharing best practices across Latin America, we are reducing our carbon footprint and greenhouse gas (GHG) emissions in our operations.

We are also committed to increasing our energy efficiency in restaurants by 20.0% by 2020 (using 2012 as the baseline) and we promote paper and waste recycling campaigns at our restaurants, whenever possible.

As of December 31, 2016, we had four LEED-certified restaurants and one LEED-certified corporate university. Leadership in Energy & Environmental Design, or LEED-certified buildings are more environmentally responsible and resource-efficient buildings throughout their life-cycle. In December 2008, we opened the first LEED-certified restaurant in Latin America in Bertioga on the coast of São Paulo, Brazil. This restaurant received its LEED certification in September 2009, becoming the first McDonald's restaurant in Latin America to receive such certification. In August 2010, we opened our second LEED-certified restaurant in Pilar, Argentina. In July 2011, we re-inaugurated the McDonald's at Parque Hundido, in Mexico DF, as our third LEED-certified restaurant. In January 2013, we opened the fourth LEED-certified restaurant in Guaynabo, Puerto Rico, which obtained its LEED certification in November 2013. The McDonald's University in São Paulo, Brazil, was remodeled and reopened in April 2011 as a LEED-certified building. This McDonald's University, one of seven such units in the world, is the corporate education center for employees from all over Latin America and the Caribbean. Among the programs offered at the McDonald's University in São Paulo is an MBA in Strategies for Sustainable Development.

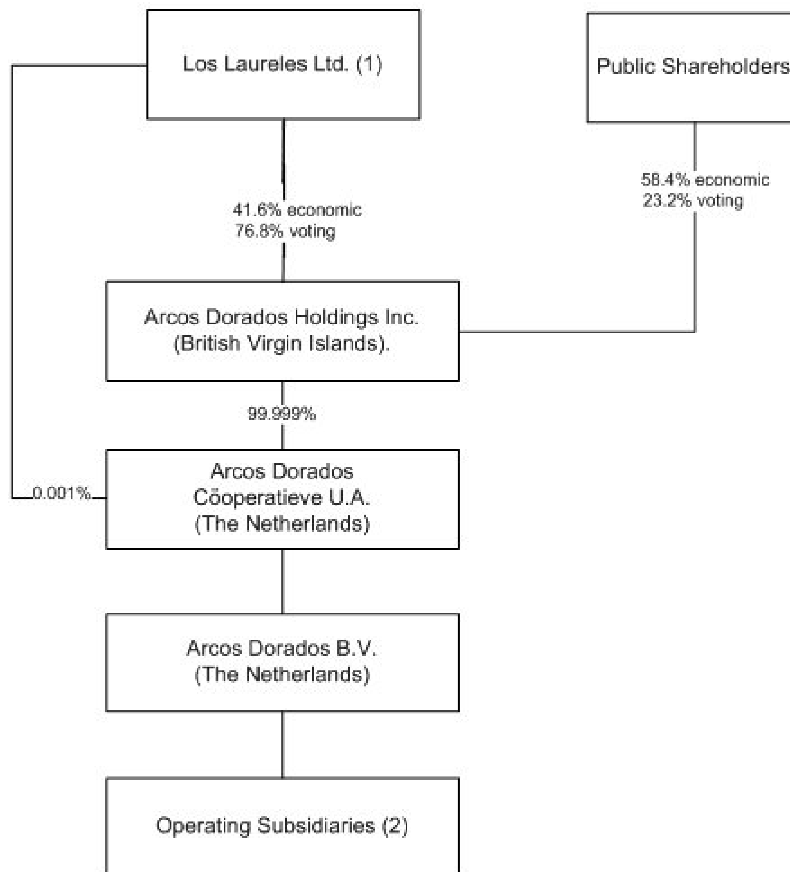
The know-how accumulated in the construction of these ecological buildings is being used for the development of new McDonald's restaurants, such as our High Efficiency Restaurants, developed in Brazil in compliance with McDonald's standards as required by the MFAs, at which efficiencies have been achieved by implementing sustainability measures for, among others, the reuse of water and the use of more efficient lightning technics and using a more efficient architectural design with regard to the amount of equipment, kitchen and support areas. These architectural changes allow a reduction in carbon footprint associated to building process.

Finally, we survey our key suppliers in Latin America and the Caribbean to ensure their operations meet the highest standards possible and partner with them in reducing our impact on the environment. This includes implementing and sharing best practices throughout the supply chain for sustainable sourcing, transportation, resource use, residue disposal and energy consumption, among other matters, using CDP as our strategic partner.

C. Organizational Structure

We conduct substantially all of our business through our indirect, wholly owned Dutch subsidiary Arcos Dorados B.V. Our controlling shareholder is Los Laureles Ltd., a British Virgin Islands company, which is beneficially owned by Mr. Staton, our Executive Chairman. Under the MFAs, Los Laureles Ltd. is required to hold at all times at least 51% of our voting interests, which is accomplished through its ownership of 100% of the class B shares of Arcos Dorados Holdings Inc., each having five votes per share. Los Laureles Ltd. has established a voting trust with respect to the voting interests in us held by Los Laureles Ltd. Los Laureles Ltd. is the beneficiary of the voting trust. See "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders—Los Laureles Ltd." Arcos Dorados B.V. owns all the equity interests of LatAm, LLC, the master franchisee, and owns, directly or indirectly, all the equity interests of the subsidiaries operating our restaurants in the Territories.

The following chart shows our corporate structure as of April 2017.



(1) Includes class A shares and class B shares beneficially owned by Mr. Staton, our Executive Chairman. Los Laureles Ltd. is beneficially owned by Mr. Staton. See "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders—Los Laureles Ltd." Mr. Staton directly owns 0.001% of the shares of Arcos Dorados Coöperatieve U.A.

(2) Includes operating subsidiaries held directly and, in some cases, indirectly through certain intermediate subsidiaries.

Other than as described above, all of our significant subsidiaries are wholly owned by us, except Arcos Dorados Argentina S.A., of which Mr. Staton owns 0.003%.

D. Property, Plants and Equipment

Property Operations

Our long-standing presence in Latin America and the Caribbean has allowed us to build a significant property portfolio with hard-to-replicate locations in key markets across the region that enhance our customers' experience and ultimately support our brand and market position. As of December 31, 2016, we owned the land for 496 of our 2,156 restaurants (totaling approximately 1.1 million square meters). We owned the buildings for all but 11 of our stand-alone restaurants, all of which are under developmental licenses, whereby the licensees own or lease the land on and buildings in which the restaurants are located. We lease the remaining real estate property where we operate. Accordingly, we are able to charge rent on the real estate that we own and lease to our franchisees. The rental payments generally are based on the greater of a flat fee or a percentage of sales reported by franchised restaurants. When we lease land, we match the term of our sublease to the term of the franchise. We may charge a higher rent to franchisees than that which we pay on our leases, therefore deriving additional rental income.

The selection, construction and maintenance of restaurant locations and other related real estate assets, which is a key element of our performance, is determined based on an evaluation of expected returns on investment and the most efficient allocation of our capital expenditures. In addition to our restaurant property, we have (i) corporate offices in Montevideo, Uruguay; Buenos Aires, Argentina; and Sao Paulo, Brazil; and regional offices in Mexico City, Mexico and Bogota, Colombia; (ii) manufacturing and logistics centers in Sao Paulo, Brazil; and (iii) training centers in Sao Paulo, Brazil and Buenos Aires, Argentina.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

The following discussion of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, and the notes thereto, included elsewhere in this annual report, as well as the information presented under "Presentation of Financial and Other Information" and "Item 3. Key Information—A. Selected Financial Data."

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in "Forward-Looking Statements" and "Item 3. Key Information—D. Risk Factors."

Segment Presentation

We divide our operations into four geographical divisions: Brazil; the Caribbean division, consisting of Aruba, Colombia, Curaçao, French Guiana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago, the U.S. Virgin Islands of St. Croix and St. Thomas and Venezuela; the North Latin America division, or NOLAD, consisting of Costa Rica, Mexico and Panama; and the South Latin America division, or SLAD, consisting of Argentina, Chile, Ecuador, Peru and Uruguay. As of December 31, 2016, 41.8% of our restaurants were located in Brazil, 17.8% in SLAD, 24.0% in NOLAD and 16.4% in the Caribbean division. We focus on our customers by managing operations at the local level, including marketing campaigns and special offers, menu management and monitoring customer satisfaction, while leveraging our size by conducting administrative and strategic functions at the divisional or corporate level, as appropriate.

We are required to report information about operating segments in our financial statements in accordance with ASC 280. Operating segments are components of a company about which separate financial information is available that is regularly evaluated by the chief operating decision maker(s) in deciding how to allocate resources and assess performance. We have determined that our reportable segments are those that are based on our method of internal reporting, and we manage our business and operations through our four geographical divisions (Brazil, the Caribbean division, NOLAD and SLAD). The accounting policies of the segments are the same as those for the Company on a consolidated basis.

Principal Income Statement Line Items

Revenues

We generate revenues primarily from two sources: sales by Company-operated restaurants and revenue from franchised restaurants, which primarily consists of rental income, typically based on the greater of a flat fee or a percentage of sales reported by our franchised restaurants. This rent, along with occupancy and operating rights, is stipulated in our franchise agreements. These agreements typically have a 20-year term but may be shorter if necessary to mirror the term of the real estate lease. In 2016, sales by Company-operated restaurants and revenues from franchised restaurants represented 95.7% and 4.3% of our total revenues, respectively. In 2015 and 2014, sales by Company-operated restaurants and revenues from franchised restaurants represented 96.0% and 4.0% of our total revenues, respectively.

Operating Costs & Expenses

Our sales are heavily influenced by brand advertising, menu selection and initiatives to improve restaurant operations. Sales are also affected by the timing of restaurant openings and closures. We do not record sales from our franchised restaurants as revenues.

Company-operated restaurants incur four types of operating costs and expenses:

- food and paper costs, which represent the costs of the products that we sell to customers in Company-operated restaurants;
- payroll and employee benefit costs, which represent the wages paid to Company-operated restaurant managers and crew, as well as the costs of benefits and training, and which tend to increase as we increase sales;
- occupancy and other operating expenses, which represent all other direct costs of our Company-operated restaurants, including advertising and promotional expenses, the costs of outside rent, which are generally tied to sales and therefore increase as we increase our sales, outside services, such as security and cash collection, building and leasehold improvement depreciation, depreciation on equipment, repairs and maintenance, insurance, restaurant operating supplies and utilities; and
- royalty fees, representing the continuing franchise fees we pay to McDonald's pursuant to the MFAs, which are determined as a percentage of gross product sales.

Franchised restaurant occupancy expenses include, mainly, as applicable, the costs of depreciating and maintaining the land and buildings upon which franchised restaurants are situated or the cost of leasing that property. A significant portion of our leases establish that rent payments are based on the greater of a flat fee or a specified percentage of the restaurant's sales.

We promote the McDonald's brand and our products by advertising in all of the Territories. Pursuant to the MFAs, we are required to spend at least 5% of our sales on advertisement and promotion activities annually. These activities are guided by our overall marketing plan, which identifies the key strategic platforms that we leverage to drive sales. Our franchisees are generally required to pay us 5% of their sales to cover advertising expenditures related to their restaurants. We account for these payments as a deduction to our advertising expenses. As a result, our advertising expenses only reflect the expenditures related to Company-operated restaurants. Advertising expenses are recorded within the "Occupancy and other operating expenses" line item in our consolidated income statement. The only exception to this policy is in Mexico, where both we and our franchisees contribute funds to a cooperative that is responsible for advertisement and promotion activities for Mexico.

General and administrative expenses include the cost of overhead, including salaries and facilities, travel expenses, depreciation of office equipment, buildings and vehicles, amortization of intangible assets, occupancy costs, professional services and the cost of field management for Company-operated and franchised restaurants, among others.

Other operating income (expenses), net, include gains and losses on asset acquisitions and dispositions, gains related to sales of restaurant businesses, write-offs and related contingencies of property and equipment, insurance recovery, impairment charges, rental income and depreciation expenses of excess properties, accrual for contingencies, write-offs and write-downs of inventory, recovery of taxes and other miscellaneous items.

Other Line Items

Net interest expense primarily includes interest expense on our short-term and long-term debt as well as the amortization of deferred financing costs. Loss from derivative instruments relates primarily to the ineffective portion of derivative instruments.

Foreign currency exchange results relate to the impact of remeasuring monetary assets and liabilities denominated in currencies other than our functional currencies. See "—Foreign Currency Translation."

Other non-operating income (expenses), net, primarily include certain results related to tax credits, asset taxes and income tax adjustments related to prior years that we are required to pay in certain countries and other non-operating charges.

Income tax expense includes both current and deferred income taxes. Current income taxes represent the amount accrued during the period to be paid to the tax authorities while deferred income taxes represent the earnings impact of the change in deferred tax assets and liabilities that are recognized in our balance sheet for future income tax consequences.

Net income attributable to non-controlling interests relate to the participation of non-controlling interests in the net income of certain subsidiaries that collectively owned 18 restaurants at December 31, 2016 (18 restaurants at December 31, 2015).

Impact of Inflation and Changing Prices

Some of the countries in which we operate have experienced, or are currently experiencing, high rates of inflation. In general, we believe that, over time, we have demonstrated the ability to manage inflationary environments effectively. During 2015 and 2016, our revenues were favorably impacted by our pricing strategy in many of these inflationary environments, as we were able to increase average check to keep pace with inflation.

The Venezuelan market is also subject to price controls, which limit our ability to increase prices to offset the impact of continuing high inflation on our operating costs. Although we managed to navigate the negative impact of the price controls on our operations during 2014, 2015 and 2016, the existence of such laws and regulations continues to present a risk to our business. We continue to closely monitor developments in this dynamic environment.

Key Business Measures

We track our results of operations and manage our business by using three key business measures: comparable sales growth, average restaurant sales and sales growth.

In analyzing business trends, management considers a variety of performance and financial measures which are considered to be non-GAAP including: Adjusted EBITDA, comparable sales growth, systemwide data and constant currency measures.

Comparable Sales

Comparable sales is a key performance indicator used within the retail industry and is indicative of the success of our initiatives as well as local economic, competitive and consumer trends. Comparable sales are driven by changes in traffic and average check, which is affected by changes in pricing and product mix. Increases or decreases in comparable sales represent the percent change in sales from the prior year for all restaurants in operation for at least thirteen months, including those temporarily closed. Some of the reasons restaurants may close temporarily include reimaging or remodeling, rebuilding, road construction and natural disasters. With respect to restaurants where there are changes in ownership, all previous months' sales are reclassified according to the new ownership category when reporting comparable sales. As a result, there will be discrepancies between the sales figures used to calculate comparable sales and our results of operations. We report on a calendar basis, and therefore the comparability of the same month, quarter and year with the corresponding period for the prior year is impacted by the mix of days. The number of weekdays, weekend days and timing of holidays in a period can impact comparable sales positively or negatively. We refer to these impacts as calendar shift/trading day adjustments. These impacts vary geographically due to consumer spending patterns and have the greatest effect on monthly comparable sales while annual impacts are typically minimal.

We calculate and analyze comparable sales and average check in our divisions and systemwide on a constant currency basis, which means they are calculated using the same exchange rate in the applicable division or systemwide, as applicable, over the periods under comparison to remove the effects of currency fluctuations from the analysis. We believe these constant currency measures, which are considered to be non-GAAP measures, provide a more meaningful analysis of our business by identifying the underlying business trend, without distortion from the effect of foreign currency fluctuations

Company-operated comparable sales growth refers to comparable sales growth for Company-operated restaurants and franchised comparable sales growth refers to comparable sales growth for franchised restaurants. We believe comparable sales growth is a key indicator of our performance, as influenced by our strategic initiatives and those of our competitors.

Average Restaurant Sales

Average restaurant sales, or ARS, is an important measure of the financial performance of our systemwide restaurants and changes in the overall direction and trends of sales. ARS is calculated by dividing the sales for the relevant period by the arithmetic mean of the number of restaurants at the beginning and end of such period. ARS is influenced mostly by comparable sales performance and restaurant openings and closures. As ARS is provided in nominal terms, it is affected by movements in foreign currency exchange rates.

Sales Growth

Sales growth refers to the change in sales by all restaurants, whether operated by us or by franchisees, from one period to another. We present sales growth both in nominal terms and on a constant currency basis, which means the latter is calculated using the same exchange rate over the periods under comparison to remove the effects of currency fluctuations from the analysis.

Adjusted EBITDA

We use Adjusted EBITDA to facilitate operating performance comparisons from period to period. Adjusted EBITDA is defined as our operating income plus depreciation and amortization plus/minus the following losses/gains included within other operating income (expenses), net, and within general and administrative expenses in our statement of income: gains from sale or insurance recovery of property and equipment; write-offs and related contingencies of property and equipment; impairment of long-lived assets and goodwill; stock-based compensation related to the special awards in connection with the initial public offering, under the 2011 Equity Incentive Plan; reorganization and optimization plan expenses; and incremental compensation related to the modification of our 2008 long-term incentive plan. See "Item 3. Key Information—A. Selected Financial Data."

We believe Adjusted EBITDA facilitates company-to-company operating performance comparisons by backing out potential differences caused by variations such as capital structures (affecting net interest expense and other financial charges), taxation (affecting income tax expense) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense), which may vary for different companies for reasons unrelated to operating performance. In addition, we exclude gains from sale or insurance recovery of property and equipment not related to our core business; write-offs and related contingencies of property and equipment and impairment of long-lived assets and goodwill that do not result in cash payments; stock-based compensation related to the special awards under the 2011 Equity Incentive Plan; reorganization and optimization plan expenses; bonuses granted in connection with our initial public offering due to its special nature; and incremental compensation expense related to the modification of our 2008 long-term incentive plan. While a GAAP measure for purposes of our segment reporting, Adjusted EBITDA is a non-GAAP measure for reporting our total Company performance. Our management believes, however, that disclosure of Adjusted EBITDA provides useful information to investors, financial analysts and the public in their evaluation of our operating performance.

Systemwide data

Systemwide data represents measures for both Company-operated and franchised restaurants. While sales by franchisees are not recorded as revenues by us, management believes the information is important in understanding our financial performance because these sales are the basis on which we calculate and record franchised restaurant revenues and are indicative of the financial health of our franchisee base. Systemwide results are driven primarily by our Company-operated restaurants, as 72.0% of our systemwide restaurants are Company-operated as of December 31, 2016.

Foreign Currency Translation

The financial statements of our foreign operating subsidiaries are translated in accordance with guidance in ASC 830, Foreign Currency Matters. Except for our Venezuelan operations, the functional currencies of our foreign operating subsidiaries are the local currencies of the countries in which we conduct our operations. Therefore, the assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rates as of the balance sheet date, and revenues and expenses are translated at the average exchange rates prevailing during the period. Translation adjustments are included in the "Accumulated other comprehensive loss" component of shareholders' equity. We record foreign currency exchange results related to monetary assets and liabilities transactions, including intercompany transactions, denominated in currencies other than our functional currencies in our consolidated income statement.

Venezuela

Effective January 1, 2010, Venezuela is considered to be highly inflationary. Under U.S. GAAP, an economy is considered to be highly inflationary when its three-year cumulative rate of inflation meets or exceeds 100%. Under the highly inflationary basis of accounting, the financial statements of our Venezuelan subsidiaries are remeasured as if their functional currency were our reporting currency (U.S. dollars), with remeasurement gains and losses recognized in earnings, rather than in the cumulative translation adjustment component of other comprehensive loss within shareholders' equity.

In February 2003, Venezuela's government implemented an exchange control regime to restrict the conversion of local currency into foreign currency, which is still in force. Since its implementation, multiple exchange rate systems have been implemented. The administration of Venezuela's exchange rate system is the responsibility of the National Center of Foreign Trade (*Centro Nacional de Comercio Exterior*) or CENCOEX, which was established in November 2013.

On February 10, 2015, Exchange Agreement N°33 established a new open-market foreign exchange system called SIMADI (*Sistema Marginal de Divisas*). SIMADI functioned on free-market principles with foreign currency offered either by PDVSA (Petróleos de Venezuela), the Central Bank of Venezuela or the private sector.

During February and March of 2016, the Venezuelan government announced new changes to the official exchange control system, which were published in the Official Gazette number 40,865 dated March 9, 2016 and through which the Venezuelan Central Bank and the Ministry for Banking and Finance issued Exchange Agreement N° 35, effective March 10, 2016. The Exchange Agreement set forth the rules that govern foreign exchange transactions carried out by public and private entities and individuals in Venezuela, eliminated SIMADI, and created a dual exchange system consisting of two exchange rates for the purchase and sale of foreign currency: the protected rate, or DIPRO, for priority goods (food and medicines) and services, and the supplementary floating market rate, or DICOM, for other transactions, including the settlement of transactions for the purchase and sale of foreign currency. The DICOM is not yet fully operational. Until the DICOM rate is fully operational, SIMADI will remain in operation.

As a result of the foregoing, the acquisition of foreign currency at the official exchange rate by Venezuelan companies to honor foreign debt, pay dividends or otherwise move capital out of Venezuela is subject to the approval of CENCOEX and to the availability of foreign currency within the SIMADI (or DICOM).

During 2016, the DIPRO remained unchanged at Bs.10.00 per U.S. dollar. As of January 2016, the SIMADI rate was at Bs.200 per dollar; however, such rate began depreciating constantly throughout the year. For example, on April 29, the SIMADI rate was at Bs.378.37 per dollar, on June 1 was at Bs.543.30 per dollar and on July 29 it was at Bs.645.09 per dollar. Following this devaluation, the SIMADI rate remained stable during the second semester of 2016. For instance, on December 29 such rate was at Bs.673.83 per dollar. In early 2017, the SIMADI rate began depreciating again. For example, on January 13, 2017, the SIMADI rate was at 676.2 per U.S. dollar and on February 8, 2017 was at 690.98 per U.S. dollar.

Currency devaluations in Venezuela have had a significant effect on our income statements and have impacted the comparability of our income statements in 2016, 2015 and 2014 as compared to 2013 and 2012. For more details about the Venezuelan exchange rate used for financial reporting, see Note 22 to our consolidated financial statements.

Factors Affecting Comparability of Results

Seasonality

Our sales and revenues are generally greater in the second half of the year than in the first half. Although the impact on our results of operations is relatively small, this impact is due to increased consumption of our products during the winter and summer holiday seasons, affecting July and December, respectively.

Critical Accounting Policies and Estimates

This management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as related disclosures. On an ongoing basis, we evaluate our estimates and judgments based on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under varying assumptions or conditions.

We consider an accounting estimate to be critical if:

- the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and

- the impact of the estimates and assumptions on our financial condition or operating performance is material.

We believe that of our significant accounting policies, the following encompass a higher degree of judgment and/or complexity.

Depreciation of Property and Equipment

Accounting for property and equipment involves the use of estimates for determining the useful lives of the assets over which they are to be depreciated. We believe that the estimates we make to determine an asset's useful life are critical accounting estimates because they require our management to make estimates about technological evolution and competitive uses of assets. We depreciate property and equipment on a straight-line basis over their useful lives based on management's estimates of the period over which these assets will generate revenue (not to exceed the lease term plus renewal options for leased property). The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. We periodically review these lives relative to physical factors, economic considerations and industry trends. If there are changes in the planned use of property and equipment, or if technological changes occur more rapidly than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expense or write-offs in future periods. No significant changes to useful lives have been recorded in the past. A significant change in the facts and circumstances that we relied upon in making our estimates may have a material impact on our operating results and financial condition.

Impairment of Long-Lived Assets and Goodwill

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We review goodwill for impairment annually, primarily during the fourth quarter. In assessing the recoverability of our long-lived assets and goodwill, we consider changes in economic conditions and make assumptions regarding, among other factors, estimated future cash flows by market and by restaurant, discount rates by country and the fair value of the assets. Estimates of future cash flows are highly subjective judgments based on our experience and knowledge of our operations. These estimates can be significantly impacted by many factors, including changes in global and local business and economic conditions, operating costs, inflation, competition, and consumer and demographic trends. A key assumption impacting estimated future cash flows is the estimated change in comparable sales.

See Note 3 to our consolidated financial statements for a detail of markets for which we performed impairment tests of our long-lived assets and goodwill, as well as impairment charges recorded.

If our estimates or underlying assumptions change in the future, we may be required to record additional impairment charges.

Share-Based Compensation

We have share-based compensation plans outstanding pursuant to which we granted, until 2011, liability awards to certain employees under a long-term incentive plan. The accrued liability is remeasured at the end of each reporting period until settlement. As of December 31, 2016, the accrued liability amounting to $0.5 million. The fair value of our liability awards is estimated using the Black-Scholes model. Accounting for our share-based compensation plans involves the use of estimates for determining: (a) the number of units that will vest based on the estimated completion of the requisite service period, and (b) the assumptions required by the closed-form pricing model (expected volatility, dividend yield, risk-free interest rate and expected term). These assumptions are estimated as follows:

- Expected volatility: based on implied volatility of our class A shares.
- Dividend yield: based on estimated annual dividends over the Company's market capitalization.
- Risk-free interest: prevailing implied interest rate of the U.S. Treasury zero-coupon strips with a remaining time to maturity similar to the expected term of the plan.
- Expected term: estimated as an average of the vesting term and the original contractual term of the plan.

All of these assumptions significantly impact the estimated fair value of the awards. We use historical data and estimates to determine these assumptions, and if these assumptions and/or the stock price change significantly in the future, our operating results and financial condition could be significantly impacted.

In March 2011, we adopted our Equity Incentive Plan, or 2011 Plan, to attract and retain the most highly qualified and capable professionals and to promote the success of our business through an annual award program. The 2011 Plan permits grants of awards relating to our class A shares, including awards in the form of share (also referred to as stock) options, restricted shares, restricted share units, share appreciation rights, performance awards and other share-based awards as will be determined by our Board of Directors. The maximum number of shares that may be issued under the 2011 Plan is 5,238,235 class A shares, equal to 2.5% of our total outstanding class A and class B shares immediately following our initial public offering on April 14, 2011.

Restricted share units are measured at the grant-date market price of our class A shares. Stock options are accounted for at their grant-date fair value. Fair value of stock options is calculated using the Black-Scholes option pricing model. This calculation is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables (expected volatility, dividend yield, risk-free interest rate and expected term). These assumptions are estimated as was previously described for our liability awards.

On June 28, 2016, 1,117,380 stock options were converted to a liability award. 104 employees were affected by this modification. There were no incremental compensation costs resulting from this modification. The accrued liability is remeasured on a monthly basis until settlement, using the Black-Scholes model.

See Note 17 to our consolidated financial statements for additional detail on the assumptions used in our estimates and the amounts involved.

Accounting for Taxes

We record a valuation allowance to reduce the carrying value of deferred tax assets if it is more likely than not that some portion or all of our deferred assets will not be realized. Our valuation allowance as of December 31, 2016, 2015 and 2014 amounted to $290.6 million, $297.9 million and $301.0 million, respectively. We have considered future taxable income and ongoing prudent and feasible tax strategies in assessing the need for the valuation allowance. This assessment is carried out on the basis of internal projections, which are updated to reflect our most recent operating trends, such as the expiration date for tax loss carryforwards. Because of the imprecision inherent in any forward-looking data, the further into the future our estimates project, the less objectively verifiable they become. Therefore, we apply judgment to define the period of time to include projected future income to support the future realization of the tax benefit of an existing deductible temporary difference or carryforward and whether there is sufficient evidence to support the projections at a more-likely-than-not level for this period of time. Determining whether a valuation allowance for deferred tax assets is necessary often requires an extensive analysis of positive (e.g., a history of accurately projecting income) and negative evidence (e.g., historic operating losses) regarding realization of the deferred tax assets and inherent in that, an assessment of the likelihood of sufficient future taxable income. In 2016, 2015 and 2014, we recognized losses amounting to $11.8 million, $49.5 million and $71.7 million, respectively, related to tax loss carryforwards for which realization is not expected to occur. If these estimates and assumptions change in the future, we may be required to adjust the valuation allowance. This could result in a charge to, or an increase in, income in the period this determination is made.

In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. The Company assesses the likelihood of any adverse judgments or outcomes on its tax positions, including income tax and other taxes, based on the technical merits of a tax position derived from authorities such as legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position. Such outcomes may change in the future due to new developments in each matter.

As of December 31, 2016, in accordance with ASC 740, there are certain matters related to the interpretation of income tax laws for which there is a possibility that a loss may have been incurred, in an amount of $20 million, related to assessments for the fiscal years 2010 and 2011. No formal claim has been made for fiscal years from 2012 to 2016 by taxing authorities in any of the mentioned matters. However, those years are still subject to audit and claims may be asserted in the future.

Provision for Contingencies

We have certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor, tax and other matters. Accounting for contingencies involves the use of estimates for determining the probability of each contingency and the estimated amount to settle the obligation, including related costs. We accrue liabilities when it is probable that future costs will be incurred and the costs can be reasonably estimated. The accruals are based on all the information available at the issuance date of the financial statements, including our estimates of the outcomes of these matters and our lawyers' experience in contesting, litigating and settling similar matters. If we are unable to reliably measure the obligation, no provision is recorded and information is then presented in the notes to our consolidated financial statements. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs. Because of the inherent uncertainties in this estimation, actual expenditures may be different from the originally estimated amount recognized. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings" for a description of significant claims, lawsuits and other proceedings.

See Note 18 to our consolidated financial statements.

Results of Operations

We have based the following discussion on our consolidated financial statements. You should read it along with these financial statements, and it is qualified in its entirety by reference to them.

In a number of places in this annual report, in order to analyze changes in our business from period to period, we present our results of operations and financial condition on a constant currency basis, which is considered to be a non-GAAP measure. Constant currency results isolate the effects of foreign exchange rates on our results of operations and financial condition. In particular, we have isolated the effects of appreciation and depreciation of local currencies in the Territories against the U.S. dollar because we believe that doing so is useful in understanding the development of our business. For these purposes, we eliminate the effect of movements in the exchange rates by converting the balances for both periods being compared from their local currencies to the U.S. dollar using the same exchange rate.

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Key Business Measures

The following tables present sales, sales growth, sales growth on a constant currency basis, comparable sales growth and average restaurant sales increases/(decreases):

	Sales			Sales growth		Sales growth in constant currency		Comparable sales growth	
	For the Years Ended December 31,			For the Years Ended December 31,		For the Years Ended December 31,		For the Years Ended December 31,	
	2016	2015	2014	2016 (1)	2015 (3)	2016 (1)	2015 (3)	2016 (2)	2015 (4)
	(in thousands of U.S. dollars, except percentages)								
Sales by Company-operated restaurants	$ 2,803,334	$ 2,930,379	$ 3,504,302	(4.3)%	(16.4)%	13.5%	10.9%	13.9%	8.8%
Franchised sales (5)	990,220	973,708	1,238,326	1.7	(21.4)	21.2	17.1	15.8	12.9
Systemwide sales	**3,793,554**	**3,904,087**	**4,742,628**	**(2.8)**	**(17.7)**	**15.4**	**12.5**	**14.4**	**9.9**

(1) In nominal terms, sales decreased during 2016 due to the negative impact of the depreciation of most currencies in the Territories against the U.S. dollar. This was partially offset by comparable sales growth of 14.4% and the net addition of 35 restaurants systemwide since January 1, 2015. We had 1,553 Company-operated restaurants and 603 franchised restaurants as of December 31, 2016, compared to 1,588 Company-operated restaurants and 553 franchised restaurants as of December 31, 2015.

(2) Our comparable sales growth on a systemwide basis in 2016 was driven by the increase in average check, which resulted mainly from price increases.

(3) In nominal terms, sales decreased during 2015 due to the negative impact of the depreciation of most currencies in the Territories against the U.S. dollar. This was partially offset by comparable sales growth of 9.9% and the net addition of 79 restaurants systemwide since January 1, 2014. We had 1,588 Company-operated restaurants and 553 franchised restaurants as of December 31, 2015, compared to 1,577 Company-operated restaurants and 544 franchised restaurants as of December 31, 2014.

(4) Our comparable sales growth on a systemwide basis in 2015 was driven by the increase in average check, which resulted mainly from price increases.

(5) Franchised sales correspond to sales generated by franchised restaurants, which we do not collect. Revenues from franchised restaurants primarily consist of rental income.

By division

	Sales			Sales growth		Sales growth in constant currency		Comparable sales growth	
	For the Years Ended December 31,			For the Years Ended December 31,		For the Years Ended December 31,		For the Years Ended December 31,	
	2016	2015	2014	2016	2015	2016	2015	2016	2015
	(in thousands of U.S. dollars, except percentages)								
Sales by Company-operated restaurants:									
Brazil	$ 1,254,684	$ 1,289,543	$ 1,724,889	(2.7)%	(25.2)%	2.4%	4.8%	3.6%	1.5%
Caribbean division	396,807	386,512	574,540	2.7	(32.7)	29.5	16.5	29.6	16.1
NOLAD	349,190	351,122	367,075	(0.6)	(4.3)	7.5	4.2	4.7	1.2
SLAD	802,653	903,202	837,798	(11.1)	7.8	24.8	22.6	24.8	22.0
Total Sales by Company-operated restaurants	2,803,334	2,930,379	3,504,302	(4.3)	(16.4)	13.5	10.9	13.9	8.8
Franchised sales: (3)									
Brazil	630,706	589,994	756,211	6.9	(22.0)	11.8	9.3	3.7	2.7
Caribbean division	96,646	91,411	199,864	5.7	(54.3)	94.7	46.4	97.9	51.2
NOLAD	132,745	145,951	164,511	(9.0)	(11.3)	0.8	(0.2)	2.7	1.0
SLAD	130,123	146,352	117,740	(11.1)	24.3	33.5	41.8	30.5	31.1
Total Franchised sales	990,220	973,708	1,238,326	1.7	(21.4)	21.2	17.1	15.8	12.9
Systemwide sales:									
Brazil	1,885,390	1,879,537	2,481,100	0.3	(24.2)	5.4	6.1	3.6	1.9
Caribbean division	493,453	477,923	774,404	3.2	(38.3)	42.0	24.2	42.5	25.0
NOLAD	481,935	497,073	531,586	(3.0)	(6.5)	5.6	2.8	4.1	1.2
SLAD	932,776	1,049,554	955,538	(11.1)	9.8	26.0	25.0	25.6	23.2
Total Systemwide sales	**3,793,554**	**3,904,087**	**4,742,628**	**(2.8)**	**(17.7)**	**15.4**	**12.5**	**14.4**	**9.9**

	Sales			Number of restaurants				Average restaurant sales		
	For the Years Ended December 31,			For the Years Ended December 31,				For the Years Ended December 31,		
	2016	2015	2014	2016	2015	2014	2013	2016 (1)	2015 (2)	2014
	(in thousands of U.S. dollars, except for number of restaurants)									
Sales by Company-operated restaurants	$ 2,803,334	$ 2,930,379	$ 3,504,302	1,553	1,588	1,577	1,538	$ 1,785	$ 1,852	$ 2,250
Franchised sales (3)	990,220	973,708	1,238,326	603	553	544	524	1,713	1,775	2,319
Systemwide sales	**3,793,554**	**3,904,087**	**4,742,628**	**2,156**	**2,141**	**2,121**	**2,062**	**1,766**	**1,832**	**2,268**

(1) Our ARS decreased in 2016 because of the depreciation of most currencies in the Territories against the U.S. dollar, partially offset by comparable sales growth of 14.4%.

(2) Our ARS decreased in 2015 because of the depreciation of most currencies in the Territories against the U.S. dollar, partially offset by comparable sales growth of 9.9%.

(3) Franchised sales correspond to sales generated by franchised restaurants, which we do not collect. Revenues from franchised restaurants primarily consist of rental income.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Set forth below are our results of operations for the years ended December 31, 2016 and 2015.

	For the Years Ended December 31,		% Increase (Decrease)
	2016	2015 (1)	
	(in thousands of U.S. dollars)		
Sales by Company-operated restaurants	$ 2,803,334	$ 2,930,379	(4.3)%
Revenues from franchised restaurants	125,296	122,361	2.4
Total revenues	**2,928,630**	**3,052,740**	**(4.1)**
Company-operated restaurant expenses:			
Food and paper	(1,012,976)	(1,037,487)	(2.4)
Payroll and employee benefits	(607,082)	(660,773)	(8.1)
Occupancy and other operating expenses	(752,428)	(793,622)	(5.2)
Royalty fees	(142,777)	(149,089)	(4.2)
Franchised restaurants – occupancy expenses	(55,098)	(54,242)	1.6
General and administrative expenses	(221,075)	(270,680)	(18.3)
Other operating income, net	41,386	6,560	530.9
Total operating costs and expenses	**(2,750,050)**	**(2,959,333)**	**(7.1)**
Operating income	**178,580**	**93,407**	**91.2**
Net interest expense	(66,880)	(64,407)	3.8
Loss from derivative instruments	(3,065)	(2,894)	5.9
Foreign currency exchange results	32,354	(54,032)	(159.9)
Other non-operating expenses, net	(2,360)	(627)	276.4
Income (loss) before income taxes	**138,629**	**(28,553)**	(585.5)
Income tax expense	(59,641)	(22,816)	161.4
Net income (loss)	**78,988**	**(51,369)**	(253.8)
Less: Net income attributable to non-controlling interests	(178)	(264)	(32.6)
Net income (loss) attributable to Arcos Dorados Holdings Inc	**78,810**	**(51,633)**	**(252.6)**

(1) Due to certain changes in accounting for expenses in 2016, certain reclassifications have been made from "Occupancy and other operating expenses" to "Payroll and employee benefits" in the Income Statement Data for the fiscal year ended December 31, 2015 in order to ensure comparability with our results for the fiscal year ended December 31, 2016. See Note 2 to our consolidated financial statements for additional information.

Set forth below is a summary of changes to our systemwide, Company-operated and franchised restaurant portfolios in 2016 and 2015.

Systemwide Restaurants	For the Years Ended December 31,	
	2016	2015
Systemwide restaurants at beginning of period	2,141	2,121
Restaurant openings	33	36
Restaurant closings	(18)	(16)
Systemwide restaurants at end of period	2,156	2,141

Company-Operated Restaurants	For the Years Ended December 31,	
	2016	2015
Company-operated restaurants at beginning of period	1,588	1,577
Restaurant openings	17	18
Restaurant closings	(11)	(12)
Net conversions of franchised restaurants to Company-operated restaurants	(41)	5
Company-operated restaurants at end of period	1,553	1,588

Franchised Restaurants	For the Years Ended December 31,	
	2016	2015
Franchised restaurants at beginning of period	553	544
Restaurant openings	16	18
Restaurant closings	(7)	(4)
Net conversions of franchised restaurants to Company-operated restaurants	41	(5)
Franchised restaurants at end of period	603	553

Revenues

	For the Years Ended December 31,		
	2016	2015	% Decrease
	(in thousands of U.S. dollars)		
Sales by company-operated restaurants			
Brazil	$ 1,254,684	$ 1,289,543	(2.7)%
Caribbean division	396,807	386,512	2.7
NOLAD	349,190	351,122	(0.6)
SLAD	802,653	903,202	(11.1)
Total	**2,803,334**	**2,930,379**	**(4.3)**
Revenues from franchised restaurants			
Brazil	78,553	72,446	8.4%
Caribbean division	12,864	11,632	10.6
NOLAD	14,775	16,242	(9.0)
SLAD	19,104	22,041	(13.3)
Total	**125,296**	**122,361**	**2.4**
Total revenues			
Brazil	1,333,237	1,361,989	(2.1)%
Caribbean division	409,671	398,144	2.9
NOLAD	363,965	367,364	(0.9)
SLAD	821,757	925,243	(11.2)
Total	**2,928,630**	**3,052,740**	**(4.1)**

Sales by Company-operated Restaurants

Total sales by Company-operated restaurants decreased by $127.0 million, or 4.3%, from $2,930.4 million in 2015 to $2,803.3 million in 2016, mainly as a result of the depreciation of most currencies in the Territories against the U.S. dollar ($523.3 million). Additionally, the net conversion of 36 Company-operated restaurants into franchised restaurants, partially offset by 12 net restaurant openings since January 1, 2015, caused sales to decrease by $0.9 million. This was partially offset by 13.9% growth in comparable sales, mainly due to a higher average check, which caused sales to increase by $397.2 million. However, this increase in comparable sales was negatively affected by a worsening macroeconomic environment in our main countries.

In Brazil, sales by Company-operated restaurants decreased by $34.9 million, or 2.7%, to $1,254.7 million. This was a consequence of the depreciation of the *real* against the U.S. dollar, which caused sales to decrease by $66.2 million, and the conversion of 42 Company-operated restaurants into franchised restaurants, partially offset by 12 net restaurant openings, since January 1, 2015, which caused sales to decrease by $13.0 million. This was partially offset by comparable sales growth of 3.6%, which contributed $44.4 million to sales increase.

In the Caribbean division, sales by Company-operated restaurants increased by $10.3 million, or 2.7%, to $396.8 million. This was a consequence of 29.6% growth in comparable sales, mainly resulting from a higher average check related to Venezuela´s inflation, which caused sales to increase by $114.0 million. Additionally, the opening of 2 restaurants, partially offset by the closing of 6 restaurants since January 1, 2015, contributed $0.2 million to sales increase. This increase was partially offset by the depreciation of most currencies in the region against the U.S. dollar, which caused sales to decrease by $103.9 million.

In NOLAD, sales by Company-operated restaurants decreased by $1.9 million, or 0.6%, to $349.2 million. This was a consequence of the depreciation of local currencies, which caused sales to decrease by $28.4 million. This was partially offset by comparable sales growth by 4.7%, driven by average check growth, which contributed $16.7 million to the increase in sales, and 5 net restaurant openings, which coupled with the conversion of 8 franchised restaurants into Company-operated restaurants since January 1, 2015 contributed $9.8 million to sales increase.

In SLAD, sales by Company-operated restaurants decreased by $100.5 million, or 11.1%, to $802.7 million. This was a consequence of the depreciation of the Argentine *peso* against the U.S. dollar, which caused sales to decrease by $310.1 million, which coupled with the depreciation of other currencies in the division accounted for $14.6 million of sales decrease. This was partially offset by a 24.8% growth in comparable sales, resulting mainly from a higher average check due to price increases, which caused sales to increase by $222.2 million, coupled with the opening of 3 restaurants, partially offset by the conversion of two Company-operated restaurants into franchised restaurants and the closing of 4 restaurants since January 1, 2015, contributing $2.1 million to the increase in sales.

Revenues from Franchised Restaurants

Our total revenues from franchised restaurants increased by $2.9 million, or 2.4%, from $122.4 million in 2015 to $125.3 million in 2016. The main contributor to this increase was comparable sales growth of 15.8%, which resulted in an increase in revenues of $21.3 million, coupled with the net conversion of 36 Company-operated restaurants into franchised restaurants and the net opening of 23 franchised restaurants since January 1, 2015, which caused revenues from franchised restaurants to increase by $5.7 million. Additionally, higher rental income as a percentage of sales which increased from 12.6% in 2015 to 12.7% in 2016, contributed $1.5 million to the increase in revenues. This was partially offset by the depreciation of most currencies in the Territories against the U.S. dollar by $25.6 million. In 2016, 82.8% and 17.2% of revenues from franchised restaurants were earned on the basis of a percentage of sales and on a flat fee basis, respectively. In 2015, 82.7% and 17.3% of revenues from franchised restaurants were earned on the basis of a percentage of sales and on a flat fee basis, respectively.

In Brazil, revenues from franchised restaurants increased by $6.1 million, or 8.4%, to $78.6 million primarily as a result of the conversion of 42 Company-operated restaurants into franchised restaurants and the net opening of 24 franchised restaurants, since January 1, 2015, which caused revenues from franchised restaurants to increase by $5.7 million, and comparable sales growth of 3.7%, which contributed with $2.9 million of the increase. In addition, increased rental income, resulted in increased revenues from franchised restaurants of $1.2 million. This was partially offset by the depreciation of the *real* against the U.S. dollar, which a negative impacted revenues in the region by $3.6 million.

In the Caribbean division, revenues from franchised restaurants increased by $1.2 million, or 10.6%, to $12.9 million. This increase was driven by comparable sales growth of 97.9%, resulting in $11.1 million increase in revenues, and an increase in rental income which contributed in $1.0 million. This was partially offset by the depreciation of the Venezuelan *bolivar* against the U.S. dollar and the net closing of 2 restaurants since January 1, 2015, negatively affecting revenues by $10.8 million and $0.1 million, respectively.

In NOLAD, revenues from franchised restaurants decreased by $1.5 million, or 9.0%, to $14.8 million. This decrease was a result of the depreciation of the Mexican *peso* against the U.S. dollar, contributing $1.6 million, coupled with the conversion of 8 franchised restaurants into Company-operated restaurants and the net closing of 1 restaurant since January 1, 2015, which caused revenues from franchised restaurants to decrease by $0.3 million. These effects were partially offset by a 2.7% increase in comparable sales, which resulted in a $0.4 million increase in revenue.

In SLAD, revenues from franchised restaurants decreased by $2.9 million, or 13.3%, to $19.1 million. This decrease resulted mainly from the depreciation of the local currencies in Argentina and Chile against the U.S. dollar and lower rental income, which represented a decrease in revenues of $9.6 million and $0.7 million, respectively. This was partially offset by comparable sales growth of 30.5%, which accounted for a $6.9 million increase in revenues, coupled with the net opening of 2 restaurants and the conversion of 2 Company-operated restaurants into franchised restaurants since January 1, 2015, which caused revenues to increase by $0.5 million.

Operating Costs and Expenses

Food and Paper

Our total food and paper costs decreased by $24.5 million, or 2.4%, to $1,013.0 million in 2016, as compared to 2015. As a percentage of our total sales by Company-operated restaurants, food and paper costs increased by 0.7 percentage points to 36.1%, primarily due to the higher exchange rate at which the Company hedged its exposure to imported goods in Brazil, coupled with a negative change in product mix related to the Company's focus on promotional activities in Brazil and Argentina.

In Brazil, food and paper costs increased by $0.2 million, to $433.6 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased by 1.0 percentage point to 34.6%, primarily as a result of the higher exchange rate at which the Company hedged its exposure to imported goods, coupled with an unfavorable change in product mix, derived from promotional activities carried out in an attempt to offset the unfavorable macroeconomic environment.

In the Caribbean division, food and paper costs increased by $0.6 million, or 0.4%, to $148.8 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 0.8 percentage points to 37.5%, primarily due to lower cost increases as compared to price increases, and a positive change in the product mix in Colombia and Puerto Rico.

In NOLAD, food and paper costs decreased by $1.4 million, or 1.0%, to $134.0 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 0.2 percentage points to 38.4%, resulting primarily from a decline in raw material costs in Costa Rica and Panama, partially offset by the negative impact of the depreciation of the Mexican *peso* on imported goods.

In SLAD, food and paper costs decreased by $24.0 million, or 7.5%, to $296.7 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased by 1.5 percentage points to 37.0%, mostly as a result of lower price increases as compared to cost increases, and a negative shift in the product mix, both related to the Company's focus on promotional activities in order to sustain traffic in Argentina's unfavorable consumer environment.

Payroll and Employee Benefits

Our total payroll and employee benefits costs decreased by $53.7 million, or 8.1%, to $607.1 million in 2016, as compared to 2015. As a percentage of our total sales by Company-operated restaurants, payroll and employee benefits costs decreased 0.9 percentage points to 21.7%. The decrease is mostly attributable to operational efficiencies in Brazil and SLAD, as well as higher sales increases as compared to salary increases in Venezuela and government incentives for employers in Puerto Rico.

In Brazil, payroll and employee benefits costs decreased by $26.5 million, or 8.5%, to $286.6 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs decreased by 1.4 percentage points to 22.8% mainly as a result of operational efficiencies.

In the Caribbean division, payroll and employee benefits costs decreased by $1.7 million, or 1.9%, to $85.6 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs decreased by 1.0 percentage points to 21.6%, as a result of government incentives for employers in Puerto Rico, coupled with higher sales increases as compared to salary increases and lower restaurant managers staff, both in Venezuela.

In NOLAD, payroll and employee benefits costs decreased by $0.2 million, or 0.3%, to $56.7 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs remained unchanged at 16.2%.

In SLAD, payroll and employee benefits costs decreased by $25.3 million, or 12.4%, to $178.2 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits decreased by 0.3 percentage points to 22.2% as a result of a decline in Argentina's relative weight in the SLAD division's payroll and employee benefits structure, coupled with operational efficiencies and higher sales increases as compared to salary increases in Chile and Uruguay.

Occupancy and Other Operating Expenses

Our total occupancy and other operating expenses decreased by $41.2 million, or 5.2%, to $752.4 million in 2016, as compared to 2015. As a percentage of our total sales by Company-operated restaurants, occupancy and other operating expenses decreased 0.2 percentage points to 26.8%, mainly due to lower outside services in Brazil and utilities in NOLAD and Puerto Rico.

In Brazil, occupancy and other operating expenses decreased by $10.4 million, or 3.1%, to $330.3 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased by 0.1 percentage points to 26.3%, mainly due to lower outside services related with operational efficiencies.

In the Caribbean division, occupancy and other operating expenses decreased by $4.4 million, or 3.5%, to $120.4 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased 2.0 percentage points to 30.3% due to lower utility rates in Puerto Rico and the positive impact of higher sales growth as compared to inflation in Colombia, coupled with lower outside services and IT services and depreciation and amortization expenses in Venezuela.

In NOLAD, occupancy and other operating expenses decreased by $5.0 million, or 4.3%, to $111.2 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased 1.2 percentage points to 31.9%, mainly due to lower utility expenses and lower depreciation and amortization expenses.

In SLAD, occupancy and other operating expenses increased by $22.1 million, or 9.7%, to $206.2 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased by 0.4 percentage points to 25.7% mainly due to higher utility costs related to an increase in rates and a reduction in government subsidies, coupled with higher outside services related to high inflation in Argentina.

Royalty Fees

Our total royalty fees decreased by $6.3 million, or 4.2%, to $142.8 million in 2016, as compared to 2015. As a percentage of sales, royalty fees remain unchanged at 5.1%.

In Brazil, royalty fees decreased by $2.0 million, or 2.8%, to $67.1 million in 2016, as compared to 2015, in line with the decrease in sales by Company-operated restaurants.

In the Caribbean division, royalty fees increased by $0.7 million, or 3.5%, to $19.6 million in 2016, as compared to 2015. As a percentage of sales by Company-operated restaurants, royalty fees remain unchanged at 4.9%.

In NOLAD, royalty fees decreased by $0.1 million, or 0.4%, to $16.9 million in 2016, as compared to 2015, in line with the decrease in sales by Company-operated restaurants.

In SLAD, royalty fees decreased by $5.0 million, or 11.2%, to $39.1 million in 2016, as compared to 2015. As a percentage of sales by Company-operated restaurants, royalty fees remained unchanged at 4.9%.

Franchised Restaurants—Occupancy Expenses

Occupancy expenses from franchised restaurants increased by $0.9 million or 1.6%, to $55.1 million in 2016, as compared to 2015, mainly due to higher rent expenses for leased properties, as a consequence of the increase in sales from franchised restaurants, the conversion of Company-operated restaurants into franchised restaurants and store openings. This was partially offset by the depreciation of a number of local currencies in the Territories against the U.S. dollar.

In Brazil, occupancy expenses from franchised restaurants increased by $3.3 million, or 10.0%, to $36.8 million in 2016, as compared to 2015, primarily due to higher rent expenses for leased properties, as a consequence of the increase in sales from franchised restaurants, the conversion of Company-operated restaurants into franchised restaurants and store openings. This was partially offset by the depreciation of the Brazilian *real* against de U.S. dollar.

In the Caribbean division, occupancy expenses from franchised restaurants decreased by $0.3 million, or 4.1% to $7.9 million. This was mainly due to the depreciation of the Venezuelan *bolívar* against the U.S. dollar, coupled with lower depreciation and amortization expenses in Venezuela. This was partially offset by higher rent expenses for leased properties, as a consequence of the increase in sales from franchised restaurants.

In NOLAD, occupancy expenses from franchised restaurants decreased by $1.4 million, or 15.4%, to $7.8 million in 2016, as compared to 2015, mainly due to the depreciation of the Mexican *peso* against the U.S. dollar, coupled with lower rent expenses for leased properties, as a consequence of the conversion of franchised restaurants into Company-operated restaurants and net closings.

In SLAD, occupancy expenses from franchised restaurants decreased by $0.7 million, or 13.3%, to $4.5 million in 2016, as compared to 2015, mainly due to the depreciation of local currencies against the U.S. dollar in Argentina and Chile and the reversal of allowances for doubtful accounts in Argentina in 2016. This was partially offset by higher rent expenses for leased properties, as a consequence of the increase in sales from franchised restaurants, the conversion of Company-operated restaurants into franchised restaurants and store openings.

Set forth below are the margins for our franchised restaurants in 2016, as compared to 2015. The margin for our franchised restaurants is expressed as a percentage and is equal to the difference between revenues from franchised restaurants and occupancy expenses from franchised restaurants, divided by revenues from franchised restaurants.

	For the Years Ended December 31,	
	2016	**2015**
Brazil	53.2%	53.8%
Caribbean Division	38.7	29.2
NOLAD	47.5	43.6
SLAD	76.4	76.5
Total	**56.0**	**55.7**

General and Administrative Expenses

General and administrative expenses decreased by $49.6 million, or 18.3%, to $221.1 million in 2016, as compared to 2015. This decrease was mostly due to the depreciation of most currencies in the Territories against the U.S. dollar, amounting to $40.9 million, and lower payroll expenses due to the reorganization and optimization plans carried out during the last quarter of 2015 amounting to $17.7 million, coupled with lower severance payment and lower outside services, amounting to $9.0 million and $8.3 million, respectively. Decreases of $2.6 million and $1.4

million in software amortization expenses and telecommunications expenses, respectively, also contributed. This was partially offset by salary increases, mainly linked to the inflation in Argentina and Venezuela, amounting to $20.5 million and higher variable compensation provisions amounting to $4.5 million, coupled with a decrease of management fees charged to McDonald's Corporation for services rendered to other markets that do not involve Arcos Dorados and higher travel expenses, amounting to $3.7 million and $1.0 million, respectively.

In Brazil, general and administrative expenses decreased by $14.6 million, or 17.8%, to $67.5 million in 2016, as compared to 2015. The decrease resulted from lower payroll costs due to the reorganization and optimization plans carried out during the last quarter of 2015 amounting to $8.0 million, the depreciation of the Brazilian *real* against the U.S. dollar amounting to $3.3 million and a decrease in outside services amounting to $2.8 million. Lower software amortization expenses amounting to $2.8 million, lower severance payments amounting to $2.4 million, and a decrease in telecommunications expense amounting to $1.0 million also contributed to the decrease. This was partially offset by higher payroll costs as a result of salary increases and the hiring of employees to fill new positions amounting to $5.8 million and higher variable compensation provisions amounting to $0.3 million.

In the Caribbean division, general and administrative expenses decreased by $3.3 million, or 9.3%, to $32.3 million in 2016, as compared to 2015. This decrease is a result of depreciation of the Venezuelan *bolívar* and other currencies in the division against the U.S. dollar amounting to $4.1 million, lower severance payments amounting to $1.9 million, and lower payroll costs due to the reorganization and optimization plans carried out in the last quarter of 2015 amounting to $0.8 million. This was partially offset by salary increases mainly due to Venezuela's inflation amounting to $2.7 million, a decrease in management fees charged to McDonald's Corporation for services rendered to other markets that do not involve Arcos Dorados amounting to $0.7 million and higher variable compensation provisions amounting to $0.5 million.

In NOLAD, general and administrative expenses decreased by $6.7 million, or 23.5%, to $21.7 million in 2016, as compared to 2015. The decrease is a result of the depreciation of the Mexican *peso* against the U.S. dollar amounting to $2.5 million, a decrease in payroll due to lower variable compensation provisions amounting to $2.3 million and savings related to the reorganization and optimization plans carried out in the last quarter of 2015 amounting to $2.0 million. A decrease in outside services amounting to $1.2 million, lower severance payments amounting to $1.1 million and lower travel expenses amounting to $0.3 million, coupled with lower telecommunications expenses amounting to $0.2 million also contributed to the decrease. This was partially offset by a decrease in management fees charged to McDonald's Corporation for services rendered to other markets that do not involve Arcos Dorados, amounting to $2.6 million, and salary increases amounting to $0.5 million.

In SLAD, general and administrative expenses decreased by $9.7 million, or 23.8%, to $31.0 million in 2016, as compared to 2015. This decrease is a result of the depreciation of the Argentine *peso* and other currencies in the division against the U.S. dollar amounting to $10.4 million and lower severance payments amounting to $3.7 million, coupled with lower payroll costs due to reorganization and optimization plans carried out during the last quarter of 2015 amounting to $2.7 million. This decrease was partially offset by salary increases and higher outside services, both linked to Argentina's inflation, amounting to $4.5 million and $1.7 million, respectively. In addition, there was a decrease in management fees charged to McDonald's Corporation for services rendered to other markets that do not involve Arcos Dorados amounting to $0.4 million and an increase in travel expenses amounting to $0.3 million.

General and administrative expenses for Corporate and others decreased by $15.4 million, or 18.3%, to $68.6 million in 2016, as compared to 2015. This decrease was mostly due to the depreciation of the Argentine *peso* against the U.S. dollar amounting to $20.6 million and lower outside services amounting to $6.0 million, coupled with lower payroll expenses due to reorganization and optimization plans carried out during the last quarter of 2015 amounting to $4.2 million. This was partially offset by salary increases linked to Argentina's inflation, as a portion of our corporate expenses are located in Argentina, amounting to $7.0 million, coupled with higher variable compensation provisions, amounting to $6.1 million. In addition, increases in building and equipment depreciation and increases in travel expenses amounting to $1.5 million and $1.1 million, respectively, also contributed.

Other Operating Income, net

Other operating income, net increased by $34.8 million, to $41.4 million in 2016, as compared to $6.6 million in 2015. This increase was primarily attributable to $56.4 million related to our asset monetization plan, offset by net tax recoveries in Brazil of $3.8 million in 2016 and $32.6 million in 2015.

Operating Income

	For the Years Ended December 31,		% Increase (Decrease)
	2016	**2015**	
	(in thousands of U.S. dollars)		
Brazil	$ 122,636	$ 116,820	5.0%
Caribbean division	(12,392)	(40,102)	(69.1)
NOLAD	45,145	8,710	418.3
SLAD	66,359	78,022	(14.9)
Corporate and other and purchase price allocation	(43,168)	(70,043)	(38.4)
Total	**178,580**	**93,407**	**91.2**

Operating income increased by $85.2 million, or 91.2%, to $178.6 million in 2016, as compared to 2015.

Net Interest Expense

Net interest expense increased by $2.5 million, or 3.8%, to $66.9 million in 2016, as compared to 2015. The increase was primarily explained by higher interest rates on the 2016 Secured Loan Agreement, which offset the lower interest expenses related to the 2016 notes ($24.7 million and $14.3 million, respectively). In addition, there was $5.1 million of interest income related to short-term investments in Brazil.

Loss from Derivative Instruments

Loss from derivative instruments increased by $0.2 million to $3.1 million in 2016, as compared to $2.9 million in 2015, primarily attributable to higher losses related to the ineffective portion of derivative instruments.

Foreign Currency Exchange Results

Foreign currency exchange results increased by $86.4 million, from a loss of $54.0 million in 2015 to a gain of $32.4 million in 2016, mainly due to the appreciation of the Brazilian *real* combined with a lower exposure to that currency in comparison with 2015 ($90.0 million) and a lower impact of exchange losses in Venezuela related to the reassessment of the exchange rate used for remeasurement purposes ($7.9 million). Those results were partially offset by negative results related to derivative instruments, amounting to $20.6 million.

Other Non-operating Expenses, Net

Other non-operating expenses, net increased by $1.7 million to a $2.4 million loss in 2016, as compared to a $0.6 million loss in 2015, primarily related to asset tax results amounting to $2.3 million.

Income Tax Expense

Income tax expense increased by $36.8 million, from $22.8 million in 2015 to $59.6 million in 2016, mainly explained by an improvement in Brazil's taxable results as compared to 2015, and certain withholding tax expenses related to intercompany transactions. The resulting consolidated effective tax rate was 43.0% in 2016, as compared to (79.9)% in 2015.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests for 2016 decreased by $0.1 million to $0.2 million.

Net Income Attributable to Arcos Dorados Holdings Inc.

As a result of the foregoing, net income attributable to Arcos Dorados Holdings Inc. increased by $130.4 million, or 252.6%, to a gain of $78.8 million in 2016, from a loss of $51.6 million in 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Set forth below are our results of operations for the years ended December 31, 2015 and 2014.

	For the Years Ended December 31,		% Increase (Decrease)
	2015 (1)	2014 (1)	
	(in thousands of U.S. dollars)		
Sales by Company-operated restaurants	$ 2,930,379	$ 3,504,302	(16.4)%
Revenues from franchised restaurants	122,361	146,763	(16.6)
Total revenues	**3,052,740**	**3,651,065**	**(16.4)**
Company-operated restaurant expenses:			
Food and paper	(1,037,487)	(1,243,907)	(16.6)
Payroll and employee benefits	(660,773)	(791,677)	(16.5)
Occupancy and other operating expenses	(793,622)	(939,481)	(15.5)
Royalty fees	(149,089)	(173,663)	(14.2)
Franchised restaurants – occupancy expenses	(54,242)	(63,939)	(15.2)
General and administrative expenses	(270,680)	(272,065)	(0.5)
Other operating income (expenses), net	6,560	(95,476)	(106.9)
Total operating costs and expenses	**(2,959,333)**	**(3,580,208)**	**(17.3)**
Operating income	**93,407**	**70,857**	**31.8**
Net interest expense	(64,407)	(72,750)	(11.5)
Loss from derivative instruments	(2,894)	(685)	322.5
Foreign currency exchange results	(54,032)	(74,117)	(27.1)
Other non-operating (expenses) income, net	(627)	146	(529.5)
Loss before income taxes	**(28,553)**	**(76,549)**	**(62.7)**
Income tax expense	(22,816)	(32,479)	(29.8)
Net loss	**(51,369)**	**(109,028)**	**(52.9)**
Less: Net income attributable to non-controlling interests	(264)	(305)	(13.4)
Net loss attributable to Arcos Dorados Holdings Inc	**(51,633)**	**(109,333)**	**(52.8)**

(1) Due to certain changes in accounting for expenses in 2016, certain reclassifications have been made from "Occupancy and other operating expenses" to "Payroll and employee benefits" in the Income Statement Data for the fiscal years ended December 31, 2015 and 2014. See Note 2 to our consolidated financial statements for additional information.

Set forth below is a summary of changes to our systemwide, Company-operated and franchised restaurant portfolios in 2015 and 2014.

Systemwide Restaurants	For the Years Ended December 31,	
	2015	2014
Systemwide restaurants at beginning of period	2,121	2,062
Restaurant openings	36	82
Restaurant closings	(16)	(23)
Systemwide restaurants at end of period	2,141	2,121

Company-Operated Restaurants	For the Years Ended December 31,	
	2015	2014
Company-operated restaurants at beginning of period	1,577	1,538
Restaurant openings	18	56
Restaurant closings	(12)	(19)
Net conversions of franchised restaurants to Company-operated restaurants	5	2
Company-operated restaurants at end of period	1,588	1,577

Franchised Restaurants	For the Years Ended December 31,	
	2015	2014
Franchised restaurants at beginning of period	544	524
Restaurant openings	18	26
Restaurant closings	(4)	(4)
Net conversions of franchised restaurants to Company-operated restaurants	(5)	(2)
Franchised restaurants at end of period	553	544

Revenues

	For the Years Ended December 31,		% Increase (Decrease)
	2015	2014	
	(in thousands of U.S. dollars)		
Sales by company-operated restaurants			
Brazil	$ 1,289,543	$ 1,724,889	(25.2)%
Caribbean division	386,512	574,540	(32.7)
NOLAD	351,122	367,075	(4.3)
SLAD	903,202	837,798	7.8
Total	**2,930,379**	**3,504,302**	**(16.4)**
Revenues from franchised restaurants			
Brazil	72,446	91,157	(20.5)
Caribbean division	11,632	19,680	(40.9)
NOLAD	16,242	18,039	(10.0)
SLAD	22,041	17,887	23.2
Total	**122,361**	**146,763**	**(16.6)**
Total revenues			
Brazil	1,361,989	1,816,046	(25.0)
Caribbean division	398,144	594,220	(33.0)
NOLAD	367,364	385,114	(4.6)
SLAD	925,243	855,685	8.1
Total	**3,052,740**	**3,651,065**	**(16.4)**

Sales by Company-operated Restaurants

Total sales by Company-operated restaurants decreased by $573.9 million, or 16.4%, from $3,504.3 million in 2014 to $2,930.4 million in 2015, mainly as a result of the depreciation of most currencies in the Territories against the U.S. dollar ($955.0 million). This was partially offset by 8.8% growth in comparable sales, due to a higher average check, which caused sales to increase by $305.0 million, coupled with a $76.1 million increase as a result of 44 net restaurant openings and the conversion of seven franchised restaurants into Company-operated restaurants since January 1, 2014. Sales were negatively affected by a worsening macroeconomic environment in our main countries.

In Brazil, sales by Company-operated restaurants decreased by $435.3 million, or 25.2%, to $1,289.5 million. This was a consequence of the depreciation of the *real* against the U.S. dollar, which caused sales to decrease by $517.3 million. This was partially offset by 36 net restaurant openings since January 1, 2014 which contributed $56.6 million to sales, even considering the conversion of four Company-operated restaurants into franchised restaurants since January 1, 2014. Comparable sales were affected by a worsening macroeconomic environment, nevertheless, growth of 1.5% contributed $25.4 million to sales increase.

In the Caribbean division, sales by Company-operated restaurants decreased by $188.0 million, or 32.7%, to $386.5 million. The main driver of this decrease was the adoption of SIMADI as the reporting exchange rate in Venezuela, which caused sales to decrease by $230.5 million. Depreciation of other currencies in the division, accounted for $52.1 million in sales decrease. This was partially offset by 16.1% growth in comparable sales, which contributed $92.2 million to increase in sales. Average check growth was the driver of comparable sales growth and resulted from price increases. In addition, the conversion of three franchised restaurants into Company-operated restaurants, partially offset by the net closing of six restaurants since January 1, 2014 contributed $2.3 million to sales increase.

In NOLAD, sales by Company-operated restaurants decreased by $16.0 million, or 4.3%, to $351.1 million. This was a consequence of the depreciation of local currencies, which caused sales to decrease by $31.3 million. This was partially offset by nine net restaurant openings and the conversion of 11 franchised restaurants into Company-operated restaurants since January 1, 2014, which resulted in a sales increase of $10.7 million. Average check growth was the driver of comparable sales growth by 1.5%, which contributed $4.6 million to the increase in sales.

In SLAD, sales by Company-operated restaurants increased by $65.4 million, or 7.8%, to $903.2 million. This was a consequence of a 22.0% growth in comparable sales, resulting from a higher average check due to price increases, which caused sales to increase by $182.8 million, coupled with the net opening of four restaurants, partially offset by the conversion of three Company-operated restaurants into franchised restaurants, since January 1, 2014, contributing $6.5 million to the increase in sales. The depreciation of most currencies in the region against the U.S. dollar caused sales to decrease by $123.8 million.

Revenues from Franchised Restaurants

Our total revenues from franchised restaurants decreased by $24.4 million, or 16.6%, from $146.8 million in 2014 to $122.4 million in 2015. The main contributor to this decrease was the depreciation of most currencies in the Territories against the U.S. dollar by $59.8 million. This was partially offset by comparable sales growth of 12.8%, which resulted in an increase in revenues of $18.0 million, higher rental income as a percentage of sales which increased from 11.9% in 2014 to 12.6% in 2015, amounting to $10.3 million, and the net opening of 36 franchised restaurants (partially offset by the conversion of 7 franchised restaurants into Company-operated restaurants) since January 1, 2014, which caused revenues from franchised restaurants to increase by $7.0 million. In 2015, 82.7% and 17.3% of revenues from franchised restaurants were earned on the basis of a percentage of sales and on a flat-fee basis, respectively. In 2014, 84.5% and 15.5% of revenues from franchised restaurants were earned on the basis of a percentage of sales and on a flat fee basis, respectively.

In Brazil, revenues from franchised restaurants decreased by $18.7 million, or 20.5%, to $72.4 million primarily as a result of the depreciation of the *real* against the U.S. dollar by $29.0 million, partially offset by the net opening of 35 franchised restaurants and the conversion of four Company-operated restaurants into franchised restaurants, since January 1, 2014, coupled with comparable sales growth of 2.7%, which explained $6.0 million and $2.5 million of the increase, respectively. In addition, increased rental income, resulted in increased revenues from franchised restaurants of $1.9 million.

In the Caribbean division, revenues from franchised restaurants decreased by $8.0 million, or 40.9%, to $11.6 million. This decrease was driven by the adoption of SIMADI as the reporting exchange rate in Venezuela and the net closing of three restaurants as well as the conversion of three franchised restaurants into Company-operated restaurants since January 1, 2014, negatively impacting revenues by $25.6 million and $0.6 million, respectively. This was partially offset by comparable sales growth of 51.2%, resulting in an $9.8 million increase in revenues. Rental income was negatively affected in 2014 by Venezuelan governmental regulations on rental contracts, which imposed a limit on the rent that we can charge to lessees since December 2013. Such restrictions were relaxed in 2015, positively impacting revenues by $8.4 million.

In NOLAD, revenues from franchised restaurants decreased by $1.8 million, or 10.0%, to $16.2 million. This decrease was a result of the depreciation of the Mexican *peso* against the U.S. dollar, contributing $2.0 million. In addition, the conversion of 11 franchised restaurants into Company-operated restaurants since January 1, 2014, partially offset by the net opening of two restaurants, caused revenues from franchised restaurants to decrease by $0.1 million. These effects were offset in part by higher rental income and a 0.5% increase in comparable sales, which resulted in a $0.3 million and $0.1 million increase in revenues, respectively.

In SLAD, revenues from franchised restaurants increased by $4.2 million, or 23.2%, to $22.0 million. This growth resulted mainly from comparable sales growth of 31.1%, which accounted for $5.7 million. In addition, coupled with the net openings of two restaurants, and the conversion of 3 Company-operated restaurants into franchised restaurants since January 1, 2014, caused revenues to increase by $1.8 million. This was partially offset by the depreciation of the local currencies in Argentina and Chile against the U.S. dollar and lower rental income, representing a decrease in revenues of $3.1 million and $0.2, respectively.

Operating Costs and Expenses

Food and Paper

Our total food and paper costs decreased by $206.4 million, or 16.6%, to $1,037.5 million in 2015, as compared to 2014. As a percentage of our total sales by Company-operated restaurants, food and paper costs decreased by 0.1 percentage points to 35.4%, primarily due to a higher level of inventories and higher currency depreciation in Venezuela in 2014 that, considering inventories are measured at their historical cost in U.S. dollars, generated a higher food and paper expense as a percentage of sales in 2014. In addition, higher price increases than cost increases in SLAD contributed to a decrease in food and paper costs as percentage of sales. This was partially offset by the impact of the depreciation of currencies over imported input costs, coupled with an unfavorable change in product mix in Brazil.

In Brazil, food and paper costs decreased by $130.5 million, to $433.4 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased by 0.9 percentage points to 33.6%, primarily as a result of an unfavorable change in product mix, derived from promotional activities carried out in an attempt to offset the unfavorable macroeconomic environment.

In the Caribbean division, food and paper costs decreased by $85.2 million, or 36.5%, to $148.2 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 2.3 percentage points to 38.3%, primarily due to a higher level of inventories and higher currency depreciation in Venezuela in 2014 that, considering inventories are measured at their historical cost in U.S. dollars, generated a higher food and paper expense as a percentage of sales in 2014, partially offset by higher costs resulting from the depreciation of the Colombian Peso.

In NOLAD, food and paper costs decreased by $4.1 million, or 3.0%, to $135.3 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased by 0.5 percentage points to 38.5%, resulting primarily from higher input costs resulting from the devaluation of the Mexican *peso* .

In SLAD, food and paper costs increased by $13.4 million, or 4.4%, to $320.6 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 1.2 percentage points to 35.5%, mostly as a result of higher price increases than costs increases in Argentina.

Payroll and Employee Benefits

Our total payroll and employee benefits costs decreased by $130.9 million, or 16.5%, to $660.8 million in 2015, as compared to 2014. As a percentage of our total sales by Company-operated restaurants, payroll and employee benefits costs remained unchanged at 22.5%. Operational efficiencies in NOLAD and SLAD and lower insurance expenses in the Caribbean, were offset by a tax credit related to salaries in Brazil in 2014 and severances related with a reorganization plan in Brazil.

In Brazil, payroll and employee benefits costs decreased by $94.1 million, or 23.1%, to $313.1 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased by 0.7 percentage points to 24.3% as a result of a tax over salaries credit in 2014, severances related with headcount optimization in 2015 and higher contingencies related to the increased efficiency of Brazilian courts in managing certain labor claims.

In the Caribbean division, payroll and employee benefits costs decreased by $43.3 million, or 33.2%, to $87.3 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs decreased by 0.2 percentage points to 22.6%, mainly due to lower insurance expenses, partially offset by a change in Venezuela's relative weight in the Caribbean division´s payroll and employee benefits structure, related to the adoption of SIMADI as the reporting exchange rate, as Venezuela's payroll and employee benefit costs as percentage of sales is lower than the rest of the countries in the Caribbean division.

In NOLAD, payroll and employee benefits costs decreased by $7.1 million, or 11.1%, to $56.9 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs decreased 1.2 percentage points to 16.2%, resulting from an increase in operational efficiency.

In SLAD, payroll and employee benefits costs increased by $13.6 million, or 7.2%, to $203.5 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits decreased by 0.1 percentage points to 22.5% as a result of a reduced number of restaurant managers as compared to the prior year.

Occupancy and Other Operating Expenses

Our total occupancy and other operating expenses decreased by $145.9 million, or 15.5%, to $793.6 million in 2015, as compared to 2014. As a percentage of our total sales by Company-operated restaurants, occupancy and other operating expenses increased 0.3 percentage points to 27.1%, mainly due to the adoption of SIMADI as reporting exchange rate in Venezuela, since certain costs are measured in U.S. dollars at historical exchange rates while sales are translated at the applicable SIMADI exchange rate; coupled with higher rents paid to third parties, mainly in Brazil.

In Brazil, occupancy and other operating expenses decreased by $108.3 million, or 24.1%, to $340.8 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased by 0.4 percentage points to 26.4%, mainly as a result of higher rent expenses, due to a higher number of contracts paid based on the minimum value.

In the Caribbean division, occupancy and other operating expenses decreased by $48.2 million, or 27.9%, to $124.8 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased 2.2 percentage points to 32.3% due to the adoption of SIMADI as the reporting exchange rate in Venezuela, since sales are translated at the applicable SIMADI exchange rate, while depreciation and amortization and certain operational inventories are valued at historical U.S. dollar cost. This was partially offset by lower cost of outside services in Colombia and lower cost of utilities in Puerto Rico.

In NOLAD, occupancy and other operating expenses decreased by $11.0 million, or 8.7%, to $116.2 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased 1.6 percentage points to 33.1%, mainly due to savings in electricity consumption and other cost efficiencies related to utilities.

In SLAD, occupancy and other operating expenses increased by $16.0 million, or 7.5%, to $228.3 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased 0.1 percentage points to 25.3%, mainly due to lower depreciation and amortization expenses as percentage of sales by Company-operated restaurants.

Royalty Fees

Our total royalty fees decreased by $24.6 million, or 14.2%, to $149.1 million in 2015, as compared to 2014. As a percentage of sales, royalty fees increased by 0.1 percentage points to 5.1% due to a relief granted by McDonald's corporation in 2014 in Venezuela due to the economic environment prevailing in that country.

In Brazil, royalty fees decreased by $23.6 million, or 25.5%, to $69.1 million in 2015, as compared to 2014, in line with the increase in sales by Company-operated restaurants.

In the Caribbean division, royalty fees decreased by $3.2 million, or 14.6%, to $19.0 million in 2015, as compared to 2014. As a percentage of sales by Company-operated restaurants, royalty fees increased by 1.0 percentage point to 4.9% due to a relief granted by McDonald's Corporation in Venezuela during 2014 due to the economic environment prevailing in that country.

In NOLAD, royalty fees decreased by $0.8 million, or 4.7%, to $17.0 million in 2015, as compared to 2014, in line with the increase in sales by Company-operated restaurants.

In SLAD, royalty fees increased by $3.1 million, or 7.7%, to $44.1 million in 2015, as compared to 2014. As a percentage of sales by Company-operated restaurants, royalty fees remained unchanged at 4.9%.

Franchised Restaurants—Occupancy Expenses

Occupancy expenses from franchised restaurants decreased by $9.7 million or 15.2%, to $54.2 million in 2015, as compared to 2014, mainly due to the depreciation of the Brazilian *real* , Mexican peso and the adoption of SIMADI as the reporting exchange rate in Venezuela. This was partially offset by higher rent expenses for leased properties, as a consequence of the increase in sales from franchised restaurants and store openings, coupled with higher depreciation and amortization expenses for owned properties.

In Brazil, occupancy expenses from franchised restaurants increased by $7.3 million, or 18.0%, to $33.4 million in 2015, as compared to 2014, primarily due to the depreciation of the Brazilian *real* . This was partially offset by higher rent expenses for leased properties, as a consequence of the increase in sales from franchised restaurants and store openings, coupled with higher depreciation and amortization expenses for owned properties.

In the Caribbean division, occupancy expenses from franchised restaurants decreased by $2.2 million, or 21.2% to $8.2 million. This was mainly due to the adoption of SIMADI as the reporting exchange rate in Venezuela, partially offset by higher rent expenses for leased properties, as a consequence of the increase in sales from franchised restaurants.

In NOLAD, occupancy expenses from franchised restaurants decreased by $1.9 million, or 16.9%, to $9.2 million in 2015, as compared to 2014, mainly due to the depreciation of the Mexican *peso* against the U.S. dollar, coupled with a reversal of allowances for doubtful accounts in Mexico in 2015.

In SLAD, occupancy expenses from franchised restaurants decreased by $1.1 million, or 27.7%, to $5.2 million in 2015, as compared to 2014, mainly due to higher rent expenses for leased properties, as a consequence of the increase in sales from franchised restaurants and store openings. This was partially offset the depreciation of local currencies against the U.S. dollar in Argentina and Chile.

Set forth below are the margins for our franchised restaurants in 2015, as compared to 2014. The margin for our franchised restaurants is expressed as a percentage and is equal to the difference between revenues from franchised restaurants and occupancy expenses from franchised restaurants, divided by revenues from franchised restaurants.

	For the Years Ended December 31,	
	2015	**2014**
Brazil	53.8%	55.3%
Caribbean Division	29.2	46.9
NOLAD	43.6	38.9
SLAD	76.5	77.3
Total	**55.7%**	**56.4%**

General and Administrative Expenses

General and administrative expenses decreased by $1.4 million, or 0.5%, to $270.7 million in 2015, as compared to 2014. This decrease was mostly due to the depreciation of most currencies in the Territories against the U.S. dollar, amounting to $69.4 million, and a decrease in payroll due to the reorganization and optimization plans carried out during the second quarter of 2014 and the last quarter of 2015, amounting to $8.2 million. This was partially offset by salary increases amounting to $28.0 million, mainly linked to the inflation in Argentina and Venezuela, increases in outside services amounting to $20.0 million, higher bonuses and other variable compensation provisions amounting to $14.7 million, and increases in severance payments as a consequence of the staff reorganization amounting to $13.3 million.

In Brazil, general and administrative expenses decreased by $10.5 million, or 11.4%, to $82.0 million in 2015, as compared to 2014. The decrease resulted primarily from the depreciation of the *real* against the U.S. dollar amounting to $33.4 million, coupled with a decrease in payroll due to the reorganization and optimization plans carried out during second quarter of 2014 and last quarter of 2015 amounting to $1.3 million. This was partially offset by salary increases amounting to $8.4 million, increases in outside services amounting to $6.3 million, and bonuses and other variable compensation provisions amounting to $4.4 million, coupled with severance payment which amounted to $3.2 million. In addition, this decrease was partially offset by an increase in software amortization amounting to $2.3 million.

In the Caribbean division, general and administrative expenses decreased by $10.7 million, or 23.2%, to $35.6 million in 2015, as compared to 2014. This decrease was mainly due to the adoption of SIMADI as the reporting exchange rate in Venezuela and to the depreciation of other currencies in the Caribbean division, amounting to $16.8 million, coupled with a decrease in payroll cost due to the reorganization and optimization plans carried out in the second quarter of 2014 and the last quarter of 2015 amounting to $2.3 million. In addition, increases in occupancy expenses, amounting to $1.8 million. This was partially offset by salary increases mainly due to Venezuela's inflation amounting to $3.7 million and higher bonuses and other variable compensation provisions amounting to $2.7 million, coupled with an increase in outside services amounting to $2.2 million and severance payments amounting to $1.2 million.

In NOLAD, general and administrative expenses decreased by $1.2 million, or 4.1%, to $28.3 million in 2015, as compared to 2014. The decrease was mostly due to the depreciation of the Mexican peso against the U.S. dollar amounting to $3.9 million, coupled with a decrease in payroll due to staff reorganizations carried out during the second quarter of 2014 and the last quarter of 2015 amounting to $ 0.9 million. This was partially offset by higher bonuses and other variable compensation provisions amounting to $1.8 million and an increase in outside services amounting to $1.1 million, coupled with salary increases and severance payments amounting to $0.6 million and $0.5 million, respectively.

In SLAD, general and administrative expenses increased by $4.9 million, or 13.8%, to $40.7 million in 2015, as compared to 2014. This increase is a result of salary increases linked to Argentina's inflation amounting to $4.5 million, increases in severance payments amounting to $2.9 million and bonus and other variable compensation provisions amounting to $1.4 million, coupled with increases in occupancy expenses and outside services amounting to $2.6 million and increase in other payroll-related expenses amounting to $0.5 million. In addition, the increase was due to the increases in travel expenses and employee meals to $0.3 million and $0.1 million, respectively. This increase was partially offset mainly by the depreciation of the Argentine peso and other currencies in the division against the U.S. dollar amounting to $5.0 million, coupled with a decrease in payroll costs due to staff reorganizations carried out during the second quarter of 2014 and the last quarter of 2015 amounting to $2.6 million.

General and administrative expenses for Corporate and others increased by $16.1 million, or 23.8%, to $84.0 million in 2015, as compared to 2014. This increase was mostly due to salary increases linked to Argentina's inflation, as a portion of our corporate expenses are located in Argentina, amounting to $10.9 million and an increase in outside services amounting to $8.0 million, coupled with an increase in severance payments amounting to $5.6 million and bonuses and other variable compensation provisions amounting to $4.4 million. This was partially offset by the depreciation of the Argentine peso against the U.S. dollar, amounting to $10.3 million, coupled with a decrease in payroll due to staff reorganizations carried out during the second quarter of 2014 and the last quarter of 2015 amounting to $1.0 million. In addition, this increase was partially offset by a decrease in travel expenses and meeting expenses amounting to $0.3 million and $0.2 million, respectively.

Other Operating Income (Expenses), Net

Other operating income (expenses), net increased by $102.0 million, to $6.6 million in 2015, as compared to an expense of $95.5 million in 2014. This increase was primarily attributable to lower impairment of long-lived assets and write-down of certain inventories in Venezuela ($37.4 million and $15.8 million, respectively), a net tax recovery in Brazil amounting to $32.6 million and higher gain from sale and insurance recovery of property and equipment ($8.9 million).

Operating Income

	For the Years Ended December 31,		% Increase (Decrease)
	2015	2014	
	(in thousands of U.S. dollars)		
Brazil	$ 116,820	$ 155,799	(25.0)%
Caribbean division	(40,102)	(91,859)	(56.3)
NOLAD	8,710	(9,150)	(195.2)
SLAD	78,022	62,768	24.3
Corporate and others and purchase price allocation	(70,043)	(46,701)	50.0
Total	**93,407**	**70,857**	**31.8**

Operating income increased by $22.6 million, or 31.8%, to $93.4 million in 2015, as compared to 2014.

Net Interest Expense

Net interest expense decreased by $8.3 million, or 11.5%, to $64.4 million in 2015, as compared to 2014. The decrease was primarily attributable to lower interest on the 2016 notes ($8.3 million), due to the depreciation of the Brazilian *real* .

Loss from Derivative Instruments

Loss from derivative instruments increased by $2.2 million to $2.9 million in 2015, as compared to $0.7 million in 2014, primarily due to the amendment of the cross-currency interest rate swap agreement ($2.6 million).

Foreign Currency Exchange Results

Foreign currency exchange results decreased by $20.1 million, to a $54.0 million loss in 2015, from $74.1 million in 2014, mainly due to lower foreign currency exchange loss in Venezuela related to the reassessment of the exchange rate used for remeasurement purposes for $50.6 million, partially offset by the net impact of the Brazilian *real* depreciation in intercompany balances and long-term debt ($25.8 million).

Other Non-operating Expenses, Net

Other non-operating expenses, net decreased by $0.8 million to a $0.6 million loss in 2015, as compared to a $0.1 million loss in 2014

Income Tax Expense

Income tax expense decreased by $9.7 million, from $32.5 million in 2014 to $22.8 million in 2015, mainly explained by an increase in deferred income tax benefit. The resulting consolidated effective tax rate was (79.9)% in 2015, as compared to (42.4)% in 2014. See Note 16 to our consolidated financial statements for a reconciliation of income tax expense for fiscal years 2015 and 2014.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests for 2015 remained unchanged from 2014.

Net Loss Attributable to Arcos Dorados Holdings Inc.

As a result of the foregoing, net loss attributable to Arcos Dorados Holdings Inc. decreased by $57.7 million in 2015, or 52.8%, to a loss of $51.6 million, as compared to a loss of $109.3 million in 2014.

B. Liquidity and Capital Resources

Our financial condition and liquidity are and will continue to be influenced by a variety of factors, including:

- our ability to generate cash flows from our operations;
- the level of our outstanding indebtedness and the interest we pay on this indebtedness;
- our dividend policy;
- changes in exchange rates which will impact our generation of cash flows from operations when measured in U.S. dollars; and
- our capital expenditure requirements.

Under the MFAs, we are required to agree with McDonald's on a restaurant opening plan and a reinvestment plan for each three-year period during the term of the MFAs. The restaurant opening plan specifies the number and type of new restaurants to be opened in the Territories during the applicable three-year period, while the reinvestment plan specifies the amount we must spend reimaging or upgrading restaurants during the applicable three-year period. Under the 2017-2019 restaurant opening and reinvestment plan, we are required to open 180 restaurants and to reinvest $292 million in existing restaurants. We expect to fund these commitments using cash flow from operations. However, we cannot assure you that we will generate enough cash flow from operations to fund these commitments, and their satisfaction may require us to incur future debt and/or equity financing.

Our management believes in our ability to obtain the sources of liquidity and capital resources that are necessary in this challenging economic environment and also believes that our liquidity and capital resources, including working capital, are adequate for our present requirements and business operations and will be adequate to satisfy our currently anticipated requirements during at least the next twelve months for working capital, capital expenditures and other corporate needs.

Overview

Net cash provided by operations was $164.2 million in 2016, compared to $112.7 million in 2015. Our investing activities provided $23.0 million in comparison with an expenditure of $60.1 in 2015. Cash used in financing activities increased by $70.7 million, from $42.3 million in 2015 to $113.0 million in 2016. This was mainly as a result of the purchase of the 2016 notes and payments in connection with the final maturity of the 2016 notes amounting $169.4 million, the purchase of 2023 notes in 2016 for $80.8 million and higher payments on derivative instruments amounting to $26.1 million. This was partially offset by the proceeds from the 2016 Secured Loan Agreement which was entered into on March 29, 2016 amounting to $167.3 million, lower short term borrowings amounting to $26.6 million and the impact of no dividend payments during 2016.

Net cash provided by operations was $112.7 million in 2015, compared to $193.1 million in 2014. Our investing activities program decreased by $108.8 million in 2015 to $60.1 million. Cash provided by financing activities decreased by $43.4 million, from an inflow of $1.2 million in 2014 to an outflow of $42.3 million in 2015. This was mainly as a result of the decrease in short-term borrowings and other long-term debt for $55.3 million and $33.3 million, respectively, and, the purchase of the 2016 notes in 2015 for $11.7 million. This was partially offset by lower dividend payments in 2015, amounting to $37.5 million, and the net collection of derivative instruments for $19.8 million.

At December 31, 2016, our total financial debt was $610.2 million, consisting of $579.7 million in long-term debt, of which $390.6 million related to the 2023 notes (including the original issue discount) and $164.4 million related to the 2016 Secured Loan Agreement (including the fair value adjustment), $25.6 million in other long-term borrowings and $4.7 million in capital lease obligations. The amount of long-term debt was offset by $5.6 million related to deferred financing costs and $30.5 million related to the fair market value of our outstanding derivative instruments.

At December 31, 2015, our total financial debt was $650.5 million, consisting of $652.6 million in long-term debt, of which $469.5 million related to the 2023 notes (including the original issue discount) and $158.8 million related to the 2016 notes, $22.5 million in other long-term borrowings and $5.6 million in capital lease obligations. The amount of long-term debt was offset by $3.8 million related to deferred financing costs and $2.5 million in short-term debt, partially offset by $4.6 million related to the fair market value of our outstanding derivative instruments (net of the liability portion amounting to $2.1 million).

Cash and cash equivalents were $194.8 million at December 31, 2016 and $112.5 million at December 31, 2015.

Comparative Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the Years Ended December 31,		
	2016	2015	2014
	(in thousands of U.S. dollars)		
Net cash provided by operating activities	$ 164,189	$ 112,689	$ 193,091
Net cash provided by (used in) investing activities	23,018	(60,115)	(168,964)
Net cash (used in) provided by financing activities	(112,995)	(42,263)	1,184
Effect of exchange rate changes on cash and cash equivalents	8,072	(36,822)	(61,929)
Increase (decrease) in cash and cash equivalents	**82,284**	**(26,511)**	**(36,618)**

Operating Activities

	For the Years Ended December 31,		
	2016	2015	2014
	(in thousands of U.S. dollars)		
Net income (loss) attributable to Arcos Dorados Holdings Inc.	$ 78,810	$ (51,633)	$ (109,333)
Non-cash charges and credits	29,160	147,739	260,036
Changes in assets and liabilities	56,219	16,583	42,388
Net cash provided by operating activities	**164,189**	**112,689**	**193,091**

For the year ended December 31, 2016, net cash provided by operating activities was $164.2 million, compared to $112.7 million in 2015. The $51.5 million increase is mainly attributable to the increase in net income adjusted for non-cash charges of $11.9 million and the positive change in assets and liabilities of $39.6 million.

For the year ended December 31, 2015, net cash provided by operating activities was $112.7 million, compared to $193.1 million in 2014. The $80.4 million decrease is mainly attributable to lower net income adjusted for non-cash charges of $54.6 million and the negative change in assets and liabilities of $25.8 million.

Investing Activities

New restaurant investments are primarily concentrated in markets with opportunities for long-term growth and returns on investment above a pre-defined threshold that is significantly above our cost of capital. Average development costs vary widely by market depending on the types of restaurants built and the real estate and construction costs within each market and are affected by foreign currency fluctuations. These costs, which include land, buildings and equipment, are managed through the use of optimally sized restaurants, construction and design efficiencies and the leveraging of best practices.

The following table presents our cash provided by (used in) investing activities by type:

	For the Years Ended December 31,		
	2016	2015	2014
	(in thousands of U.S. dollars)		
Property and equipment expenditures	$ (92,282)	$ (90,964)	$ (169,813)
Purchases of restaurant businesses paid at acquisition date	—	(1,091)	(825)
Proceeds from sales of property and equipment and related advances	88,380	19,738	3,237
Proceeds from sale of restaurant businesses and related advances	25,090	3,861	1,938
Loans collected from / (granted to) to related parties	1,800	9,702	(2,500)
Others, net	30	(1,361)	(1,001)
Net cash provided by (used in) investing activities	**23,018**	**(60,115)**	**(168,964)**

The following table presents our property and equipment expenditures by type:

	For the Years Ended December 31,		
	2016	2015	2014
	(in thousands of U.S. dollars)		
New restaurant	$ 27,756	$ 26,376	$ 96,798
Existing restaurants	47,198	38,714	53,887
Other [(1)]	17,328	25,874	19,128
Total property and equipment expenditures	**92,282**	**90,964**	**169,813**

(1) Primarily corporate equipment and other office expenditures.

In 2016, net cash provided by investing activities was $23.0 million, compared to an expenditure of $60.1 million in 2015. This variation of $83.1 million was primarily attributable to higher proceeds from sales of property and equipment and related advances ($68.6 million) and from sale of restaurant businesses and related advances ($21.2 million) associated with our asset monetization plan. This was partially offset by higher property and equipment expenditures ($1.3 million) and lower collections of loans granted to our related parties ($7.9 million).

Property and equipment expenditures increased by $1.3 million, from $91.0 million in 2015 to $92.3 million in 2016. The increase in property and equipment expenditures is explained by a higher investment in new restaurants ($1.4 million), as well as in existing restaurants ($8.5 million). In 2016, we opened 33 restaurants and closed 18 restaurants.

Proceeds from sales of property and equipment and related advances increased by $68.6 million to $88.4 million in 2016, as compared to 2015, primarily as a consequence of sales in Mexico and Argentina, as part of the Company's asset monetization plans.

Proceeds from sales of restaurant businesses and related advances increased $21.2 million, mainly as a result of the conversion of company-operated restaurants into franchised restaurants mainly in Brazil, as part of the Company's asset monetization plans.

In 2015, net cash used in investing activities was $60.1 million, compared to $169.0 million in 2014. This $108.9 million decrease in net cash used was primarily attributable to lower property and equipment expenditures ($78.8 million), higher proceeds from sales of property and equipment and related advances ($16.5 million), higher proceeds from sale of restaurant businesses ($1.9 million) and the collection of loans of related parties ($12.2 million). This was partially offset by lower other investing activities ($0.4 million) and lower purchases of restaurant businesses ($0.3 million).

Property and equipment expenditures decreased by $78.8 million, from $169.8 million in 2014 to $91.0 million in 2015. The decrease in property and equipment expenditures is explained by a lower investment in new restaurants ($70.4 million), mainly due to the decrease in restaurants openings, as well as in existing restaurants ($15.2 million). In 2015, we opened 36 restaurants and closed 16 restaurants.

Proceeds from sales of restaurant businesses increased $1.9 million, mainly as a result of the conversion of company-operated restaurants into franchised restaurants in Brazil, Chile and Argentina.

Proceeds from sales of property and equipment and related advances increased by $16.5 million to $19.7 million in 2015, as compared to 2014, primarily as a consequence of advances received on property sales in Mexico, as part of the Company's asset monetization plans.

In addition, in 2015 and 2014 we used $1.1 million and $0.8 million, respectively, to convert franchised restaurants into Company-operated restaurants. We paid for purchases in Mexico ($0.5 million) and in Argentina ($0.6 million) in 2015 and a purchase in Puerto Rico in 2014 ($0.8 million). Payments were also made in 2015 and 2016 in connection with this sale.

Financing Activities

	For the Years Ended December 31,		
	2016	**2015**	**2014**
	(in thousands of U.S. dollars)		
Proceeds from secured loan agreement	$ 167,262	$ —	$ —
Dividend payments to Arcos Dorados Holdings Inc.' shareholders	—	(12,509)	(50,036)
Net collections (payments) of derivative instruments	(6,268)	19,817	—
Purchase of 2023 Notes	(80,800)	—	—
Purchase and repayment of 2016 Notes	(181,156)	(11,710)	—
Issuance of other long-term debt	—	—	33,267
Net short-term borrowings	(2,488)	(29,043)	26,296
Other financing activities	(9,545)	(8,818)	(8,343)
Net cash (used in) provided by financing activities	**(112,995)**	**(42,263)**	**1,184**

Net cash used in financing activities was $113.0 million in 2016, compared to $42.3 million provided in 2015. The $70.7 million increase in the amount of cash used in financing activities was primarily attributable to the purchase of 2016 notes and payments in connection with the final maturity of the 2016 notes amounting to $169.4 million, the purchase of 2023 notes in 2016 for $80.8 million and higher payments on derivative instruments amounting to $26.1 million. This was partially offset by the proceeds from the 2016 Secured Loan Agreement amounting to $167.3 million, lower short term borrowings amounting to $26.6 million and the impact of no dividend payments during 2016.

Net cash used in financing activities was $42.3 million in 2015, compared to $1.2 million provided in 2014. The $43.4 million decrease in the amount of cash provided by financing activities was primarily attributable to the decrease in short-term borrowings and other long-term debt for $55.3 million and $33.3 million, respectively, and the purchase of the 2016 notes in 2015 for $11.7 million. This was partially offset by lower dividend payments in 2015 amounting to $37.5 million and the net collection of derivative instruments for $19.8 million.

The 2016 Secured Loan Agreement

On March 29, 2016, our Brazilian subsidiary, Arcos Dourados Comércio de Alimentos Ltda. ("Arcos Comércio"), entered into a secured loan agreement with Citibank N.A., Bank of America N.A., Itau BBA International plc, JPMorgan Chase Bank, N.A. and Banco Santander (Brasil) S.A., Cayman Islands Branch, as initial lenders, under which Arcos Comércio received total proceeds of $167.3 million (R$613.9 million as of the signing date). Each loan under the 2016 Secured Loan Agreement bore interest at the following annual interest rates:

Lender	Annual Interest Rate
Citibank N.A.	3M LIBOR + 2.439%
Itau BBA International plc	5.26%
Banco Santander (Brasil) S.A., Cayman Islands Branch	4.7863%
Bank of America N.A.	3M LIBOR + 4.00%
JPMorgan Chase Bank, N.A.	3M LIBOR + 3.92%

In order to fully convert each loan under the second loan agreement into Brazilian *reais* , Arcos Comércio entered into five cross-currency interest rate swap agreements with the local subsidiaries of the same lenders, to fully hedge the principal and interest cash flows of each of the loans under the secured loan agreement. Consequently, the loan was fully converted into Brazilian *reais* at a rate of 3.67 *reais* per U.S. dollar, amounting to R$613.9 million. All the terms of the cross-currency interest rate swap agreements matched the terms of the secured loan agreement. Considering the cross currency interest rate swap agreements, the final interest rate of the secured loan agreement was the Interbank Market reference interest rate (or "CDI" in Brazil), plus 4.50% per year. Interest payments were made quarterly, beginning June 2016.

The loan was fully and unconditionally guaranteed on a senior secured basis by certain subsidiaries, and secured by (i) certain credit and debit card receivables arising from sales in certain Brazilian restaurants operated by Arcos Comércio; and (ii) the positive mark to market of the cross currency interest rate swap agreements.

The loan proceeds were primarily used to repay the Company's 2016 notes. We incurred $3.2 million of financing costs related to the 2016 Secured Loan Agreement, which were capitalized as deferred financing costs and are being amortized over the life of the loan. For more information on the 2016 notes, see "—The 2016 Notes".

On April 11, 2017, we repaid the Secured Loan Agreement, plus accrued and unpaid interest and certain transaction costs for a total of $169.7 million. In addition, on April 13, 2017 and April 17, 2017, we unwound the related derivative instruments for a total of R$122.7 million. These payments were made using the proceeds of the offering of the 2027 notes. For more information on the 2027 notes, see "—The 2027 Notes".

Revolving Credit Facilities

On August 3, 2011, our subsidiary, Arcos Dorados B.V., entered into a committed revolving credit facility with Bank of America, N.A., as lender, for $50 million. On August 31, 2013, Arcos Dorados B.V. renewed the revolving credit facility for $75 million maturing on August 3, 2015. On July 30, 2015, we renewed this facility for $50 million maturing on August 3, 2016. On August 1, 2016, we renewed this revolving credit facility for up to $25 million maturing on August 3, 2017. This revolving credit facility will permit us to borrow money from time to time to cover our working capital needs and for other lawful general corporate purposes.

As a result of the Company's decision to change the exchange rates used for remeasurement of its bolivar-denominated assets and liabilities and operating results in Venezuela, we were not in compliance with the indebtedness to EBITDA ratio under the revolving credit facility as of June 30, 2014. At such date our consolidated indebtedness to EBITDA ratio was 2.73. However, on July 28, 2014, we reached an agreement with Bank of America, N.A. to change the consolidated net indebtedness to EBITDA ratio from 2.5 to 1 to 3.0 to 1. On July 30, 2015, we further amended the Revolving Credit Facility to change such ratio from 3.0 to 1 to 3.5 to 1.

On August 31, 2015, the Company entered into a revolving credit facility with JPMorgan Chase Bank, N.A., for up to $25 million, which matured on October 1, 2016. On November 10, 2016, Arcos Dorados B.V. entered into a new revolving credit facility with JPMorgan Chase Bank, N.A. for up to $25 million maturing on November 10, 2017. Each loan made to Arcos Dorados B.V. under the revolving credit facility will bear interest at an annual rate equal to LIBOR plus 2.50%. Interest on each loan will be payable on the date of any prepayment, at maturity and on a quarterly basis, beginning with the date that is three calendar months following the date the loan is made.

The obligations of Arcos Dorados B.V. under the revolving credit facilities are jointly and severally guaranteed by certain of the Company's subsidiaries on an unconditional basis. Furthermore, the agreements include customary covenants including, among others, restrictions on the ability of Arcos Dorados B.V., the guarantors and certain material subsidiaries to: (i) incur liens, (ii) enter into any merger, consolidation or amalgamation; (iii) sell, assign, lease or transfer all or substantially all of the borrower's or guarantor's business or property; (iv) enter into transactions with affiliates; (v) engage in substantially different lines of business; (vi) engage in transactions that violate certain anti-terrorism laws; and (vii) permit the consolidated net indebtedness to EBITDA ratio to be greater than 3.0 to 1 as of the last day of the fiscal quarter ended December 31, 2016 and thereafter. The revolving credit facilities provide for customary events of default, which, if any of them occurs, would permit or require the relevant lender to terminate its obligation to provide loans under the relevant revolving credit facility and/or to declare all sums outstanding under the loan documents immediately due and payable.

As of December 31, 2016, the mentioned ratio was 1.64 and thus we are currently in compliance with the ratio under both revolving credit facilities.

2016 Notes

In July 2011, we issued R$400 million aggregate principal amount of notes due 2016 bearing interest of 10.25% per year, payable in U.S. dollars, which we refer to as the 2016 notes. In addition, on April 24, 2012, we issued an additional R$275 million aggregate principal amount of the 2016 notes at a price of 102.529%. The 2016 notes are denominated in reais, but payment of principal and interest will be made in U.S. dollars. The 2016 notes matured on July 13, 2016. Interest was paid semiannually in arrears on January 13 and July 13 of each year.

The 2016 notes were listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market.

During November 2015 and January 2016, we redeemed a portion of the outstanding principal amount of its 2016 notes. Furthermore, on April 8, 2016, we launched a cash tender offer for any and all of the outstanding 2016 notes at a redemption price equal to 97%, which expired on May 5, 2016. The holders who tendered their 2016 notes prior to April 21, 2016 received a redemption price equal to 100%. The results related to the cash tender offer and the accelerated amortization of the related to deferred financing cost were recognized as interest expense in the income statement. On July 13, 2016, the remaining 2016 notes matured and we paid the outstanding principal amount of R$200,991 (equivalent to $60,965) plus accrued and unpaid interest amounting to R$10,301 (equivalent to $3,124) related to the Notes.

The following table presents information related to the purchase and repayments of the principal of the 2016 Notes:

		Amount	
Date	Redemption price	R$	$
November 25, 2015	93.75%	40,000	9,995
November 30, 2015	93.75%	7,039	1,715
January 29, 2016	97.75%	1,180	288
April 21, 2016	100.00%	421,765	118,797
May 5, 2016	97.00%	4,025	1,106
July 13, 2016	100.00%	200,991	60,965
Total		**675,000**	**192,866**

2023 Notes

In September 2013, we issued senior notes for an aggregate principal amount of $473.8 million under an indenture dated September 27, 2013, which we refer to as the 2023 notes. The total aggregate principal amount of the 2023 notes consists of $375 million issued for cash and $98.8 million issued in exchange for the 7.5% senior notes due 2019 issued by Arcos Dorados B.V. in October 2009 (the “2019 notes”) that were properly tendered (and not validly withdrawn) pursuant to a tender offer, exchange offer and consent solicitation we launched in September 2013 (the “2013 Tender and Exchange Offer). The 2023 notes mature on September 27, 2023 and bear interest of 6.625% per year. Interest is paid semiannually on March 27 and September 27. The proceeds from the issuance of the 2023 notes were used to pay the principal and premium on the 2019 notes in connection with the 2013 Tender and Exchange Offer, to repay certain of the short-term indebtedness we had with Banco Itaú BBA S.A., to unwind a cross-currency interest rate swap with Bank of America, N.A. and for general corporate purposes.

The 2023 notes are redeemable at our option at any time at the applicable redemption price set forth in the indenture.

The 2023 notes are fully and unconditionally guaranteed on a senior unsecured basis by certain of our subsidiaries. The 2023 notes and guarantees (i) are senior unsecured obligations and rank equal in right of payment with all of our and the guarantors’ existing and future senior unsecured indebtedness; (ii) will be effectively junior to all of our and the guarantors' existing and future secured indebtedness to the extent of the assets securing that indebtedness; and (iii) are structurally subordinated to all obligations of our subsidiaries that are not guarantors.

The indenture governing the 2023 notes limits our and our subsidiaries' ability to, among other things, (i) create certain liens; (ii) enter into sale and lease-back transactions; and (iii) consolidate, merge or transfer assets. These covenants are subject to important qualifications and exceptions. The indenture governing the 2023 notes also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, and interest on all of the then-outstanding 2023 notes to be due and payable immediately.

On June 1, 2016, we launched a cash tender offer to purchase up to $80 million of the outstanding 2023 notes at a redemption price equal to 98%, which expired on June 28, 2016. The holders who tendered their 2023 notes prior to June 14, 2016 received a redemption price equal to 101%. As a result of this transaction, we redeemed 16.89% of the outstanding principal amount of the 2023 notes. The total payment was $80.8 million (including $0.8 million of early tender payment) plus accrued and unpaid interest. The results related to the cash tender offer and the accelerated amortization of the related deferred financing cost were recognized as interest expense in the income statement.

On March 16, 2017, we announced the commencement of a second tender offer to purchase for cash up to $80 million aggregate principal amount of the properly tendered (and not validly withdrawn) outstanding 2023 notes (the "2017 Tender Offer"). As a result of the early settlement of the 2017 Tender Offer, we repurchased $45.3 million of the 2023 notes on April 5, 2017. The 2017 Tender Offer expired on April 12, 2017. As a result of the final settlement of the 2017 Tender Offer, we repurchased an additional $0.4 million of the 2023 notes on April 19, 2017. As of April 19, 2017, $348.1 million aggregate principal amount of the 2023 notes was outstanding after giving effect to the 2017 Tender Offer.

The 2023 notes are listed on the Luxembourg Stock Exchange and trade on the Euro MTF Market.

We may issue additional 2023 notes from time to time pursuant to the indenture governing the 2023 notes.

2027 Notes

In April 2017, we issued senior notes for an aggregate principal amount of $265.0 million under an indenture dated April 4, 2017, which we refer to as the 2027 notes. The 2027 notes mature on April 4, 2027 and bear interest of 5.875% per year. Interest is paid semiannually on April 4 and October 4, commencing on October 4, 2017. The proceeds from the issuance of the 2027 notes were used to repay the 2016 Secured Loan Agreement and unwind the related derivative instruments, to pay the principal and premium on the 2023 notes in connection with the 2017 Tender Offer and for general corporate purposes.

The 2027 notes are redeemable at our option under certain circumstances as set forth in the indenture at the applicable redemption prices set forth therein.

The 2027 notes are fully and unconditionally guaranteed on a senior unsecured basis by certain of our subsidiaries. The 2027 notes and guarantees (i) are senior unsecured obligations and rank equal in right of payment with all of our and the guarantors' existing and future senior unsecured indebtedness; (ii) will be effectively junior to all of our and the guarantors' existing and future secured indebtedness to the extent of the assets securing that indebtedness; and (iii) are structurally subordinated to all obligations of our subsidiaries that are not guarantors.

The indenture governing the 2027 notes limits our and our subsidiaries' ability to, among other things, (i) incur additional indebtedness; (ii) make certain restricted payments; (iii) create certain liens; (iv) enter into sale and lease-back transactions; and (v) consolidate, merge or transfer assets. These covenants are subject to important qualifications and exceptions. The indenture governing the 2027 notes also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, and interest on all of the then-outstanding 2027 notes to be due and payable immediately.

C. Research and Development, Patents and Licenses, etc.

We have not had significant research and development activities for the past three years because we rely primarily on McDonald's research and development. McDonald's operates research and development facilities in the United States, Europe and Asia, and independent suppliers also conduct research activities that benefit McDonald's and us. Nevertheless, we have developed certain menu items, such as Almuerzos Colombianos in Colombia, to better tailor our product offerings to local tastes and to provide our customers with additional food options.

D. Trend Information

Our business and results of operations have recently experienced the following trends, which we expect will continue in the near term:

- *Social upward mobility in Latin America and the Caribbean:* Historically, our sales have benefited, and we expect to continue to benefit, from our Territories' population size, younger age profile and improving socio-economic conditions when compared to more developed markets. This has led to a modernization of consumption patterns and increased affordability of our products across socio-economic segments, leading to greater demand for our products. While consumer behavior will continue to be cyclical and dependent on macroeconomic activity, we expect to continue to benefit from this trend in the long term.

- *Decline in free time:* More single-parent and dual-earner households have increased the demand for the convenience offered by eating out and takeout food.

- *Product offerings:* Our beverages, core meals, desserts, breakfast, reduced calorie and sodium products, and value menu item offerings have been popular among customers and—combined with our revenue management—have helped us remain relevant with our customers.

- *Increased competition in some markets:* The popularity of the QSR concept in Latin America has attracted new competitors. Even though we have been able to protect our market share in many of these markets, we have seen a reduction in pricing flexibility and have increased the focus of our marketing efforts on value offerings.

- *Macroeconomic deterioration and increasing uncertainty in Latin America and the Caribbean:* Our business and results of operations have been impacted by increasingly negative macroeconomic and consumer trends in some of our main markets. The lower rate of economic growth and reduced rates of consumption are expected to continue in the short term.

- *Inflationary environment:* Over the last few years, we have been able through our revenue management strategy to partially mitigate cost increase tied to inflation. However, inflation has been, and will continue to be, an important factor affecting our results of operations, specifically impacting our labor costs, food and paper costs, occupancy and other operating expenses and general administrative expenses.

- *Increased volatility of foreign exchange rates and impact of currency controls:* Our results of operations have been impacted by increased volatility in foreign exchange rates in many of the Territories, particularly the significant devaluation of local currencies against the U.S. dollar. We expect that foreign exchange rates will continue to be an important factor affecting our foreign currency exchange results and the "Accumulated other comprehensive loss" component of shareholders' equity and, consequently, our results of operations and financial condition.

E. Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table presents information relating to our contractual obligations as of December 31, 2016.

	Payment Due by Period						
Contractual Obligations	**Total**	**2017**	**2018**	**2019**	**2020**	**2021**	**Thereafter**
	(in thousands of U.S. dollars)						
Capital lease obligations [1]	$ 6,214	$ 1,098	$ 1,047	$ 1,047	$ 556	$ 513	$ 1,953
Operating lease obligations	953,523	142,152	126,708	112,017	100,577	85,686	386,383
Contractual purchase obligations [2]	134,098	111,208	14,054	6,941	1,795	62	38
2023 notes [1][3]	576,376	26,087	26,087	26,087	26,087	26,087	445,941
Secured loan agreement [1][3	186,592	25,394	56,823	70,480	33,895	—	—
Other long-term borrowings [1]	34,889	4,595	5,238	5,074	4,772	4,449	10,761
Derivative instruments	30,491	19,876	13,038	4,088	(875)	1,581	(7,217)
Total	**$ 1,922,183**	**$ 330,410**	**$ 242,995**	**$ 225,734**	**$ 166,807**	**$ 118,378**	**$ 837,859**

(1) Includes interest payments.

(2) Includes automatic annual renewals, which contains only enforceable and legally binding unconditional obligations corresponding to prevailing agreements without considering future undefined renewals when the agreement is cancellable by us. This type of purchase obligation represents $68.5 million of contractual obligations for 2017 only.

(3) Does not include the impact of the deferred financing costs, the fair value adjustment related to the 2016 Secured Loan Agreement and the net discount related to the issue of the 2023 notes.

The table set forth above excludes projected payments on our restaurant opening and reinvestment plans pursuant to the MFAs in respect of which we do not yet have any contractual commitments.

G. Safe Harbor

See "Forward-Looking Statements."

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Board of Directors

Our Board of Directors currently consists of eight members, three of whom are independent directors. We have two additional seats on the Board of Directors which are currently vacant, as further described below. In case of a tie vote by the Board of Directors, the Executive Chairman will have the deciding vote. Our memorandum and articles of association authorize us to have eight members, and the number of authorized members may be increased or decreased by a resolution of shareholders or by a resolution of directors. On November 1, 2012 and August 2, 2013, respectively, our Board of Directors passed resolutions increasing the number of authorized members of our Board of Directors to nine and ten, respectively.

Pursuant to our articles of association, our Board of Directors is divided into three classes. There is no distinction in the voting or other powers and authorities of directors of different classes. The members of each class serve staggered, three-year terms. Upon the expiration of the term of a class of directors, directors in that class will be elected for three-year terms at the annual meeting of shareholders in the year in which their term expires. At our most recent annual general meeting of shareholders, held on April 24, 2017, our shareholders re-elected Mr. Michael Chu, Mr. José Alberto Vélez and Mr. José Fernández to serve as Class III directors, and in order to divide the current composition of the Board of directors of the Company as nearly equal as possible, Mr. Sergio Alonso was re-elected to serve as Class I director.

The classes are currently composed as follows:

- Mr. Staton, Mr. Gutiérrez and Mr. Alonso are Class I directors, whose term will expire at the annual meeting of shareholders to be held in 2018;
- Mr. Hernández-Artigas and Mrs. Franqui are Class II directors, whose term will expire at the annual meeting of shareholders to be held in 2019; and
- Mr. Chu, Mr. Vélez and Mr. Fernández are Class III directors, whose term will expire at the annual meeting of shareholders to be held in 2020.

Any additional directorships resulting from an increase in the number of directors and any directors elected to fill vacancies on the board will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of our directors. This classification of our Board of Directors may have the effect of delaying or preventing changes in control of our company. Any director may be removed, with or without cause, by a resolution of shareholders or a resolution of directors. Our directors do not have a retirement age requirement under our memorandum and articles of association.

The following table presents the names of the members of our Board of Directors:

Name	Position	Age
Woods Staton	Executive Chairman	66
Sergio Alonso	CEO	53
Annette Franqui	Director	54
Carlos Hernández-Artigas	Director	52
Michael Chu	Director	67
José Alberto Vélez	Director	66
José Fernández	Director	54
Ricardo Gutiérrez Muñoz*	Director	73

(*) Joined the Board of Directors on July 1, 2016 as an independent director.

The following is a brief summary of the business experience of our directors. Unless otherwise indicated, the current business addresses for our directors is Dr. Luis Bonavita 1294, Office 501, WTC Free Zone, Montevideo, Uruguay (CP 11300) and Roque Saenz Peña 432, Olivos, Buenos Aires, Argentina (B1636 FFB).

Woods Staton. Mr. Staton is the Executive Chairman of the Board. Mr. Staton was our Chief Executive Officer from 2007 through October 2015. Mr. Staton holds an MBA from IMD in Switzerland and a Bachelor´s degree in economics from Emory University. He was McDonald's joint venture partner in Argentina for over 20 years and served as the President of SLAD beginning in 2004. Mr. Staton is also a member of the founding family and served as the CEO and Chairman of the board of directors of Panamerican Beverages, Inc., or Panamco, which was Coca-Cola's largest bottler in Latin America. Mr. Staton is cofounder of Endeavor Argentina, an organization for promoting entrepreneurship, as well as a founding partner of Ashoka Argentina, a global organization committed to investing in innovative solutions through social entrepreneurship. He was recently elected as a Board Member of the IMD Foundation in Lausanne, Switzerland. He is on the Global Board of Advisors of the Council on Foreign Relations in Washington D.C., serves as Chair of the Advisory Board of the Latin American Program at the Woodrow Wilson International Center for Scholars, as well as on the Chairman's International Advisory Council of the Americas Society/Council of the Americas.

Sergio Alonso. Mr. Alonso is our Chief Executive Officer since 2015 and was, prior to his appointment as such, our Chief Operating Officer. Prior to that, he was McDonald's Divisional President in Brazil. He graduated with a degree in Accounting from Universidad de Buenos Aires in 1986. He began his career at McDonald's as Accounting Manager and subsequently moved to the operations area, eventually being promoted to Vice President of Operations in six years. From 1999 until 2003, Mr. Alonso was involved in the development of the Aroma Café brand in Argentina.

Annette Franqui. Mrs. Franqui has been a member of our board of directors since 2007 and is a member of the Compensation and Nomination Committee. She graduated with a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania in 1984 and an MBA from the Stanford Graduate School of Business in 1986. She is also a Chartered Financial Analyst. Mrs. Franqui began her career in 1986 with J.P. Morgan and joined Goldman Sachs in 1989. In 1994, she returned to J.P. Morgan where she became a Managing Director and the Head of the Latin America Research Department. Mrs. Franqui joined Panamco in 2001 as Vice President of Corporate Finance and became the Chief Financial Officer in 2002. She is one of the founding partners of Forrestal Capital and is currently a board member of Latam LLC, and, on a volunteer basis, AARP.

Carlos Hernández-Artigas. Mr. Hernández-Artigas has been a member of our board of directors since 2007 and is a member of the Compensation and Nomination Committee. He graduated from Universidad Panamericana, Escuela de Derecho in 1987 and University of Texas at Austin, School of Law in 1988. He received an MBA from IPADE in Mexico City in 1996. Mr. Hernández-Artigas worked as a lawyer for several years in Mexico and as a foreign attorney in Dallas, Texas and New York. He served as the General Counsel, Chief Legal Officer and Secretary of Panamco for ten years. He is an advisor at Big Sir Partners in Miami, Florida and is currently a board member of Wireless WERX Inc., and dba inside, a technology company in Anaheim, California.

Michael Chu. Mr. Chu has been an independent member of our board of directors since April 2011 and is a member of our Audit Committee. He graduated with honors from Dartmouth College in 1968 and received an MBA with highest distinction from the Harvard Business School in 1976. From 1989 to 1993, Mr. Chu served as an executive and limited partner in the New York office of the private equity fund Kohlberg Kravis Roberts & Co. From 1993 to 2000, Mr. Chu was with ACCION International, a nonprofit corporation dedicated to microfinance, where he served as President and CEO. Mr. Chu currently holds an appointment as Senior Lecturer at the Harvard Business School and is Managing Director and cofounder of the IGNIA Fund, an investment firm dedicated to investing in commercial enterprises serving low-income populations in Mexico. He was a founding partner of, and continues to serve as Senior Advisor to, Pegasus Group, a private equity firm in Buenos Aires.

José Alberto Vélez . Mr. Vélez has been an independent member of our board of directors since June 2011 and is a member of our Audit Committee. Mr. Vélez received a Master of Science in Engineering degree from the University of California, Los Angeles, and a degree in Administrative Engineering from Universidad Nacional de Colombia. Mr. Vélez previously served as the CEO of Suramericana de Seguros, the leading insurance company in Colombia, and also as the CEO of Inversura, a holding company that integrates the leading insurance and social security companies in Colombia. He was the Chief Executive Officer of Cementos Argos S.A. between 2003 and 2012. From 2012 until March, 2016, he was the President of Grupo Argos, a holding group with investments in cement, energy, mining, ports and real estate. He is currently a member of the Boards of Directors of Grupo Crystal and Grupo Daabon in Colombia He also is Chairman of the Board of Trustees of the Universidad EAFIT. In addition, he sits on the advisory board of the Council of the Americas, based in New York and he is member of the Latin American Chapter of the Wilson Center in Washington D.C.

José Fernández. Mr. Fernandez has been a member of our board of directors since October 1, 2013. Mr. Fernández was the Divisional President of operations for SLAD until 2013. Mr. Fernández is a Mechanical Engineer from Instituto Tecnológico Buenos Aires and began his career at McDonald’s in 1986. He held the positions of Development Director, Development Vice President and Managing Director of McDonald’s Argentina before becoming the Divisional President of operations of SLAD.

Ricardo Gutiérrez Muñoz **.** Mr. Gutiérrez Muñoz is an independent member of our board of directors since July 1, 2016 and is a member of our Audit Committee. He graduated with a Bachelor’s Degree in Accounting from the Instituto Politécnico Nacional (Mexico City) and a Master’s Degree in Financing from the Universidad Lasalle (Mexico City). He also pursued postgraduate studies in Mexico and in the USA and has an extensive background in financing, restructuring and expanding companies. Mr. Gutiérrez Muñoz was CEO of Mexichem from 1994 to 2010 where he was responsible for managing 75 companies in México, the Americas, Europe, Japan and Taiwan. Before joining Mexichem, he was Vice-President of Empresas Lanzagorta, CEO and board member of Industrias Synkro and CFO of the Indetel/Alcatel Company. Currently he is the CEO of the CP Latina Company, a drilling contractor, and Chairman of the board of Grupo Pochteca. In addition, he is also board member of Grupo Kaluz, Bolsa Mexicana de Valores (Mexican Stock Exchange), Promotora de Empresas Zano (Proeza), Cinépolis (Organización Ramírez), Empresas ICA, Grupo Aeroportuario del Centro Norte OMA, Genommalab e Industria Mexicana del Aluminio (IMASA).

Executive Officers

Our executive officers are responsible for the management and representation of our company. We have a strong centralized management team led by Mr. Alonso, our CEO, with broad experience in development, revenue, supply chain management, operations, finance, marketing, legal affairs, human resources, communications and training. Most of our executive officers have worked in the food service industry for several years. Many of the members of the management team have a long history with McDonald’s operations in Latin America and the Caribbean and with Mr. Alonso, and have worked together as a team for many years. Our executive officers were appointed by our Board of Directors for an indefinite term.

The following table lists our current executive officers:

Name	Position	Initial Year of Appointment	At Arcos Dorados Since
Sergio Alonso	Chief Executive Officer	2015	1987
Marcelo Rabach	Chief Operating Officer	2015	1990
Mariano Tannenbaum	Chief Financial Officer	2017	2008
Juan David Bastidas	Chief Legal Counsel	2010	2010
Paulo Camargo	Divisional President—Brazil	2015	2011
Alejandro Yapur	Divisional President—SLAD	2013	1986
Rogério Barreira	Divisional President—NOLAD	2015	1984
Luis Raganato	Divisional President—Caribbean	2014	1991
Sebastian Magnasco	Vice President of Development	2007	1994
Dan Gertsacov	Chief Marketing and Digital Officer	2017	2014
Diego Benenzon	Vice President of Human Resources	2014	2009
José Valledor Rojo	Vice President of Supply Chain	2015	1990
Marlene Fernandez del Granado	Vice President of Government Relations	2011	2009
Daniel Schleiniger	Vice President of Corporate Communications and Investor Relations	2017	2014

The following is a brief summary of the business experience of our executive officers who are not also directors. Unless otherwise indicated, the current business addresses for our executive officers is Roque Saenz Peña 432, Olivos, Buenos Aires, Argentina (B1636 FFB) and Dr. Luis Bonavita 1294, Office 501, WTC Free Zone, Montevideo, Uruguay.

Marcelo Rabach. Mr. Rabach, 47, is our Chief Operating Officer, and prior to his appointment as such in August 2015, Divisional President for NOLAD since 2013, Vice President of Operations Development since 2012 and Divisional President in Brazil since 2008. He graduated with a degree in Business Administration from Universidad Argentina de la Empresa in 2002. He began his career at McDonald's Argentina in 1990 and has over 17 years of line operations experience, starting as a crew employee and steadily advancing into larger operational roles. From 1999 until his appointment as McDonald's Chief Operating Officer in Venezuela in 2005, Mr. Rabach was responsible for the operations, real estate, construction, human resources, local store marketing, and training and franchising of a region within Argentina, holding the positions of Operations Manager and Operations Director. He was the Chief Operating Officer in Venezuela from 2005 until 2008.

Mariano Tannenbaum. Mr. Tannenbaum, 43, is our Chief Financial Officer. He joined Arcos Dorados in 2008 and has held several positions at the corporate level, with his last position being Senior Director of Corporate Finance. Previously, Mr. Tannenbaum had a long international career in Europe and the United States. He worked for the IFG Group, a Swiss private bank, for Tyco International in Switzerland and Princeton, New Jersey and for Sabre Holdings in London. He began his career working for an economic consulting firm in Argentina as well as for the Argentine government, as part of the Ministry of Treasury and Public Finances. Mr. Tannenbaum has an economics degree from the Universidad de Buenos Aires, a Master's in finance from the Universidad Torcuato Di Tella and an MBA with a concentration in finance from the London Business School.

Juan David Bastidas. Mr. Bastidas, 49, is our Chief Legal Counsel. He attended Universidad Pontificia Bolivariana in Colombia, where he received a Law Degree. He graduated as a Business Law Specialist from the same university. He has post-graduate studies in International Business, Business Administration and Senior Management. Mr. Bastidas worked from 1994 to 1995 as an international operations lawyer for Banco Industrial Colombiano (Bancolombia). He served as Chief Legal Counsel and Secretary of the board of directors of Interconexión Electrica S.A. E.S.P.–ISA from 1995 to 2010 before joining us in July 2010.

Paulo Camargo. Mr. Camargo, 48, was appointed Divisional President for Brazil in October 2015. Prior to Mr. Camargo's promotion, he served as Vice President of Operations for the Brazil Division for four years. Mr. Camargo has over 20 years of experience in the consumer, retail and services industry. He has worked for companies such as PepsiCo, FASA Corporation and Iron Mountain across a variety of geographies. Before joining Arcos Dorados in 2011, he was President of the Spain Division at Iron Mountain. Mr. Camargo has a postgraduate degree in Business Administration from Mackenzie University in São Paulo, and also holds an MBA from IEDE Business School in Spain. He has undertaken executive training at Harvard Business School in the United States, Henley Business School in England and the IESE Business School in Spain.

Alejandro Yapur. Mr. Yapur, 48, was appointed Divisional President of SLAD in July 2013. He began his career in 1986 as a crew member at the first McDonald's restaurant in Argentina and had the opportunity to serve as Manager in the Marketing, Operations and Corporate Communications areas of Arcos Dorados in Argentina. In 2005 he was promoted to Managing Director of Uruguay and in 2007 became responsible for the Company's Chilean operations. In 2011, Mr. Yapur became Regional Managing Director for the Southern Cone Region (Argentina, Chile and Uruguay) until 2013 when he was promoted to his current position. He graduated from the Universidad de Estudios Empresariales in Buenos Aires and subsequently went on to earn a Master's degree in Communications from Universidad Austral.

Rogério Barreira. Mr. Barreira, 48, was appointed Divisional President for NOLAD in October 2015. Prior to Mr. Barreira's promotion, he served as Vice President of Operations for the Brazil Division for four years. Mr. Barreira has over 32 years of experience in Arcos Dorados, acting in different key positions role in Brazil. Mr. Barreira has a Master in Business Administration from Foundation Getulio Vargas in Brazil and, and also holds a degree in Marketing and Business Planning from Anhembi-Morumbi University in Brazil.

Luis Raganato. Mr. Raganato, 51, is our Divisional President for the Caribbean. Prior to his appointment as such, he was the General Director of Arcos Dorados in Peru. Mr. Raganato began his career at Arcos Dorados in 1991 as a Trainee in the Nuevocentro Shopping location in the province of Córdoba, Argentina and has held various positions in Operations Management over the years. Mr. Raganato holds a Bachelor's degree in Business Administration from Instituto Aeronáutico de Argentina and a Master's degree in Marketing and Business Development from Escuela Superior de Estudios de Marketing de Madrid.

Sebastian Magnasco. Mr. Magnasco, 47, is our Vice President of Development and served, prior to his appointment as such, in the same capacity in SLAD. He graduated with a degree in Engineering from Instituto Tecnológico Buenos Aires, in 1990. He began his career at McDonald's in 1994 and held the positions of Real Estate & Equipment Director of Argentina and IT, Real Estate and Equipment Director of Argentina until his appointment as Vice President of Development of SLAD in 2005.

Dan Gertsacov. Mr. Gertsacov, 42, is our Chief Marketing and Digital Officer. He joined the company in 2014 as Chief Digital Officer and is responsible for designing and implementing the digital strategy. Prior to joining Arcos Dorados, he served as head of new markets for Latin America and the Caribbean at Google and Vice President of business development for Univision Networks, among other positions in leading companies. Mr. Gertsacov holds a Bachelor's degree in Economics and International Development from the University of Richmond and an MBA from Harvard Business School.

Diego Benenzon . Mr. Benenzon, 50, is our Vice President for Human Resources. He joined the Company in April 2008 as a SLAD HR Talent and Development Director and has over ten years' experience in leadership positions at Citibank where he was Vice President of Human Resources before joining the Company. Prior to Citibank Mr. Benenzon was a human resources consultant at Roland Berger International. He has also served as a senior consultant to various large companies and NGOs and has teaching experience. Mr. Benenzon graduated with a degree in psychology from Universidad John F. Kennedy and holds a postgraduate degree from the Universidad de Buenos Aires.

José Valledor. Mr. Valledor, 50, is our Vice President of Supply Chain. Prior to his appointment as such, he was Divisional President in Brazil. He joined us in 1990 as an assistant in the accounting department, and four years later he became Manager of that department. In 2005, he became Regional Operations Director, responsible for the markets of Uruguay, Paraguay and Argentina. Two years later, he became Argentina's General Director while continuing to supervise the market operations in Uruguay, Chile and Paraguay. Mr. Valledor Rojo has a degree in Business Administration and a postgraduate degree from the Instituto de Altos Estudios (IAE) in Buenos Aires, Argentina.

Marlene Fernandez. Ms. Fernandez, 55, is Vice President of Government Relations. Prior to joining us in 2009, she served as Executive Director of the Gallup Organization in Latin America and held various governmental positions, including member of Bolivia's Chamber of Deputies, Bolivian Ambassador to the United States and Permanent Representative to the Organization of American States in Washington, D.C., the European Union and Italy. Ms. Fernandez graduated with a degree in Communications and Public Relations from Universidad John F. Kennedy in Buenos Aires. She holds a Master of Science with a specialization in broadcast journalism from Boston University and has completed doctorate courses at Harvard University in Law and Diplomacy, Strategic Communications, Conflict Resolution and Negotiations in Conflict Areas.

Daniel Schleiniger , 43, is our Vice President of Corporate Communications and Investor Relations. He joined the Company in February 2014 as Director of Investor Relations. Prior to joining Arcos Dorados, he worked for many years in Coral Gables, Florida, for the Cisneros Group of Companies in a number of roles, including Senior Manager of Investor Relations, Director of Corporate Financial Planning and Vice President and Treasurer. Mr. Schleiniger's experience also includes equity research at Morgan Stanley in New York, corporate banking with Unibanco in São Paulo and consulting work for Wharton Econometric Forecasting Associates in Philadelphia. Mr. Schleiniger holds a Bachelor of Science degree in chemistry and an MBA with a concentration in finance from the University of Delaware.

B. Compensation

Long-term and Equity Incentive Plans

Long-term Incentive Plan

We implemented a long-term incentive plan in 2008 (the "2008 long-term incentive plan") to reward certain employees for the success of our business. In accordance with this plan, we historically granted phantom equity units, called CADs, annually to certain employees, pursuant to which such employees are entitled to receive, upon vesting, a cash payment equal to the appreciation in the fair value of the award over the base value of the award. In 2011, our Board approved the use of the Company's market capitalization following our initial public offering as the metric used to determine the Company's fair market value under this incentive plan in place of the existing formula used to determine the current value of the awards. Due to an extension granted in April 2014, the exercise rights for any outstanding CADs under this plan will expire in May 2017 or May 2018, depending on their grant date.

As of December 31, 2016, 627,134 CADs were outstanding, as compared to 664,775 CADs as of December 31, 2015. During 2016, 4,550 CADs were exercised, and the total amount paid for these exercises was $0.02 million. A total of $33,091 CADs was forfeited during 2016. At December 31, 2016, we maintain a current payable of $0.5 million related to these exercises that is presented within "accrued payroll and other liabilities" in our balance sheet.

Equity Incentive Plan

In March 2011, we adopted our Equity Incentive Plan, or 2011 Plan, to attract and retain the most highly qualified and capable professionals and to promote the success of our business. This plan replaces our 2008 long-term incentive plan discussed above, although the CADs that have already been granted will remain outstanding until their respective termination dates. Like our 2008 long-term incentive plan, the 2011 Plan is being used to reward certain employees for the success of our business through an annual award program. The 2011 Plan permits grants of awards relating to class A shares, including awards in the form of share (also referred to as stock) options, restricted shares, restricted share units, share appreciation rights, performance awards and other share-based awards as will be determined by our Board.

Pursuant to the 2011 Plan, on April 14, 2011, the first trading day of our class A shares on the NYSE, we made the annual grants for 2011 to certain of our executive officers and other employees. The grants included 231,455 restricted share units and 833,388 stock options that will vest as follows: 40% on the second anniversary of the date of grant and 20% on each of the following three anniversaries. In addition, on April 14, 2011, we granted special awards of restricted share units and stock options to certain of our executive officers and other employees in connection with our initial public offering. The special grant included 782,137 restricted share units and 1,046,459 stock options that will vest one-third on each of the second, third and fourth anniversaries of the grant date. With respect to all of the grants made on April 14, 2011, each stock option represents the right to acquire one class A share at a strike price of $21.20 (the closing price on the date of grant), while each restricted share unit represents the right to receive one class A share, when vested.

On May 10, 2012, we made the annual grants for 2012 to certain of our executive officers and other employees. The grants include 211,169 restricted share units and 584,587 stock options that will vest as follows: 40% on the second anniversary of the grant date and 20% on each of the following three anniversaries. Each stock option granted represents the right to acquire one class A share at a strike price of $14.35 (the closing price on the grant date), while each restricted share unit represents the right to receive one class A share when vested.

On May 10, 2013, we made the annual grants for 2013 to certain of our executive officers and other employees. The grants include 213,600 restricted share units and 431,726 stock options that will vest as follows: 40% on the second anniversary of the grant date and 20% on each of the following three anniversaries. Each stock option granted represents the right to acquire one class A share at a strike price of $14.31 (the closing price on the grant date), while each restricted share unit represents the right to receive one class A share when vested.

On May 10, 2014, we made the annual grants for 2014 to certain of our executive officers and other employees. The grants include 317,351 restricted share units and 247,475 stock options that will vest as follows: 40% on the second anniversary of the grant date and 20% on each of the following three anniversaries. Each stock option granted represents the right to acquire one class A share at a strike price of $8.58 (the closing price on the grant date), while each restricted share unit represents the right to receive one class A share when vested.

On May 8, 2015, we made the annual grants for 2015 to certain of our executive officers and other employees. The grants include 923,213 restricted share units that will vest as follows: 40% on the second anniversary of the grant date and 20% on each of the following three anniversaries. Each restricted share unit represents the right to receive one class A share when vested.

On May 10, 2016, we made the annual grants for 2016 to certain of our executive officers and other employees. The grants include 865,291 restricted share units that will vest as follows: 40% on the second anniversary of the grant date and 20% on each of the following three anniversaries. Each restricted share unit represents the right to receive one class A share when vested.

The maximum number of shares that may be issued under the 2011 Plan is 5,238,235 class A shares, equal to 2.5% of our total outstanding class A and class B shares immediately following our initial public offering on April 14, 2011. We issued 172,328 class A shares during 2016 in connection with the partial vesting of outstanding restricted share units.

On June 28, 2016, 1,117,380 stock options were converted into liability awards. There were no incremental compensation costs resulting from the modification and only 104 employees were affected. As of December 31, 2016, the accumulated additional paid-in capital related to these units as measured from the grant date amounted to $5,820 (net of $9, which was reclassified under "Accrued payroll and other liabilities-non current" in our consolidated balance sheet). The accrued liability is remeasured on a monthly basis until settlement.

See Note 17 to our consolidated financial statements for additional information.

We intend to make the 2017 annual grant under the 2011 Plan during the second quarter of 2017.

Compensation of Directors and Officers

General

The approximate aggregate annual total cash compensation for our 14 officers was $7.1 million in 2016. In 2016, we approved annual compensation for our non-executive directors of $140,000 each, payable 100% in cash. The cash payments corresponding to services performed in 2016 were paid $105,000 each in 2016 and $35,000 each in 2017, except for Mr. Gutiérrez's compensation, which was paid in full in 2016. We have not entered into any service contracts with our directors to provide for benefits upon termination of employment.

C. Board Practices

Our Committees

Audit Committee

Our audit committee consists of three directors, Mr. Chu, Mr. Vélez and Mr. Gutiérrez, who are independent within the meaning of the SEC and NYSE corporate governance rules applicable to foreign private issuers. Our Board of Directors has determined that Mr. Chu, Mr. Vélez and Mr. Gutiérrez are also "audit committee financial experts" as defined by the SEC.

The charter of the audit committee states that the purpose of the audit committee is to assist the Board of Directors in its oversight of:

- the integrity of our financial statements;
- the annual independent audit of our financial statements, the engagement of the independent auditor and the evaluation of the qualifications, independence and performance of our independent auditor;
- the performance of our internal audit function; and
- our compliance with legal and regulatory requirements.

Compensation and Nomination Committee

Our compensation and nomination committee consists of Mr. Hernández-Artigas and Ms. Franqui. Pursuant to its charter, the compensation and nomination committee is responsible for, among other things:

- approving corporate goals and objectives relevant to compensation, evaluating the performance of executives in light of such goals and objectives and recommending compensation based on such evaluation, recommending any long-term incentive component of compensation and approving the compensation of our executive officers;
- reviewing and reporting to the board of directors on our management succession plan and on compensation for directors;
- evaluating our compensation and benefits policies;
- evaluating the structure of our board of directors;
- nominating candidates to executive positions and to the board of directors; and
- reporting to the board periodically.

D. Employees

Our employees are a crucial component of our customers' restaurant service experience. As such, we consistently train our employees to deliver fast and friendly service through a series of training programs. We support our McDonald's-based training programs with an extensive set of quality controls throughout production, processing and distribution and also in our restaurants, where we monitor restaurant managers' performance and use ongoing external customer satisfaction opportunity reports that analyze key operating indicators.

Our employees can be divided into three different categories: crew, restaurant managers and professional staff. Due to the different tasks of each of these categories of employees, turnover rates differ significantly. Crew turnover is considerably higher than turnover for managers and professional staff.

As of December 31, 2016, we had a total of approximately 82,040 employees in company-operated restaurants and staff throughout the Territories. Of this number, 83.0% were crew, 15.0% were restaurant managers and the remainder were professional staff. Approximately 40.0% of our employees were located in Brazil.

We have various types of employment arrangements with our employees in Brazil. Some of our employees receive monthly wages whereas others are paid by the hour, and some of our employees have fixed work schedules. Most of our employees in Brazil, in particular students and minors, work schedules of less than 180 hours per month. Brazilian law requires that employers provide a minimum monthly wage, which, in the case of employees who are paid by the hour, is prorated in terms of wages per hour.

In the beginning of 2012, we decided to transition to fixed work schedules and hourly wages for our employees in Brazil. Our employees will work between 180 and 220 hours per month, with proportional wages based on the quantity of hours fixed in their employment agreements. In 2013, pursuant to the Pernambuco Labor Court ruling, we began the transition to a fixed hourly schedule according to the timeframe agreed to in the ruling. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings—Brazilian Labor Litigation."

In August 2012, the Labor Prosecutor's Office of the State of Pernambuco (*Ministério Público do Trabalho do Estado de Pernambuco*) filed a civil complaint against us in the Labor Court of Pernambuco (*Justiça do Trabalho de Pernambuco*) regarding alleged noncompliance with certain labor laws. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings—Brazilian Labor Litigation."

The following table illustrates the distribution of our employees by division and employee category as of December 31, 2016. Due to the reorganization of our segments effective January 1, 2013, the segment information below is not directly comparable to the segment information presented in our annual reports on Form 20-F for the years prior to 2013. See "Presentation of Financial and Other Information—Operating Data."

Division	Crew	Restaurant Managers	Professional Staff	Total
Brazil	26,567	5,978	489	33,034
Caribbean division	8,759	1,659	315	10,733
NOLAD	8,310	1,801	248	10,359
SLAD	27,914	3,154	284	27,540
Corporate and other	0	0	374	374
Total	**67,738**	**12,592**	**1,710**	**82,040**

Restaurant managers are responsible for the daily management of our restaurants. As such, we have a comprehensive training program for them that is focused on customer management practices, food preparation and other operational procedures. Standards are taught and continuously reinforced through the use of such training programs. We also use performance measurements on a continual basis, both internally and externally in connection with all our restaurants. Our internal on-site visit restaurant operations improvement process evaluates operational standards, which are compared globally to assure continuous improvement. We also contract third parties, which we refer to as third-party shoppers, to visit our restaurants anonymously and report on our performance. Our external third-party shopper measurements and customer satisfaction opportunity reports help maintain our competitiveness. In addition, Hamburger University provides restaurant managers, mid-managers and owner/operators with training on best practices in different aspects of our business. In 2016, approximately 3,100 people attended different courses or events organized by Hamburger University in areas such as restaurant and customer management, sales and accounting.

The role performed by our crew is of critical importance in our interactions with our customers. Employee relations are thus key to maintaining the level of motivation and enthusiasm on the part of our crew that help differentiate our restaurants from those of our competitors. We have been recognized by many independent organizations for being a "great place to work."

Although we have unions in some of our most important markets, including Brazil, Argentina and Mexico, the unions only have an active role in our Brazil restaurants. In these markets, the restaurant industry is unionized by law. However, in Brazil every employee and company are necessarily represented by unions. Workers unions can negotiate directly with companies through Collective Bargaining Agreements, or CBAs, or with the company's union through Collective Convention. Under Brazilian law, employees or groups of employees cannot opt-out of the terms under union agreements, which integrate the employment contract for all legal purposes. In Brazil, the CBA or the Collective Convention should provide, on a yearly basis, the salary adjustment to be afforded by all employees, and may also provide certain additional guarantees or rights, to be applicable to all employees, regardless of their unit or position in the company, during a certain term (maximum of two years). All collective agreements are mandatory in Brazil.

E. Share Ownership

The following table presents the beneficial ownership of our shares owned by our directors and officers as of the date of this annual report. Other than those persons listed below, none of our directors or officers beneficially own any of our shares.

Shareholder	Class A Shares	Percentage of Outstanding Class A Shares	Class B Shares	Percentage of Outstanding Class B Shares	Total Economic Interest	Total Voting Interest(1)
Los Laureles Ltd.(2)(3)	—	—	80,000,000	100.0%	38.0%	75.4%
Woods Staton(3)	7,684,672	5.9%	—	—	3.6%	1.4%
Sergio Alonso	*	*	—	—	*	*
Annette Franqui	*	*	—	—	*	*
Carlos Hernández-Artigas	*	*	—	—	*	*
Juan David Bastidas	*	*	—	—	*	*
José Valledor Rojo	*	*	—	—	*	*
José Fernandez	*	*	—	—	*	*
Marcelo Rabach	*	*	—	—	*	*
Mariano Tannenbaum	*	*	—	—	*	*
Sebastian Magnasco	*	*	—	—	*	*
Diego Benenzon	*	*	—	—	*	*
Marlene Fernandez	*	*	—	—	*	*
Luis Raganato	*	*	—	—	*	*
Rogério Barreira	*	*	—	—	*	*
Alejandro Yapur	*	*	—	—	*	*
Paulo Camargo	*	*	—	—	*	*
Dan Gertsacov	*	*	—	—	*	*
Daniel Schleiniger	*	*	—	—	*	*

* Each of these directors and officers beneficially owns less than 1% of the total number of outstanding class A shares.

(1) Class A shares are entitled to one vote per share and class B shares are entitled to five votes per share.

(2) Los Laureles Ltd. is beneficially owned by Mr. Staton, our Executive Chairman. See "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders—Los Laureles Ltd."

(3) In addition to the class B shares he beneficially owns through Los Laureles Ltd., Mr. Staton beneficially owns 7,684,672 class A shares (includes 199,741 shares of common stock issuable upon exercise of stock options and 249,658 restricted share units) directly, and indirectly through Chablais Investments S.A. ("Chablais"). On a combined basis, Mr. Staton is the beneficial owner of an aggregate of 41.6% of the total economic interests of Arcos Dorados and 76.8% of its total voting interests. The address of Mr. Staton is Mantua No. 6575 (esquina Potosí), Montevideo, Uruguay 11500. The address of Chablais is Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, BVI.

As of the date of this annual report, our 14 officers had been granted (i) a total of 1,027,923 restricted share units, 478,578 options at an exercise price of $21.20 per share, 127,176 stock options at an exercise price of $14.35 per share and 74,028 stock options at an exercise price of $14.31 per share pursuant to the 2011 Plan. For more information, see "—B. Compensation—Long-term and Equity Incentive Plans" above. Our non-executive directors had been granted a total of 53,652 stock options at an exercise price of $14.35 per share, 100,332 stock options at an exercise price of $14.31 and 247,478 stock options at an exercise price of $8.58 per share per share pursuant to the 2011 Plan.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

As of the date of this annual report, under our memorandum and articles of association, we are authorized to issue a maximum of 420,000,000 class A shares, no par value per share, and 80,000,000 class B shares, no par value per share. Each of our class A shares entitles its holder to one vote. Each of our class B shares entitles its holder to five votes. Los Laureles Ltd., our controlling shareholder, owns 37.97% of our issued and outstanding share capital, and 75.37% of our voting power by virtue of its ownership of 100% of our class B shares. The following table presents the beneficial ownership of our shares as of the date of this annual report:

Shareholder	Class A Shares	% of Outstanding Class A Shares	Class B Shares	% of Outstanding Class B Shares	Total Economic Interest	Total Voting Interest(1)
Los Laureles Ltd(2)(3)	—	—	80,000,000	100.0%	37.97%	75.37%
Woods Staton(3)	7,684,672	5.88%	—	—	3.65%	1.45%
Brandes Investment Partners, L.P. (4)	7,737,320	5.92%			3.67%	1.46%
Coronation Asset Management (Pty) Ltd.(5)	2,980,800	2.28%	—	—	1.41%	0.56%
William H. Gates III(6)	11,641,400	8.91%	—	—	5.53%	2.19%
Macquarie Group Limited(7)	6,564,036	5.02%	—	—	3.12%	1.24%
Black Creek Investment Management Inc.(8)	9,152,320	7.00%	—	—	4.34%	1.72%
Invesco Ltd.(9)	8,435,243	6.45%			4.00%	1.59%
TIAA-CREF Investment Management, LLC (10)	7,774,742	5.95%	—	—	3.69%	1.47%
Teachers Advisors, Inc. (11)	6,090,701	4.66%	—	—	2.89%	1.15%
Public	62,649,990	47.93%	—	—	29.73%	11.80%
Total	**130,711,224**	**100.0%**	**80,000,000**	**100.0%**	**100.0%**	**100.0%**

(1) Class A shares are entitled to one vote per share and class B shares are entitled to five votes per share.

(2) The address of Los Laureles Ltd. is 325 Waterfront Drive, Omar Hodge Building, 2nd Floor, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands. Los Laureles Ltd. is beneficially owned by Mr. Staton, our Executive Chairman. Los Laureles Ltd. established a voting trust with respect to the voting interests in us held by Los Laureles Ltd. Los Laureles Ltd. is the beneficiary of the voting trust. See "—Los Laureles Ltd."

(3) In addition to the class B shares he beneficially owns through Los Laureles Ltd., Mr. Staton beneficially owns 7,684,672 class A shares (includes 199,741 shares of common stock issuable upon exercise of stock options and 249,658 restricted share units) directly, and indirectly through Chablais Investments S.A. ("Chablais"). On a combined basis, Mr. Staton is the beneficial owner of an aggregate of 41.6% of the total economic interests of Arcos Dorados and 76.8% of its total voting interests. The address of Mr. Staton is Mantua No. 6575 (esquina Potosí), Montevideo, Uruguay 11500. The address of Chablais is Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, BVI.

(4) Brandes Investment Partners, L.P. and its control persons filed with the SEC an amended Schedule 13G dated February 2, 2017. Based solely on the disclosure set forth in such Schedule 13G, Brandes Investment Partners, L.P. has shared voting power with respect to 7,476,168 class A shares and shared dispositive power with respect to 7,737,320 class A shares. The address of Brandes Investment Partners, L.P. is 11988 El Camino Real, Suite 600, San Diego, CA 92130.

(5) Coronation Asset Management (Pty) Ltd. filed with the SEC a Schedule 13G/A dated February 10, 2017. Based solely on the disclosure set forth in such Schedule 13G/A, Coronation Asset Management (Pty) Ltd. has sole voting power with respect to 2,980,800 class A shares and sole dispositive power with respect to 2,980,800 class A shares. The address of Coronation Asset Management (Pty) Ltd. is 7th Fl. Montclare Centre, CNR Main and Campground Rd., Claremont, Cape Town T3 7708, South Africa.

(6) William H. Gates III ("Mr. Gates") indirectly owns Class A shares through Cascade Investment, LLC ("Cascade") and the Bill & Melinda Gates Foundation Trust (the "Trust"). Cascade, the Trust, Mr. Gates and Melinda French Gates ("Mrs. Gates") filed with the SEC a Schedule 13G/A dated February 13, 2015. Based solely on the disclosure set forth in such Schedule 13G/A, (i) Cascade has sole voting power with respect to 8,580,900 class A shares and sole dispositive power with respect to 8,580,900 class A shares; (ii) the Trust has shared voting power with respect to 3,060,500 class A shares and shared dispositive power with respect to 3,060,500 class A shares; (iii) Mr. Gates has shared voting power with respect to 11,641,400 class A shares and shared dispositive power with respect to 11,641,400 class A shares; and (iv) Mrs. Gates has shared voting power with respect to 3,060,500 class A shares and shared dispositive power with respect to 3,060,500 class A shares. The address of Cascade Investment, LLC is 2365 Carillon Point, Kirkland, Washington 98033. The address of the Trust and Mrs. Gates is 500 Fifth Avenue North, Seattle, Washington 98119. The address of Mr. Gates is One Microsoft Way, Redmond, Washington 98052.

(7) The Macquarie Group Limited filed with the SEC a Schedule 13G/A dated February 14, 2017. Based solely on the disclosure set forth in such Schedule 13G/A, (i) The Macquarie Group Limited has sole voting power with respect to 0 class A shares and sole dispositive power with respect to 0 class A shares, (ii) The Macquarie Bank Limited has sole voting power with respect to 0 class A shares and sole dispositive power with respect to 0 class A shares, (iii) Delaware Management Holdings, Inc. has sole voting power with respect to 6,564,036 class A shares and sole dispositive power with respect to 6,564,036 class A shares and (iv) Delaware Management Business Trust has sole voting power with respect to 6,564,036 class A shares and sole dispositive power with respect to 6,564,036 class A shares. The principal business address of Macquarie Group Limited, Macquarie Bank Limited and Macquarie Investment Management Ltd. is No. 1 Martin Place, Sydney, New South Wales, Australia. The principal business address of Delaware Management Holdings Inc. and Delaware Management Business Trust is 2005 Market Street, Philadelphia, PA 19103.

(8) Black Creek Investment Management Inc. filed with the SEC a Schedule 13G dated February 14, 2017. Based solely on the disclosure set forth in such Schedule 13G, Black Creek Investment Management Inc. has sole voting power with respect to 9,152,320 class A shares and sole dispositive power with respect to 9,152,320 class A shares. The address of Black Creek Investment Management Inc. is 123 Front Street West, Suite 1200, Toronto, Ontario, ON M5J 2M2, Canada.

(9) Invesco Ltd. filed with the SEC a Schedule 13G dated February 7, 2017. Based solely on the disclosure set forth in such Schedule 13G, Invesco Ltd. has sole voting power with respect to 8,435,243 class A shares and sole dispositive power with respect to 8,435,243 class A shares. The address of Invesco Ltd. is 1555 Peachtree Street NE, Suite 1800, Atlanta, GA 30309.

(10) TIAA-CREF Investment Management, LLC filed with the SEC a Schedule 13G/A dated February 14, 2017. Based solely on the disclosure set forth in such Schedule 13G/A, TIAA-CREF Investment Management, LLC has sole voting power with respect to 7,774,742 class A shares and sole dispositive power with respect to 7,774,742 class A shares. The address of TIAA-CREF Investment Management, LLC is 730 Third Avenue, New York, NY 10017-3206.

(11) Teachers Advisors, Inc. filed with the SEC a Schedule 13G/A dated February 14, 2017. Based solely on the disclosure set forth in such Schedule 13G/A, Teachers Advisors, Inc. has sole voting power with respect to 6,090,701 class A shares and sole dispositive power with respect to 6,090,701 class A shares. The address of Teachers Advisors, Inc. is 730 Third Avenue, New York, NY 10017-3206.

Los Laureles Ltd.

Los Laureles Ltd. is our controlling shareholder and is beneficially owned by Mr. Staton, our Executive Chairman. Los Laureles Ltd. currently owns 38.0% of the economic interests of Arcos Dorados and 75.4% of its voting interests. Los Laureles Ltd. has established a voting trust with respect to the voting interests in us held by Los Laureles Ltd. Los Laureles Ltd. is the beneficiary of the voting trust. The voting trust exercises the vote of the class B shares through a voting committee, which consists of only Mr. Staton. The decision of the voting committee must be approved by Los Laureles (PTC) Limited, a British Virgin Islands company that is a wholly owned subsidiary of Los Laureles Limited. Mr. Staton is the sole director of Los Laureles (PTC) Limited. Without the consent of McDonald’s, Mr. Staton may add any one or more of his descendants, certain other relatives, any board member of Arcos Dorados and the chief executive officer, chief operating officer or chief financial officer of Arcos Dorados to the committee.

Following Mr. Staton’s death or during Mr. Staton’s incapacity, the voting committee will consist of (1) certain officers or directors of Arcos Dorados, (2) certain descendants of Mr. Staton or their representatives, and (3) other persons appointed by Los Laureles (PTC) Limited, subject to McDonald’s consent if such person is not one of Mr. Staton’s descendants and is not the chief executive officer, chief operating officer or chief financial officer of Arcos Dorados. For the first five years from the date of the execution of the voting trust, the officers and directors of Arcos Dorados on the voting committee will have the tie-breaking vote (if any). Thereafter, Mr. Staton’s descendants will have the tie-breaking vote.

Significant Changes in Ownership by Major Shareholders

We have experienced significant changes in the percentage ownership held by major shareholders as a result of our initial public offering and follow-on offering. Prior to our initial public offering in April 2011, our principal shareholders were Los Laureles Ltd. (40.0% economic, 76.9% voting), Gavea Investment AD, L.P. (26.1% economic, 10.0% voting) and investment funds controlled by Capital International, Inc. (20.4% economic, 7.9% voting) and DLJ South American Partners L.L.C. (through its affiliates) (13.2% economic, 5.1% voting).

On April 19, 2011, we completed our initial public offering and listed our class A shares on the NYSE. In the initial public offering, we sold 9,529,412 class A shares and Gavea Investment AD, L.P. and investment funds controlled by Capital International, Inc. and DLJ South American Partners L.L.C. (through its affiliates) sold 74,977,376 class A shares, including 11,022,624 class A shares sold to the underwriters pursuant to the underwriters’ over-allotment option. On October 25, 2011, we completed a follow-on offering in which Gavea Investment AD, L.P. and investment funds controlled by Capital International, Inc. and DLJ South American Partners L.L.C. (through its affiliates) sold the remainder of their shareholdings.

As of March 20, 2017, there were six class A shareholders of record. We believe the number of beneficial owners is substantially greater than the number of record holders because a large portion of class A shares is held in “street name” by brokers.

B. Related Party Transactions

Our Board of Directors has created and adopted a related party transactions policy for the purpose of assisting the Board of Directors in reviewing, approving and ratifying related party transactions. This Policy is intended to supplement, and not to supersede, our other policies that may be applicable to or involve transactions with related parties, such as our Standards of Business Conduct.

Axionlog Split-off

In March 2011, we effected a split-off of Axionlog (formerly known as Axis) to our principal shareholders. The split-off was effected through the redemption of 41,882,966 shares (25,129,780 class A shares and 16,753,186 class B shares). As consideration for the redemption, the Company transferred to its principal shareholders its equity interests in the operating subsidiaries of the Axionlog business totaling a net book value of $15.4 million and an equity contribution that was made to the Axionlog holding company amounting to $29.8 million. Following the split-off, Los Laureles Ltd. acquired the Axionlog shares held by Gavea Investment AD, L.P. and investment funds controlled by Capital International, Inc. and DLJ South American Partners L.L.C. (through its affiliates). The split-off of Axionlog did not have a material effect on our results of operations or financial condition.

In 2011, we entered into a master commercial agreement with Axionlog on arm's-length terms pursuant to which Axionlog provides us with distribution inventory, storage (dry, frozen and chilled) and transportation services in Argentina, Chile, Colombia, Mexico, Venezuela, Uruguay and Peru. Pricing under the agreement is determined pursuant to an agreed upon formula that is considered standard in the distribution services industry. Additionally, Axionlog must comply with McDonald's quality program, the Distributor Quality Management System (DQMP) and other supplier requirements to maintain its status as a McDonald's-approved supplier pursuant to the MFA. The pricing formula considers certain variables to determine the applicable fees, including (i) cost inputs (i.e., transportation expenses and salaries); (ii) time required for completion; (iii) storage requirements; (iv) merchandise volume; and (v) inflation and exchange rate adjustments. We use similar pricing formulas with our other distribution service providers in the territories not covered by Axionlog. Under the terms of the agreement, the pricing formula is reviewed on a yearly basis. During these reviews, we share information in order to find potential cost efficiencies and savings. In addition, we or Axionlog may request a renegotiation of the pricing formula in the event that, due to factors outside of our or their control, the formula is substantially altered based on changes to its variable inputs.

On November 9, 2011, we entered into a revolving loan agreement as a creditor with Axionlog B.V. (formerly known as Axis Distribution B.V.), a holding company of the Axionlog business, pursuant to which we agreed to lend Axionlog up to a total amount of $12.0 million at an interest rate of LIBOR plus 6%, in line with the interest rates prevailing in the market at the time of the agreement, the loan facility matured on November 7, 2016. As of December 31, 2015 and 2014, Axionlog B.V. had borrowed $1.8 million and $11.5 million, respectively, from us in connection with this revolving loan facility. Notwithstanding the fact that the loan maturity date was November 7, 2016 the parties decided to terminate the agreement as of May 27, 2016. As a result, we collected the outstanding principal amount of $1.8 million on May 27, 2016.

During 2016, we incurred $40.7 million in total distribution fees payable to Axionlog, which accounted for approximately 4.0% of our total food and paper costs.

See Note 25 to our consolidated financial statements for details of the outstanding balances and transactions with related parties as of December 31, 2016 and 2015 and for the fiscal years ended December 31, 2016, 2015 and 2014.

Employment of Francisco Staton

Mr. Francisco Staton, Woods Staton's son, leads our operations in Colombia, serving as the managing director for Arcos Dorados Colombia. In this position, Francisco Staton reports to Luis Raganato, President of the Caribbean Division. He has a bachelor's degree from Columbia University in New York, where he also completed a Master's in Business Administration. Prior to working at Arcos Dorados, he worked as a consultant for the Boston Consulting Group. At Arcos Dorados, Francisco Staton has completed the Company's operational training programs in São Paulo and Bogotá, and has also held other positions at the Company, including serving as a restaurant manager as well as serving as a Senior Development Manager for new business projects in the NOLAD Division, in Mexico. For his services as managing director in Colombia, Francisco Staton receives customary compensation and benefits commensurate with his level of responsibility within the Company. His compensation package is aligned with the compensation packages of similar positions in other companies in Colombia, according to external compensation surveys. Francisco Staton is not an executive officer of the Company.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial statements

See “Item 18. Financial Statements,” which contains our financial statements prepared in accordance with U.S. GAAP.

Legal Proceedings

Puerto Rican Franchisees

In January 2007, several Puerto Rican franchisees filed a lawsuit against McDonald’s Corporation and certain subsidiaries, which the Company purchased during the acquisition of the LatAm business (the “Puerto Rican franchisees lawsuit”). The lawsuit originally sought declaratory judgment and damages in the amount of $11 million plus plaintiffs’ attorney’s fees. In January 2008, the plaintiffs filed an amended complaint that increased the amount of damages sought to $66.7 million plus plaintiffs’ attorney’s fees. The complaint, as amended, requests that the court declare that the plaintiffs’ respective franchise agreements and contractual relationships with McDonald’s Corporation, which agreements and relationships were assigned or otherwise transferred to the Company as part of the Acquisition of the LatAm business, are governed by the Dealers’ Act of Puerto Rico, or “Law 75”, a Puerto Rican law that limits the grounds under which a principal may refuse to renew or terminate a distribution contract. The complaint also seeks preliminary and permanent injunctions to restrict the Company from declining to renew the plaintiffs’ agreements except for just cause, and to prohibit the Company from opening restaurants or kiosks within a three-mile radius of a franchisee’s restaurant. In September 2008, the Company filed a counter-suit requesting the termination of the franchise agreements with these franchisees due to several material breaches. On December 23, 2010, the Commissioner assigned by the Court of First Instance to this case issued a resolution holding that Law 75 applies to the parties’ commercial relationship. On July 20, 2011, the Court of First Instance adopted the Commissioner’s determination with respect to the application of Law 75. This determination is an interlocutory determination that defines the legislation applicable to the franchisee rights and obligations. Law 75 will be the applicable law during the trial process. After the trial conclusion, the Company can still reiterate in appeal the position that Law 75 does not apply to the franchised agreements. The franchisees will still need to demonstrate and prove that the franchisor has breached their respective contracts. Therefore, no provision has been recorded regarding this lawsuit because the Company believes that a final negative outcome has a low probability of occurrence.

Both parties have concluded discovery and the pretrial hearing was held on August 30, 2012. The trial commenced on September 10, 2012 and was heard by the court-assigned commissioner. At the end of 2014, plaintiffs finished their presentation of evidence and we have not yet started our presentation of evidence. We anticipate that the Commissioner will issue a recommendation of resolution to the Court of First Instance during 2017.

During 2014, another franchisee filed a complaint (the “related Puerto Rican franchisee lawsuit”) against us and McDonald’s USA, LLC (a wholly owned subsidiary of McDonald’s Corporation), asserting a very similar claim to the one filed in the Puerto Rican franchisees lawsuit. The claim seeks declaratory judgment and damages in the amount of $30 million plus plaintiff’s attorney’s fees. Although this case is in its early stages, we believe that a final negative resolution has a low probability of occurrence, since its close resemblance to the Puerto Rican franchisees lawsuit.

Furthermore, on March 26, 2010, we filed a collection claim against Puerto Rico Owner Operator's Association ("PROA"), an association integrated by our franchisees that meets periodically to coordinate the development of promotional and marketing campaigns, for the reimbursement of the monetary contribution made during August 2007. On June 15, 2010, PROA, also known as the cooperative, filed a third party complaint and counterclaim (the "PROA claim") against us and other third party defendants, in the amount of $31 million. At that time, the association was formed solely by franchisees that are plaintiffs in the Puerto Rican franchisees lawsuit, described above. PROA's complaint requests breach of contract for withdrawing from the association (PROA's position is that we cannot resign to the cooperative) and collection of past contributions, among others. On June 9, 2014, after several motions for summary judgment duly filed and opposed by the parties, the Court entered a "Partial Summary Judgment and Resolution" in favor of PROA, before initiating the discovery phase, finding that we must participate and contribute funds to the association. However, the Court did not specify any amount for which we should be held liable, due to its preliminary and interlocutory nature, and the lack of discovery conducted regarding the amounts claimed by the plaintiffs. We are opposing this claim vigorously because we believe that there is no legal basis for it considering: (i) the obligation to contribute is not directed towards a cooperative, (ii) the franchise agreement does not contain a provision that makes it mandatory to participate in the cooperative, and (iii) PROA's by-laws state that participation in the cooperative is voluntary, among other arguments. Based on the above, we believe that a negative final outcome has a low probability of occurrence and, consequently, no provision has been recorded.

Pursuant to Section 9.3 of the Stock Purchase Agreement, McDonald's Corporation indemnifies the Company for certain Brazilian claims as well as for specific and limited claims arising from the Puerto Rican franchisees lawsuit. Pursuant to the MFA, the Company indemnifies McDonald's for the related Puerto Rican franchisee lawsuit and the PROA claim.

Brazilian Labor Litigation

In August 2012, the Labor Prosecutor's Office of the State of Pernambuco (*Ministério Público do Trabalho do Estado de Pernambuco*) in Brazil filed a civil complaint against us in the Labor Court of Pernambuco (*Justiça do Trabalho de Pernambuco*) in order to (i) compel us to change the variable work schedule applicable to our 14 restaurants in Pernambuco, which is a state in northeastern Brazil, to a fixed work schedule, (ii) seek fines of R$3,000 per employee per month for alleged noncompliance with labor laws related to, for example, overtime payment, breaks between workdays, night shift premiums, duration of breaks and weekly rest time, (iii) seek a penalty of R$20,000 related to the non-exhibition of documentation relating to audit labor inspections and (iv) seek collective damages of R$30,000,000 related to the variable work schedule practices in Pernambuco in recent years. The first hearing was scheduled for March 21, 2013.

On February 22, 2013, the Labor Prosecutor's Office of Pernambuco filed an additional petition seeking the extension of the original complaint throughout Brazil and increasing the amount of collective damages requested from R$30,000,000 to R$50,000,000. The Labor Prosecutor's Office of the State of Pernambuco also added a demand that all employees should be allowed to bring their own meals for consumption during breaks in our restaurants.

On March 19, 2013, the Labor Court of Pernambuco ruled that we are required to implement a fixed work schedule for all of our employees in Brazil, with the exception of the regions (which represent approximately 80% of our employees in Brazil) where we have already signed a commitment or have obtained favorable legal decisions. The Labor Court of Pernambuco also held that our employees should be allowed to bring their own meals and approved the fine of R$3,000 for alleged noncompliance with labor laws, as described above, and the penalty of R$20,000 related to the non-exhibition of documentation relating to audit labor inspections.

On March 21, 2013, at a hearing before the Labor Court of Pernambuco, we agreed with the Labor Prosecutor's Office of the State of Pernambuco to the following terms:

- our commitment to implement a fixed work schedule in Brazil;
- our commitment to comply with overtime payment, breaks between workdays, night shift premiums, duration of breaks, and weekly rest time requirements, among others requirements;

- a reduction of the fine for proved alleged noncompliance with the abovementioned items from R$3,000 to R$2,000 per employee per month;
- a reduction of the penalty for the non-exhibition of documentation relating to audit labor inspections from R$20,000 to R$2,000;
- the temporary stay for 60 days of the requirement to allow employees to bring their own meals;
- non-recognition of collective damages, provided that we will pay an amount of R$1.5 million in cash to the states of Pernambuco, Rio de Janeiro and Paraná (R$0.5 million each) on June 21, 2013 and we will incur an aggregate amount of R$6.0 million over the course of four years (R$1.5 million in January of each of 2014, 2015, 2016 and 2017) in advertising as part of a national communications campaign for educational or health purposes to be determined by the Labor Prosecutor's Office of the State of Pernambuco by June 2013.

The claim to guarantee the payment of the minimum wage independently of working hours is currently on hold but will continue to be subject to legal discussion. No provision has been recorded regarding this claim because we believe that a final negative resolution has a low probability based on the fact that this labor practice complies with prevailing laws and regulations. The Labor Prosecutor has begun audits in order to confirm compliance with the terms of the settlement. Pursuant to the terms of the settlement, on June 21, 2013 we paid an aggregate amount of R$1.5 million in cash to the states of Pernambuco, Rio de Janeiro and Paraná (R$0.5 million each). On February 24, 2014, we and the Labor Prosecutor agreed on the schedule and terms relating to the payment of up to an aggregate amount of R$1.5 million throughout 2014 to fund communications campaigns for the Labor Prosecutor's Office of the State of Pernambuco. On March 3, 2015 we and the Labor Prosecutor also came to an agreement over the designation of the R$1.5 million we gave to a communication campaign sponsored by the Labor Prosecutor's Office of the State of Pernambuco, called "MPT Journalism Award 2015." The payments were made at the time of each campaign, in order to comply with the terms of the settlement. On April 5, 2016 we were informed by the Labor Ministry Prosecutor that the provisioned amount of R$1.5 million will also be destined to its communication campaign "MPT Journalism Award 2016." We have requested information from the Labor Prosecutor's Office regarding payment of the 2017 installment, but have still not received the relevant guidance. A hearing was scheduled for September 12, 2016 to terminate the discovery phase and issue a ruling on the pleas related to payment of the minimum wage for employees who do not work full time, as well as the possibility of employees bringing their own meals and not the meals provided by the Company. However, the hearing was cancelled due to an audit carried out by the Labor Prosecutor's Office to verify compliance with the settlement. There were no new developments in this case as a result of this audit.

In parallel with the judicial case, on December 2016, an administrative assessment of compliance with the settlement was initiated by a team composed of Labor Prosecutors. A preliminary report was issued on December 1, 2016 in which the Labor Prosecutors claimed there were certain irregularities in our compliance with the settlement and demanded penalties of approximately R$104 million. On December 13, 2016, an administrative hearing was held at the Labor Prosecutor's headquarters in São Paulo, in which the Labor Prosecutor emphasized the preliminary nature of the report and granted us the opportunity to submit information, explanations and documents relating to compliance with the settlement. On March 15, 2017, we submitted a petition and documents as evidence that we have complied with the settlement, and on March 17, 2017, we attended a meeting with the Labor Prosecutor to clarify our arguments. We delivered additional documents regarding our compliance with the settlement for the period ranging from December 2015 to April 2017 on April 20, 2017. A hearing to discuss the investigation will take place on May 5, 2017.

Sinthoresp – Brasília

On February 23, 2015, a coalition of labor unions filed a lawsuit against us. The coalition alleges that we have defaulted on our obligations to our employees with a variety of inadequate working conditions such as an unhealthy working environment, consolidation of employee tasks, failure to pay the legal minimum wage or wages established through collective bargaining agreements, time-card fraud, failure to regularly collect contributions to the Mandatory Severance Pay Fund (FGTS), failure to grant legally-mandated meal and rest periods, failure to pay corresponding overtime, provision of sandwiches as the shift meal, failure to pay contracted amounts for recession of contracts, failure to supply the documents necessary to withdraw FGTS payments, and failure to provide the social security and termination of employment documents required under Brazilian law.

The plaintiffs argue that the alleged practices are a form of "social dumping," a cause of action under the commercial law characterized by practices seeking to obtain a significant reduction in production costs resulting in unfair competition. The plaintiffs have requested an order requiring: (i) immediate rectification of the alleged practices; (ii) an injunction against opening any new restaurants until compliance with the labor practices is demonstrated; (iii) damages for pain and suffering equal to an amount between 1% and 30% of gross income; (iv) that the Economic Defense Administrative Council – CADE be placed on notice of these conditions; and (v) service of process to the Labor Prosecutor to require it to follow up on the lawsuit.

The lawsuit is currently before the 22nd DF Labor Court in Brasilia. On March 6, 2015, the Labor Court denied the coalition's requests (i) to enjoin the allegedly unfair labor practices and (ii) that we not be permitted to open any new restaurants in Brazil. The first defense hearing was held on November 4, 2015 and the discovery hearing was held on May 11, 2016. Production of oral evidence was denied and a hearing for closure of the discovery phase was held on August 24, 2016. At this new hearing, the date for issuing a judgment in this case was scheduled for December 19, 2016. However, there were several postponements. On March 27, 2017, the Labor Court entered a judgment rejecting all claims made by the coalition of labor unions and affirmed that the coalition was not able to prove its allegations. The coalition presented a motion to clarify some aspects of the decision and may also file an appeal against it.

Civil Complaint 0528900-98.2006.5.02.0080

On December 13, 2006, a civil complaint was filed by the Labor Prosecutor's Office in São Paulo, questioning our compliance with rules related to sanitary surveillance, workers' health and safety, work ergonomics and working hours. After a preliminary injunction was granted for compliance with issues related to relevant rules cited in the complaint, an agreement (the "TAC") was entered into between the company and the Labor Prosecutor's Office that provides for a daily fine of R$5,000 for non-compliance with the TAC provisions. The full contents of the TAC were ratified by the Labor Court on March 16, 2007.

On October 18, 2010, we entered into a new agreement with the Labor Prosecutor's Office in São Paulo, which maintained the previous commitments assumed by us in the TAC, but also included an obligation to annually pay R$1,300,000 (as adjusted on a yearly basis from 2011 to 2019) towards the financing of campaigns against child labor and to make a one-time contribution in the amount of R$1,500,000 to the São Paulo's Medical University's Foundation. Furthermore, according to the agreement, the company was required to file a schedule for the compliance with the obligations set forth in the TAC. The company has been in compliance with this agreement, which will remain in effect through 2019.

In parallel with the judicial lawsuit's developments, the Labor Prosecutor's Office initiated an administrative audit regarding the company's compliance with the TAC. On November 2016, the Labor Prosecutor's Office claimed that it had identified violations of the TAC and demanded R$13 million in connection with such violations. The company was notified and an administrative hearing was scheduled for March 13, 2017 before the Labor Prosecutor's Office. On April 3, 2017, we submitted a petition and documents as evidence that we have complied with the settlement, rejecting the Labor Prosecutor's claims.

Retained Lawsuits and Contingent Liabilities

We have certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor, tax and other matters. As of December 31, 2016 we maintained a provision for contingencies amounting to $36.7 million ($26.1 million as of December 31, 2015), which is disclosed net of judicial deposits amounting to $18.6 million ($5.5 million as of December 31, 2015) that we were required to make in connection with the proceedings. As of December 31, 2016, the net amount of $18.1 million was disclosed as follows: $0.8 million as a current liability and $17.3 million as a non-current liability. See Note 18 to our consolidated financial statements for more details.

Pursuant to the Acquisition, McDonald's Corporation indemnifies us for certain Brazilian claims as well as for specific and limited claims arising from the Puerto Rican franchisee lawsuit. As of December 31, 2016, the non-current portion of the provision for contingencies included $5.2 million ($3.5 million as of December 31, 2015) related to Brazilian claims that are covered by the indemnification agreement. As a result, we have recorded a current asset and non-current asset in respect of McDonald's Corporation's indemnity in our consolidated balance sheet. The current asset in respect of McDonald's Corporation's indemnity represents the amount of cash to be received as a result of settling certain Brazilian labor and tax contingencies.

Several of these proceedings have already been resolved successfully, either by a judicial decision or a cash settlement. The cash settlements were made pursuant to a recent reopening of a 2009 amnesty granted by the Brazilian federal government, in which McDonalds opted to participate. The amnesty was originally granted in 2009 as a way to reduce litigation with federal authorities and increase tax collection during the financial crisis. The amnesty allowed Brazilian taxpayers to settle federal tax debts under favorable conditions, including reduced penalties and interest and the ability to pay principal in up to 180 installments. In 2014, pursuant to an additional amnesty, such outstanding Brazilian federal tax debts were paid in full using mainly applicable tax loss carryforwards. The remaining retained proceedings are pending a final decision.

As of December 31, 2016, there are certain matters related to the interpretation of tax and labor law for which there is a possibility that a loss may have been incurred in accordance with ASC 450-20-50-4 within a range of $89 million and $122 million.

Other Proceedings

In addition to the matters described above, we are from time to time subject to certain claims and party to certain legal proceedings incidental to the normal course of our business. In view of the inherent difficulty of predicting the outcome of legal matters, we cannot state with confidence what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to each pending matter may be. We believe that we have made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings and believe that liabilities related to such claims and proceedings should not have, in the aggregate, a material adverse effect on our business, financial condition, or results of operations. However, in light of the uncertainties involved in these claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us; as a result, the outcome of a particular matter may be material to our operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and the level of our income for that period.

Dividends and Dividend Policy

Our Board of Directors considers the legal requirements with regard to our net income and retained earnings and our cash flow generation, targeted leverage ratios and debt covenant requirements in determining the amount of dividends to be paid, if any. Dividends may only be paid in accordance with the provisions of our memorandum and articles of association and Section 57 of the BVI Business Companies Act, 2004 (as amended) and after having fulfilled our capital expenditures program and after satisfying our indebtedness and liquidity thresholds, in that order. Pursuant to our memorandum and articles of association, all dividends unclaimed for three years after having been declared may be forfeited by a resolution of directors for the benefit of the Company.

No dividends were declared for fiscal year 2016 and, as of the date of this annual report on Form 20-F, no dividends have been declared for fiscal year 2017.

The only dividends we have declared since the Acquisition are the four $12.5 million dividends in 2014, four $12.5 million dividends in 2013, four $12.5 million dividends in 2012, four $12.5 million dividends in 2011 and a $40 million dividend with respect to our results of operations for fiscal year 2009. All of these dividends have been paid in full.

The amounts and dates of future dividend payments, if any, will be subject to, among other things, the discretion of our Board of Directors. Accordingly, there can be no assurance that any future distributions will be made, or, if made, as to the amount of such distributions.

B. Significant Changes

None.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

The following table shows the annual, quarterly and monthly ranges of the high and low per share closing sales price for our class A shares as reported by the NYSE.

	Low	High
Year Ended December 31:		
2011 (since April 14, 2011)	$ 19.50	$ 29.41
2012	$ 10.55	$ 22.99
2013	$ 10.45	$ 15.52
2014	$ 5.17	$ 12.12
2015	$ 2.57	$ 6.60
2016	$ 2.16	$ 6.60
Year Ended December 31, 2015:		
First Quarter	$ 4.09	$ 5.93
Second Quarter	$ 4.81	$ 6.60
Third Quarter	$ 2.71	$ 5.26
Fourth Quarter	$ 2.57	$ 3.97
Year Ended December 31, 2016:		
First Quarter	$ 2.16	$ 3.89
Second Quarter	$ 3.29	$ 5.13
Third Quarter	$ 4.56	$ 5.99
Fourth Quarter	$ 5.15	$ 6.60
Year Ended December 31, 2017:		
First Quarter	$ 5.45	$ 8.25
Month Ended:		
October 31, 2016	$ 5.18	$ 6.60
November 30, 2016	$ 5.20	$ 6.20
December 31, 2016	$ 5.25	$ 6.00
January 31, 2017	$ 5.45	$ 5.95
February 28, 2017	$ 5.83	$ 6.60
March 31, 2017	$ 6.00	$ 8.25
April 30, 2017 (through April 25, 2017)	$ 7.55	$ 8.40

B. Plan of Distribution

Not applicable.

C. Markets

Our class A shares have been listed on the NYSE, since April 14, 2011 under the symbol "ARCO." For information regarding the price history of our class A shares, see "—A. Offering and Listing Details."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

General

We are a British Virgin Islands company incorporated with limited liability and our affairs are governed by the provisions of our memorandum and articles of association, as amended and restated from time to time, and by the provisions of applicable British Virgin Islands law, including the BVI Business Companies Act, 2004, or the BVI Act.

Our company number in the British Virgin Islands is 1619553. As provided in sub-regulation 4.1 of our memorandum of association, subject to British Virgin Islands law, we have full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and, for such purposes, full rights, powers and privileges. Our registered office is at Maples Corporate Services (BVI) Limited, Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands.

The transfer agent and registrar for our class A and class B shares is Continental Stock Transfer & Trust Company, which maintains the share registrar for each class in New York, New York.

As of the date of this annual report, under our memorandum and articles of association, we are authorized to issue up to 420,000,000 class A shares and 80,000,000 class B shares. As of the date of this annual report, 130,711,224 class A shares and 80,000,000 class B shares were issued, fully paid and outstanding.

The maximum number of shares that we are authorized to issue may be changed by resolution of shareholders amending our memorandum and articles of association. Shares may be issued from time to time only by resolution of shareholders.

Our class A shares are listed on the NYSE under the symbol "ARCO."

The following is a summary of the material provisions of our memorandum and articles of association.

Class A Shares

Holders of our class A shares may freely hold and vote their shares.

The following summarizes the rights of holders of our class A shares:

- each holder of class A shares is entitled to one vote per share on all matters to be voted on by shareholders generally, including the election of directors;
- holders of class A shares vote together with holders of class B shares;
- there are no cumulative voting rights;
- the holders of our class A shares are entitled to dividends and other distributions, *pari passu* with our class B shares, as may be declared from time to time by our board of directors out of funds legally available for that purpose, if any, and pursuant to our memorandum and articles of association, all dividends unclaimed for three years after having been declared may be forfeited by a resolution of directors for the benefit of the Company;

- upon our liquidation, dissolution or winding up, the holders of class A shares will be entitled to share ratably, *pari passu* with our class B shares, in the distribution of all of our assets remaining available for distribution after satisfaction of all our liabilities; and

- the holders of class A shares have preemptive rights in connection with the issuance of any securities by us, except for certain issuances of securities by us, including (i) pursuant to any employee compensation plans; (ii) as consideration for (a) any merger, consolidation or purchase of assets or (b) recapitalization or reorganization; (iii) in connection with a pro rata division of shares or dividend in specie or distribution; or (iv) in a bona fide public offering that has been registered with the SEC, but they are not entitled to the benefits of any redemption or sinking fund provisions.

Class B Shares

All of our class B shares are owned by Los Laureles Ltd. Holders of our class B shares may freely hold and vote their shares.

The following summarizes the rights of holders of our class B shares:

- each holder of class B shares is entitled to five votes per share on all matters to be voted on by shareholders generally, including the election of directors;

- holders of class B shares vote together with holders of class A shares;

- class B shares may not be listed on any U.S. or foreign national or regional securities exchange or market;

- there are no cumulative voting rights;

- the holders of our class B shares are entitled to dividends and other distributions, *pari passu* with our class A shares, as may be declared from time to time by our board of directors out of funds legally available for that purpose, if any, and pursuant to our memorandum and articles of association, all dividends unclaimed for three years after having been declared may be forfeited by a resolution of directors for the benefit of the Company;

- upon our liquidation, dissolution or winding up, the holders of class B shares will be entitled to share ratably, *pari passu* with our class A shares, in the distribution of all of our assets remaining available for distribution after satisfaction of all our liabilities;

- the holders of class B shares have preemptive rights in connection with the issuance of any securities by us, except for certain issuances of securities by us, including (i) pursuant to any employee compensation plans; (ii) as consideration for (a) any merger, consolidation or purchase of assets or (b) recapitalization or reorganization; (iii) in connection with a pro rata division of shares or dividend in specie or distribution; or (iv) in a bona fide public offering that has been registered with the SEC, but they are not entitled to the benefits of any redemption or sinking fund provisions;

- each class B share is convertible into one class A share at the option of the holder at any time, subject to the prior written approval of McDonald’s; and

- each class B share will convert automatically into one class A share at such time as the holders of class B shares cease to hold, directly or indirectly, at least 20% of the aggregate number of outstanding class A and class B shares.

Limitation on Liability and Indemnification Matters

Under British Virgin Islands law, each of our directors and officers, in performing his or her functions, is required to act honestly and in good faith with a view to our best interests and exercise the care, diligence and skill that a reasonably prudent director would exercise in comparable circumstances. Our memorandum and articles of association provide that, to the fullest extent permitted by British Virgin Islands law or any other applicable laws, our directors will not be personally liable to us or our shareholders for any acts or omissions in the performance of their duties. This limitation of liability does not affect the availability of equitable remedies such as injunctive relief or rescission. These provisions will not limit the liability of directors under United States federal securities laws.

Our memorandum and articles of association provide that we shall indemnify any of our directors or anyone serving at our request as a director of another entity against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings or suits. We may pay any expenses, including legal fees, incurred by any such person in defending any legal, administrative or investigative proceedings in advance of the final disposition of the proceedings. If a person to be indemnified has been successful in defense of any proceedings referred to above, the director is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by the director or officer in connection with the proceedings.

We may purchase and maintain insurance in relation to any of our directors, officers, employees, agents or liquidators against any liability asserted against them and incurred by them in that capacity, whether or not we have or would have had the power to indemnify them against the liability as provided in our memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, or the Securities Act, may be permitted to our directors, officers or controlling persons pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable as a matter of United States law.

Shareholders' Meetings and Consents

The following summarizes certain relevant provisions of British Virgin Islands law and our articles of association in relation to our shareholders' meetings:

- the directors of the Company may convene meetings of shareholders at such times and in such manner and places within or outside the British Virgin Islands as the directors consider necessary or desirable; provided that at least one meeting of shareholders be held each year;

- upon the written request of shareholders entitled to exercise 30 percent or more of the voting rights in respect of the matter for which the meeting is requested, the directors are required to convene a meeting of the shareholders. Any such request must state the proposed purpose of the meeting;

- the directors convening a meeting must give not less than ten days' notice of a meeting of shareholders to: (i) those shareholders whose names on the date the notice is given appear as shareholders in the register of members of our company and are entitled to vote at the meeting, and (ii) the other directors;

- a meeting of shareholders held in contravention of the requirement to give notice is valid if shareholders holding at least 90 percent of the total voting rights on all the matters to be considered at the meeting have waived notice of the meeting and, for this purpose, the presence of a shareholder at the meeting shall constitute waiver in relation to all the shares that such shareholder holds;

- a shareholder may be represented at a meeting of shareholders by a proxy who may speak and vote on behalf of the shareholder;

- a meeting of shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than 50 percent of the votes of the shares or class or series of shares entitled to vote on resolutions of shareholders to be considered at the meeting;

- if within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved; in any other case it shall be adjourned to the next business day in the jurisdiction in which the meeting was to have been held at the same time and place or to such other date, time and place as the directors may determine, and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the shares or each class or series of shares entitled to vote on the matters to be considered by the meeting, those present shall constitute a quorum, but otherwise the meeting shall be dissolved. Notice of the adjourned meeting need not be given if the date, time and place of such meeting are announced at the meeting at which the adjournment is taken;

- a resolution of shareholders is valid (i) if approved at a duly convened and constituted meeting of shareholders by the affirmative vote of a majority of the votes of the shares entitled to vote thereon which were present at the meeting and were voted, or (ii) if it is a resolution consented to in writing by a majority of the votes of shares entitled to vote thereon; and
- an action that may be taken by the shareholders at a meeting may also be taken by a resolution of shareholders consented to in writing by a majority of the votes of shares entitled to vote thereon, without the need for any notice, but if any resolution of shareholders is adopted otherwise than by unanimous written consent of all shareholders, a copy of such resolution shall forthwith be sent to all shareholders not consenting to such resolution.

We held our most recent annual shareholder meeting on April 24, 2017 in Montevideo, Uruguay.

Compensation of Directors

The compensation of our directors is determined by our Board of Directors, and there is no requirement that a specified number or percentage of "independent" directors must approve any such determination.

Differences in Corporate Law

We were incorporated under, and are governed by, the laws of the British Virgin Islands. The corporate statutes of the State of Delaware and the British Virgin Islands in many respects are similar, and the flexibility available under British Virgin Islands law has enabled us to adopt a memorandum of association and articles of association that will provide shareholders with rights that, except as described in this annual report, do not vary in any material respect from those they would enjoy if we were incorporated under the Delaware General Corporation Law, or Delaware corporate law. Set forth below is a summary of some of the differences between provisions of the BVI Act applicable to us and the laws applicable to companies incorporated in Delaware and their shareholders.

Director's Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling stockholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

British Virgin Islands law provides that every director of a British Virgin Islands company, in exercising his powers or performing his duties, shall act honestly and in good faith and in what the director believes to be in the best interests of the company. Additionally, the director shall exercise the care, diligence, and skill that a reasonable director would exercise in the same circumstances, taking into account the nature of the company, the nature of the decision and the position of the director and his responsibilities. In addition, British Virgin Islands law provides that a director shall exercise his powers as a director for a proper purpose and shall not act, or agree to the company acting, in a manner that contravenes British Virgin Islands law or the memorandum association or articles of association of the company.

Amendment of Governing Documents

Under Delaware corporate law, with very limited exceptions, a vote of the shareholders is required to amend the certificate of incorporation. In addition, Delaware corporate law provides that shareholders have the right to amend the bylaws, and the certificate of incorporation also may confer on the directors the right to amend the bylaws. Our memorandum of association may only be amended by a resolution of shareholders, provided that any amendment of the provision related to the prohibition against listing our class B shares must be approved by not less than 50% of the votes of the class A shares entitled to vote that were present at the relevant meeting and voted. Our articles of association may also only be amended by a resolution of shareholders.

Written Consent of Directors

Under Delaware corporate law, directors may act by written consent only on the basis of a unanimous vote. Similarly, under our articles of association, a resolution of our directors in writing shall be valid only if consented to by all directors or by all members of a committee of directors, as the case may be.

Written Consent of Shareholders

Under Delaware corporate law, unless otherwise provided in the certificate of incorporation, any action to be taken at any annual or special meeting of shareholders of a corporation may be taken by written consent of the holders of outstanding stock having not less than the minimum number of votes that would be necessary to take that action at a meeting at which all shareholders entitled to vote were present and voted. As permitted by British Virgin Islands law, shareholders' consents need only a majority of shareholders signing to take effect. Our memorandum and articles of association provide that shareholders may approve corporate matters by way of a resolution consented to at a meeting of shareholders or in writing by a majority of shareholders entitled to vote thereon.

Shareholder Proposals

Under Delaware corporate law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings. British Virgin Islands law and our memorandum and articles of association provide that our directors shall call a meeting of the shareholders if requested in writing to do so by shareholders entitled to exercise at least 30% of the voting rights in respect of the matter for which the meeting is requested. Any such request must state the proposed purpose of the meeting.

Sale of Assets

Under Delaware corporate law, a vote of the shareholders is required to approve the sale of assets only when all or substantially all assets are being sold. In the British Virgin Islands, shareholder approval is required when more than 50% of the Company's total assets by value are being disposed of or sold if not made in the usual or regular course of the business carried out by the company. Under our memorandum and articles of association, the directors may by resolution of directors determine that any sale, transfer, lease, exchange or other disposition is in the usual or regular course of the business carried on by us and such determination is, in the absence of fraud, conclusive.

Dissolution; Winding Up

Under Delaware corporate law, unless the board of directors approves the proposal to dissolve, dissolution must be approved in writing by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware corporate law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. As permitted by British Virgin Islands law and our memorandum and articles of association, we may be voluntarily liquidated under Part XII of the BVI Act by resolution of directors and resolution of shareholders if we have no liabilities or we are able to pay our debts as they fall due.

Redemption of Shares

Under Delaware corporate law, any stock may be made subject to redemption by the corporation at its option, at the option of the holders of that stock or upon the happening of a specified event, provided shares with full voting power remain outstanding. The stock may be made redeemable for cash, property or rights, as specified in the certificate of incorporation or in the resolution of the board of directors providing for the issue of the stock. As permitted by British Virgin Islands law and our memorandum and articles of association, shares may be repurchased, redeemed or otherwise acquired by us. However, the consent of the shareholder whose shares are to be repurchased, redeemed or otherwise acquired must be obtained, except as described under "—Compulsory Acquisition" below. Moreover, our directors must determine that immediately following the redemption or repurchase we will be able to pay our debts as they become due and that the value of our assets will exceed our liabilities.

Compulsory Acquisition

Under Delaware General Corporation Law § 253, in a process known as a "short form" merger, a corporation that owns at least 90% of the outstanding shares of each class of stock of another corporation may either merge the other corporation into itself and assume all of its obligations or merge itself into the other corporation by executing, acknowledging and filing with the Delaware Secretary of State a certificate of such ownership and merger setting forth a copy of the resolution of its board of directors authorizing such merger. If the parent corporation is a Delaware corporation that is not the surviving corporation, the merger also must be approved by a majority of the outstanding stock of the parent corporation. If the parent corporation does not own all of the stock of the subsidiary corporation immediately prior to the merger, the minority shareholders of the subsidiary corporation party to the merger may have appraisal rights as set forth in § 262 of the Delaware General Corporation Law.

Under the BVI Act, subject to any limitations in a Company's memorandum or articles, members holding 90% of the votes of the outstanding shares entitled to vote, and members holding 90% of the votes of the outstanding shares of each class of shares entitled to vote, may give a written instruction to the company directing the company to redeem the shares held by the remaining members. Upon receipt of such written instruction, the company shall redeem the shares specified in the written instruction, irrespective of whether or not the shares are by their terms redeemable. The company shall give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected. A member whose shares are to be so redeemed is entitled to dissent from such redemption, and to be paid the fair value of his shares, as described under "—Shareholders' Rights under British Virgin Islands Law Generally" below.

Variation of Rights of Shares

Under Delaware corporate law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of that class, unless the certificate of incorporation provides otherwise. As permitted by British Virgin Islands law and our memorandum of association, we may vary the rights attached to any class of shares only with the consent in writing of holders of not less than 50% of the issued shares of that class and of holders of not less than 50% of the issued shares of any other class which may be adversely affected by such variation.

Removal of Directors

Under Delaware corporate law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Our memorandum and articles of association provide that directors may be removed at any time, with or without cause, by a resolution of shareholders or a resolution of directors.

In addition, directors are subject to rotational retirement every three years. The initial terms of office of the Class I, Class II and Class III directors have been staggered over a period of three years to ensure that all directors of the company do not face reelection in the same year.

Mergers

Under Delaware corporate law, one or more constituent corporations may merge into and become part of another constituent corporation in a process known as a merger. A Delaware corporation may merge with a foreign corporation as long as the law of the foreign jurisdiction permits such a merger. To effect a merger under Delaware General Corporation Law § 251, an agreement of merger must be properly adopted and the agreement of merger or a certificate of merger must be filed with the Delaware Secretary of State. In order to be properly adopted, the agreement of merger must be adopted by the board of directors of each constituent corporation by a resolution or unanimous written consent. In addition, the agreement of merger generally must be approved at a meeting of stockholders of each constituent corporation by a majority of the outstanding stock of the corporation entitled to vote, unless the certificate of incorporation provides for a supermajority vote. In general, the surviving corporation assumes all of the assets and liabilities of the disappearing corporation or corporations as a result of the merger.

Under the BVI Act, two or more BVI companies may merge or consolidate in accordance with the statutory provisions. A merger means the merging of two or more constituent companies into one of the constituent companies, and a consolidation means the uniting of two or more constituent companies into a new company. In order to merge or consolidate, the directors of each constituent BVI company must approve a written plan of merger or consolidation which must be authorized by a resolution of shareholders. One or more BVI companies may also merge or consolidate with one or more companies incorporated under the laws of jurisdictions outside the BVI, if the merger or consolidation is permitted by the laws of the jurisdictions in which the companies incorporated outside the BVI are incorporated. In respect of such a merger or consolidation a BVI company is required to comply with the provisions of the BVI Act, and a company incorporated outside the BVI is required to comply with the laws of its jurisdiction of incorporation.

Shareholders of BVI companies not otherwise entitled to vote on the merger or consolidation may still acquire the right to vote if the plan of merger or consolidation contains any provision which, if proposed as an amendment to the memorandum of association or articles of association, would entitle them to vote as a class or series on the proposed amendment. In any event, all shareholders must be given a copy of the plan of merger or consolidation irrespective of whether they are entitled to vote at the meeting or consent to the written resolution to approve the plan of merger or consolidation.

Inspection of Books and Records

Under Delaware corporate law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation’s stock ledger, list of shareholders and other books and records. Under British Virgin Islands law, members of the general public, on payment of a nominal fee, can obtain copies of the public records of a company available at the office of the British Virgin Islands Registrar of Corporate Affairs which will include the company’s certificate of incorporation, its memorandum and articles of association (with any amendments) and records of license fees paid to date, and will also disclose any articles of dissolution, articles of merger and a register of registered charges if such a register has been filed in respect of the company.

A member of a company is entitled, on giving written notice to the company, to inspect:

(a) the memorandum and articles;

(b) the register of members;

(c) the register of directors; and

(d) the minutes of meetings and resolutions of members and of those classes of members of which he is a member; and to make copies of or take extracts from the documents and records referred to in (a) to (d) above. Subject to the memorandum and articles, the directors may, if they are satisfied that it would be contrary to the company’s interests to allow a member to inspect any document, or part of a document, specified in (b), (c) or (d) above, refuse to permit the member to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records.

Where a company fails or refuses to permit a member to inspect a document or permits a member to inspect a document subject to limitations, that member may apply to the court for an order that he should be permitted to inspect the document or to inspect the document without limitation.

A company is required to keep at the office of its registered agent the memorandum and articles of the company; the register of members maintained or a copy of the register of members; the register of directors or a copy of the register of directors; and copies of all notices and other documents filed by the company in the previous ten years.

Where a company keeps a copy of the register of members or the register of directors at the office of its registered agent, it is required to notify any changes to the originals of such registers to the registered agent, in writing, within 15 days of any change; and to provide the registered agent with a written record of the physical address of the place or places at which the original register of members or the original register of directors is kept. Where the place at which the original register of members or the original register of directors is changed, the company is required to provide the registered agent with the physical address of the new location of the records within fourteen days of the change of location.

A company is also required to keep at the office of its registered agent or at such other place or places, within or outside the British Virgin Islands, as the directors determine, the minutes of meetings and resolutions of members and of classes of members; and the minutes of meetings and resolutions of directors and committees of directors. If such records are kept at a place other than at the office of the company's registered agent, the company is required to provide the registered agent with a written record of the physical address of the place or places at which the records are kept and to notify the registered agent, within 14 days, of the physical address of any new location where such records may be kept.

A company is further required to:

(a) keep at the office of its registered agent or at such other place or places, within or outside the British Virgin Islands, as the directors may determine, the records and underlying documentation of the company;

(b) retain the records and underlying documentation for a period of at least five years from the date: (i) of completion of the transaction to which the records and underlying documentation relate; or (ii) the company terminates the business relationship to which the records and underlying documentation relate; and

(c) provide its registered agent without delay any records and underlying documentation in respect of the company that the registered agent requests pursuant to the entitlement of the company's registered agent to make such a request where the registered agent is required to do so by the British Virgin Islands Financial Services Commission or any other competent authority in the British Virgin Islands acting pursuant to the exercise of a power under an enactment.

The records and underlying documentation of the company are required to be in such form as:

(a) are sufficient to show and explain the company's transactions; and

(b) will, at any time, enable the financial position of the company to be determined with reasonable accuracy.

Where the records and underlying documentation of a company are kept at a place or places other than at the office of the company's registered agent, the company is required to provide the registered agent with a written:

(a) record of the physical address of the place at which the records and underlying documentation are kept; and

(b) record of the name of the person who maintains and controls the company's records and underlying documentation.

Where the place or places at which the records and underlying documentation of the company, or the name of the person who maintains and controls the company's records and underlying documentation, change, the company must within 14 days of the change, provide:

(a) its registered agent with the physical address of the new location of the records and underlying documentation; or

(b) the name of the new person who maintains and controls the company's records and underlying documentation.

For the foregoing purposes:

(a) “business relationship” means a continuing arrangement between a company and one or more persons with whom the company engages in business, whether on a one-off, regular or habitual basis; and

(b) “records and underlying documentation” includes accounts and records (such as invoices, contracts and similar documents) in relation to: (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Conflict of Interest

Under Delaware corporate law, a contract between a corporation and a director or officer, or between a corporation and any other organization in which a director or officer has a financial interest, is not void as long as the material facts as to the director’s or officer’s relationship or interest are disclosed or known and either a majority of the disinterested directors authorizes the contract in good faith or the shareholders vote in good faith to approve the contract. Nor will any such contract be void if it is fair to the corporation when it is authorized, approved or ratified by the board of directors, a committee or the shareholders.

The BVI Act provides that a director shall, forthwith after becoming aware that he is interested in a transaction entered into or to be entered into by the company, disclose that interest to the board of directors of the company. The failure of a director to disclose that interest does not affect the validity of a transaction entered into by the director or the company, so long as the director’s interest was disclosed to the board prior to the Company’s entry into the transaction or was not required to be disclosed because the transaction is between the company and the director himself and is otherwise in the ordinary course of business and on usual terms and conditions. As permitted by British Virgin Islands law and our memorandum and articles of association, a director interested in a particular transaction may vote on it, attend meetings at which it is considered and sign documents on our behalf which relate to the transaction, provided that the disinterested directors consent.

Transactions with Interested Shareholders

Delaware corporate law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by that statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an “interested shareholder” for three years following the date that the person becomes an interested shareholder. An interested shareholder generally is a person or group that owns or owned 15% or more of the target’s outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which the shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction that resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware public corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

British Virgin Islands law has no comparable provision. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although British Virgin Islands law does not regulate transactions between a company and its significant shareholders, it does provide that these transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

Independent Directors

There are no provisions under Delaware corporate law or under the BVI Act that require a majority of our directors to be independent.

Cumulative Voting

Under Delaware corporate law, cumulative voting for elections of directors is not permitted unless the Company’s certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder’s voting power with respect to electing such director. There are no prohibitions to cumulative voting under the laws of the British Virgin Islands, but our memorandum of association and articles of association do not provide for cumulative voting.

Shareholders' Rights under British Virgin Islands Law Generally

The BVI Act provides for remedies which may be available to shareholders. Where a company incorporated under the BVI Act or any of its directors engages in, or proposes to engage in, conduct that contravenes the BVI Act or the Company's memorandum and articles of association, the BVI courts can issue a restraining or compliance order. Shareholders cannot also bring derivative, personal and representative actions under certain circumstances. The traditional English basis for members' remedies has also been incorporated into the BVI Act: where a shareholder of a company considers that the affairs of the company have been, are being or are likely to be conducted in a manner likely to be oppressive, unfairly discriminatory or unfairly prejudicial to him, he may apply to the court for an order based on such conduct.

Any shareholder of a company may apply to court for the appointment of a liquidator of the company and the court may appoint a liquidator of the company if it is of the opinion that it is just and equitable to do so.

The BVI Act provides that any shareholder of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following: (a) a merger, if the company is a constituent company, unless the company is the surviving company and the member continues to hold the same or similar shares; (b) a consolidation, if the company is a constituent company; (c) any sale, transfer, lease, exchange or other disposition of more than 50% in value of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including (i) a disposition pursuant to an order of the court having jurisdiction in the matter, (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the shareholders in accordance with their respective interest within one year after the date of disposition, or (iii) a transfer pursuant to the power of the directors to transfer assets for the protection thereof; (d) a redemption of 10% or fewer of the issued shares of the company required by the holders of 90% or more of the shares of the company pursuant to the terms of the BVI Act; and (e) an arrangement, if permitted by the court.

Generally any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the British Virgin Islands or their individual rights as shareholders as established by the Company's memorandum and articles of association.

C. Material Contracts

The MFAs

We received exclusive master franchising rights from McDonald's for the Territories on August 3, 2007 when Mr. Staton, our Executive Chairman and controlling shareholder and our founding private equity shareholders purchased McDonald's LatAm business for $698.1 million (including $18.7 million of acquisition costs) and entered into the MFAs. Prior to the Acquisition, Mr. Staton had been the joint venture partner of McDonald's Corporation in Argentina for over 20 years and had served as President of McDonald's South Latin America division since 2004.

McDonald's has a long-standing presence in Latin America and the Caribbean dating to the opening of its first restaurant in Puerto Rico in 1967. Since then, McDonald's expanded its footprint across the region as consumer markets and opportunities arose, opening its first restaurants in Brazil in 1979, in Mexico and Venezuela in 1985 and in Argentina in 1986.

We hold our McDonald's franchise rights pursuant to the MFA for all of the Territories except Brazil, executed on August 3, 2007, as amended and restated on November 10, 2008 and as further amended on August 31, 2010, June 3, 2011 and March 17, 2016 entered into by us, our wholly owned subsidiary Arcos Dorados Coöperatieve U.A., Arcos Dorados B.V. (or these two entities together with us collectively, the Owner Entities), LatAm, LLC, or the Master Franchisee, certain subsidiaries of the Master Franchisee, Los Laureles, Ltd. and McDonald's. On August 3, 2007, our subsidiary Arcos Dourados Comercio de Alimentos Ltda., or the Brazilian Master Franchisee, and McDonald's entered into the separate, but substantially identical, Brazilian MFA, which was amended and restated on November 10, 2008.

The MFAs set forth McDonald's and our rights and obligations in respect of the ownership and operation of the McDonald's-branded restaurants located in the Territories. The MFAs do not include the following Latin American and Caribbean countries and territories, among others: Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bolivia, the British Virgin Islands, the Cayman Islands, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guiana, Haiti, Honduras, Jamaica, Montserrat, Nicaragua, Paraguay, Suriname, St. Barthélemy, St. Kitts and Nevis, St. Lucia, St. Maarten, St. Vincent and the Grenadines, Turks & Caicos Islands and the U.S. Virgin Islands, with the exception of St. Croix and St. Thomas.

The material provisions of the MFAs are set forth below.

Term

The initial term of the franchise granted pursuant to the MFAs is 20 years for all of the Territories other than French Guiana, Guadeloupe and Martinique. After the expiration of the initial term, McDonald's may grant us an option to extend the term of the MFAs with respect to all Territories for an additional period of 10 years. The initial term of the franchise for French Guiana, Guadeloupe and Martinique was 10 years. Under the MFA, we had the right to extend the term of the MFA with respect to French Guiana, Guadeloupe and Martinique for an additional term of 10 years. On June 27, 2016, we exercised this right and McDonald's granted us an extension of the initial term for the franchises in French Guiana, Guadeloupe and Martinique for a period of 10 years, expiring August 2, 2027.

Our Right to Own and Operate McDonald's-Branded Restaurants

Under the MFAs, in the Territories, we have the exclusive right to (i) own and operate, directly or indirectly, McDonald's restaurants, (ii) license and grant franchises with respect to McDonald's-branded restaurants, (iii) adopt and use, and to grant the right and license to franchisees to adopt and use, the McDonald's operations system in our restaurants, (iv) advertise to the public that we are a franchisee of McDonald's, and (v) to use, and to sublicense to our franchisees the right to use the McDonald's intellectual property solely in connection with the development, ownership, operation, promotion and management of our restaurants, and to engage in related advertising, promotion and marketing programs and activities.

Under the MFAs, McDonald's cannot grant the rights described in clauses (i), (ii) and (iii) of the preceding paragraph to any other person while the MFAs are in effect. Notwithstanding the foregoing, McDonald's has reserved, with respect to the McDonald's restaurants located in the Territories, all rights not specifically granted to us, including the right, directly or indirectly, to (i) use and sublicense the McDonald's intellectual property for all other purposes and means of distribution, (ii) sell, promote or license the sale of products or services under the intellectual property and (iii) use the intellectual property in connection with all other activities not prohibited by the MFAs.

In addition, under the MFAs, McDonald's provides us with know-how and new developments, techniques and improvements in the areas of restaurant management, food preparation and service, and operations manuals that contain the standards and procedures necessary for the successful operation of McDonald's-branded restaurants.

Franchise Fees

Under the MFAs, we are responsible for the payment to McDonald's of initial franchise fees, continuing franchise fees and transfer fees.

The initial franchise fee is payable upon the opening of a new restaurant and the extension of the term of any existing franchise agreement. For Company-operated restaurants, the initial fee is based on the term remaining under the MFAs for the country in which the restaurant is located. For franchised restaurants, we receive an initial fee from the franchisee based on the term of the franchise agreement (generally 20 years), and pay 50% of this fee to McDonald's.

The continuing franchise fee is paid, with respect to each calendar month, to McDonald's in an amount generally equal to 7% of the U.S. dollar equivalent of the gross sales, as defined therein, of each of the McDonald's restaurants in the Territories for that calendar month, minus, as applicable, a brand building adjustment. During the first 10 years of the MFAs, the brand building adjustment is 2% of the gross sales, for a net continuing franchise fee payment of 5% of the gross sales. During years 11 through 15 of the MFAs, the brand building adjustment will be 1% of the gross sales, for a net continuing franchise fee payment of 6%; and the brand building adjustment will be 0% thereafter, for a net continuing franchise fee payment of 7% of the gross sales. In addition, on January 25, 2017, McDonald's Corporation agreed to provide growth support for the same period. We project that the impact of this support could result in an effective royalty rate of 5.3% in 2017, 5.7% in 2018 and 5.9% in 2019.

We are responsible for collecting the continuing franchise fee from our franchisees and must pay that amount to McDonald's. In the event that a franchisee does not pay the full amount of the fee or any of our subsidiaries are unable to transfer funds to us due to currency restrictions or otherwise, we are responsible for any resulting shortfall. See "Item 3. Key Information—D. Risk Factors—Certain Factors Relating to Our Business—Our financial condition and results of operations depend, to a certain extent, on the financial condition of our franchisees and their ability to fulfill their obligations under their franchise agreements" and "Item 3. Key Information—D. Risk Factors—Certain Factors Relating to Latin America and the Caribbean—We are subject to significant foreign currency exchange controls and depreciation in certain countries in which we operate."

In the event of a voluntary or involuntary transfer of any of the McDonald's restaurants located in the Territories to a person other than a subsidiary of ours or an affiliate of one of our franchisees, we must charge a transfer fee of not less than $10,000, and must pay to McDonald's an amount equal to 50% of the fee charged.

All payments to McDonald's must be made in U.S. dollars, but are based on local currency exchange rates at the time of payment.

Material Breach

A material breach under the MFAs would occur if we, or our subsidiaries that are a party to the MFAs, materially breached any of the representations or warranties or obligations under the MFAs (not cured within 30 days after receipt of notice thereof from McDonald's) relating to or otherwise in connection with any aspect of the master franchise business, the franchised restaurants or any other matter in or affecting any one or more Territories. The following events, among others, constitute a material breach under the MFAs: our noncompliance with anti-terrorism or anti-corruption policies and procedures required by applicable law; our bankruptcy, insolvency, voluntary filing or filing by any other person of a petition in commercial insolvency; our conviction or that of our subsidiaries, or of our or our subsidiaries' agents or employees for a crime or offense that is punishable by incarceration for more than one year or a felony, or a crime or offense or the indictment on charges thereof that, in the determination of McDonald's, is likely to adversely affect the reputation of such person, any franchised restaurant or McDonald's; the entry of any judgment against us or our subsidiaries in excess of $1,000,000 that is not duly paid or otherwise discharged within 30 days (unless such judgment is being contested on appeal in good faith); our failure to maintain certain quarterly financial ratios and not cure any non-compliance within 30 days; our failure to achieve (a) at least 80% of the targeted openings during any one-calendar year of any restaurant opening plan; or (b) at least 90% of the targeted openings during the three-calendar year term of any restaurant opening plan; and our failure to comply with at least 80% of the funding requirements of any reinvestment plan with respect to any Territory for a period of one year.

Business of the Company and the Other Owner Entities

In addition to the payment of franchise fees described above, we and the other Owner Entities are subject to a variety of obligations and restrictions under the MFAs.

Under the MFAs, we cannot, directly or indirectly, enter into any other QSR business or any business other than the operation of McDonald's-branded restaurants in the Territories. Neither we nor any of the other Owner Entities can engage in a business other than holding, directly or indirectly, our equity interests. In addition, neither we nor any of the other Owner Entities can engage in any activity or participate in any business that competes with McDonald's business.

Under the MFAs, Los Laureles Ltd., a British Virgin Islands company beneficially owned by Mr. Staton, our Executive Chairman and controlling shareholder, is required to own not less than 40% of our economic interests and 51% of our voting interests. The MFAs do provide an exception for any dilution following an initial public offering, so long as such dilution does not cause Los Laureles Ltd. to be diluted below 30% of our economic interests. Also, under the MFAs, we are required to own, directly or indirectly, 100% of the equity interests of our subsidiaries and cannot enter into any partnership, joint venture or similar arrangement without McDonald's consent. In addition, at least 50% of all McDonald's-branded restaurants in the Territories must be Company-operated restaurants.

Real Estate

Under the MFAs, we must own or lease the real estate property where all of our Company-operated restaurants are located. We cannot transfer or encumber any of the real estate properties that we own without McDonald's consent. Due to the geographic and commercial importance of certain restaurants, we may not sell certain "iconic" properties without the prior written consent of McDonald's. For certain of these selected properties, we have already perfected a first priority lien in favor of McDonald's.

Under the MFAs, no more than 50% of the total number of restaurants in each Territory, and no more than 10% of the total number of restaurants in all the Territories, can be located on real estate property that is owned, held or leased by our franchisees.

In addition, the MFA lists 25 restaurants that we are prohibited from selling or otherwise transferring without McDonald's consent.

Transfer of Equity Interests or Significant Assets

Under the MFAs, neither we nor any of the other Owner Entities can transfer or pledge the equity interests of any of our subsidiaries, or any significant portion of our assets, without McDonald's consent.

Operational Control

Under the MFAs, McDonald's is entitled to approve the appointment of our chief executive officer and our chief operating officer.

In the event that McDonald's modifies its standards applicable to technology and related equipment, we must purchase any new or modified technology, software, hardware or equipment necessary to comply with the modified standards.

Restaurant Opening Plan and Reinvestment Plan

Under the MFAs, we are required to agree with McDonald's on a restaurant opening plan and a reinvestment plan for each three-year period during the term of the MFAs. The restaurant opening plan specifies the number and type of new restaurants to be opened in the Territories during the applicable three-year period, while the reinvestment plan specifies the amount we must spend reimaging or upgrading restaurants during the applicable three-year period. Prior to the expiration of the then-applicable three-year period we must agree with McDonald's on a subsequent restaurant opening plan and reinvestment plan. We may also propose, subject to McDonald's prior written consent, amendments to any restaurant opening plan or reinvestment plan to adapt to changes in economic or political conditions.

As part of the 2017-2019 restaurant opening and reinvestment plan, we have committed to open 180 new restaurants and to reinvest $292 million in existing restaurants from 2017 through 2019. See "Item 4. Information on the Company—A. History and Development of the Company—Capital Expenditures and Divestitures." In the event we are unable to reach an agreement on subsequent plans prior to the expiration of the then-existing plan, the MFAs provide for an automatic increase of 20% in the required amount of reinvestments as compared to the then-existing plan and a number of new restaurants no less than 210 multiplied by a factor that increases each period during the subsequent three-year restaurant opening plan.

Advertising and Promotion Plan

Under the MFAs, we must develop and implement a marketing plan with respect to each Territory that must be approved in advance by McDonald's. The MFAs require us to spend at least 5% of our gross sales on advertisement and promotion activities. Our advertisement and promotion activities are guided by our overall marketing plan, which identifies the key strategic platforms that we aim to leverage in order to drive sales.

Insurance

Under the MFAs, we are required to acquire and maintain a variety of insurance policies with certain minimum coverage limits, including commercial general liability, workers compensation, “all risk” property and business interruption insurance, among others.

Call Option Right and Security Interest in Equity Interests of the Company

Under the MFAs, McDonald’s has the right, or Call Option, to acquire our non-public shares or our interests in one or more Territories upon: (i) the expiration of the initial term of the MFAs on August 2, 2027 if the initial term is not extended, (ii) the occurrence of a material breach of the MFAs or (iii) during the period of 12 months following the earlier of (x) the 18th month anniversary of the death or permanent incapacity of Mr. Staton or (y) the receipt by McDonald’s of notice from Mr. Staton’s heirs that they have elected to have the period of 12 months commence as of the date specified in the notice. McDonald’s generally has the right either to exercise the Call Option with respect to all of the Territories, or, in its sole discretion, with respect to the Territory or Territories identified by McDonald’s as being affected by such material breach or to which such material breach may be attributable except upon the occurrence of an initial material breach relating to any Territory or Territories in which there are less than 100 restaurants in operation. In such case, McDonald’s only has the right to acquire the equity interests of any of our subsidiaries in the relevant Territory or Territories. As of December 31, 2016, we had more than 100 restaurants in operation in each of Argentina, Brazil, Mexico, Puerto Rico and Venezuela. No other Territory had more than 85 restaurants in operation.

If McDonald’s exercises the Call Option upon the occurrence of the events described in clause (i) or (iii) of the preceding paragraph, it must pay a purchase price equal to 100% of the fair market value of our non-public shares. If the Call Option is exercised upon the occurrence of a material breach, however, the purchase price is reduced to 80% of the fair market value of all of our non-public shares or of all of the equity interests of the subsidiaries operating restaurants in the Territory related to such material breach, as applicable. The purchase price paid by McDonald’s upon exercise of the Call Option is, in all events, reduced by the amount of debt and contingencies and increased by the amount of cash attributable to the entity whose equity interests are being acquired pursuant to the Call Option. In the event McDonald’s were to exercise its right to acquire all of our non-public shares, McDonald’s would become our controlling shareholder.

If McDonald’s exercises the Call Option with respect to any of our subsidiaries (but not all of them) and the amount of debt and contingencies (minus cash) attributable to the equity interests of those subsidiaries is greater than the fair market value of those equity interests, we must, at our election, either (i) assume the debts and contingencies (minus cash) and deliver the equity interests to McDonald’s free of any obligations with respect thereto or (ii) pay to McDonald’s the absolute value of that amount. The fair market value of any of the equity interests is to be determined by internationally recognized investment banks without taking into consideration the debt, contingencies or cash attributable to the equity interests.

In order to secure McDonald’s right to exercise the Call Option, McDonald’s was granted a perfected security interest in the equity interests of the Master Franchisee, the Brazilian Master Franchisee and our subsidiaries other than our subsidiaries organized in Costa Rica, Mexico, French Guiana, Guadeloupe and Martinique. The equity interests of our subsidiaries organized in Costa Rica and Mexico were transferred to a trust for the benefit of McDonald’s. McDonald’s does not have a security interest in the equity interests of our subsidiaries organized in French Guiana, Guadeloupe and Martinique.

The equity interests were transferred to Citibank, N.A., acting as escrow agent. Subject to the terms of the Escrow Agreement and the Intercreditor Agreement, upon McDonald’s exercise of the Call Option and its payment of the respective purchase price, the escrow agent must transfer the equity interests, free of any liens or encumbrances, to McDonald’s.

Limitations on Indebtedness

Under the MFAs, we cannot incur any indebtedness secured by the collateral pledged by us and certain of our subsidiaries in connection with the letters of credit or amend or waive any of the terms related to the collateral, without McDonald’s consent. The pledged collateral includes the equity interests of certain of our subsidiaries, certain of our rights under certain of the Acquisition documents, franchise document payment rights, and our intercompany debt and notes.

Under the MFAs, we must maintain a fixed charge coverage ratio (as defined therein) at least equal to (a) 1.25 from August 31, 2010 through the fiscal quarter ended September 30, 2011 and (b) 1.50, commencing with the fiscal quarter ended December 31, 2011 and thereafter; and a leverage ratio (as defined therein) not in excess of (a) 5.0, from August 31, 2010 through the fiscal quarter ended June 30, 2011, (b) 4.75 for the fiscal quarter ended September 30, 2011, and (c) 4.25, commencing with the fiscal quarter ended December 31, 2011 and thereafter. Mainly as a result of the adoption of new exchange rates used for remeasurement of our bolivar-denominated assets and liabilities and operating results in Venezuela in 2013 and 2014, we were not in compliance with these ratio requirements for certain periods during 2014, 2015 and 2016. We initially became non-compliant for the quarter ended June 30, 2014, at which time our Leverage Ratio and Fixed Charge Coverage Ratio was 4.38 and 1.48, respectively. Please refer to the table below for disclosure of our Leverage Ratio and Fixed Charge Coverage Ratio as of December 31, 2015 and for the other periods of our non-compliance with the requirements under the MFA. As of December 31, 2015, our Fixed Charge Coverage Ratio was 1.56 and our Leverage Ratio was 4.40. For that reason, McDonald's granted us limited waivers through and including June 30, 2016, during which time we were not required to comply with these financial ratios. We have been in compliance with these quarterly ratios since the expiration of the waiver. If we are unable to comply with our original commitments under the MFA or to obtain a waiver for any non-compliance in the future, we could be in material breach. Our breach of the MFA would give McDonald's certain rights, including the ability to acquire all or portions of our business. See "—Material Breach." Notwithstanding the foregoing, we do not expect any material adverse effect to our business, results of operations, financial condition or cash flows as a result of this situation. We continue to monitor our compliance with these quarterly ratios. On March 17, 2016 we amended the MFA to change certain definitions relevant to the calculation of the Fixed Charge Coverage Ratio and the Leverage Ratio. As of December 31, 2016, our Fixed Charge Coverage Ratio was 1.64 and our Leverage Ratio was 4.21.

Arcos Dorados Financial Ratios under the MFA

	Quarter ended				
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Leverage Ratio	4.40	4.80	4.40	4.08	4.21
Fixed Charge Coverage Ratio	1.56	1.67	1.64	1.67	1.64

Letters of Credit

As security for the performance of our obligations under the MFAs, we have obtained (i) on August 3, 2007, an irrevocable standby letter of credit in favor of McDonald's in an amount of $65.0 million and later reduced to $45.0 million on October 30, 2015, issued by Credit Suisse acting as issuing bank through its Cayman Islands Branch, (ii) on May 9, 2011, an irrevocable standby letter of credit in favor of McDonald's in an amount of $15.0 million, issued by Itaú Unibanco S.A. ("Itaú"), acting as issuing bank through its New York Branch, and (iii) on November 3, 2015, an irrevocable standby letter of credit in favor of McDonald's in an amount of $20.0 million, issued by JPMorgan, acting as issuing bank through its New York Branch. The Credit Suisse, Itaú and JP Morgan letters of credit expire on November 10, 2018, May 10, 2018, and November 6, 2018, respectively, but we will be required by the MFAs to renew these letters of credit or obtain new standby letters of credit in the same amount.

The Credit Suisse letter of credit and reimbursement agreement contains a limited number of customary affirmative and negative covenants. These include limitations on (i) any transfer of the MFAs, (ii) amendment or waiver of the MFAs without the consent of the issuing bank, (iii) our leverage ratio, (iv) taking any action to elect to assume the debt of any of our subsidiaries upon McDonald's exercise of a partial Call Option, (v) our ability to guaranty obligations of our subsidiaries, and (vi) amendments to the credit agreement.

Credit Suisse, as issuing bank, has a security interest in certain of our rights under certain Acquisition documents, franchise document payment rights and our intercompany debt notes. In addition, our subsidiaries (other than those organized in Ecuador, French Guiana, Guadeloupe, Martinique and Peru, and certain subsidiaries organized in Argentina, Colombia and Mexico) guaranteed to Credit Suisse the full and prompt payment of our obligations under the Credit Suisse letter of credit and reimbursement agreement.

The letter of credit that we obtained from Itaú effectively replaced the cash collateral that we had previously pledged in favor of McDonald's in an amount of $15.0 million. The Itaú continuing standby letter of credit agreement contains a limited number of customary affirmative and negative covenants. These include limitations on (i) any transfer of the MFAs, (ii) amendment or waiver of the MFAs without the consent of the issuing bank, (iii) our leverage ratio, (iv) taking any action to elect to assume the debt of any of our subsidiaries upon McDonald's exercise of a Call Option, and (v) permitting ourselves or any of our subsidiaries to become insolvent.

We delivered a promissory note to Itaú in an amount of $15.0 million evidencing our obligations to Itaú under the continuing standby letter of credit agreement and a guarantee letter from our Brazilian subsidiary guaranteeing the full and punctual payment when due of our obligations and liabilities to Itaú in respect of the Itaú letter of credit and the continuing standby letter of credit agreement, including without limitation our reimbursement obligations for any payments made by Itaú under the letter of credit.

The letter of credit that we obtained from JPMorgan effectively replaced the $ 20.0 million reduction in the Credit Suisse letter of credit.

The JPMorgan letter of credit is guaranteed by certain of our subsidiaries and contains a limited number of customary affirmative and negative covenants. These include limitations on (i) our leverage ratio, (ii) the dissolution, liquidation or winding-up of the applicant or a guarantor, (iii) a material breach or failure to comply with the MFA, and (iv) permitting the applicant or any guarantor to become insolvent.

Termination

The MFAs automatically terminate without the need for any party to it to take any further action if any type of insolvency or similar proceeding in respect of us or any of the other Owner Entities commences.

In the event of the occurrence of certain material breaches, such as if we fail to comply with the reinvestment or restaurant opening plans, McDonald’s has the right to terminate the MFAs.

Upon the termination of the MFAs, McDonald’s has the right to acquire all, but not less than all, of our equity interests at fair market value, which is to be calculated by internationally recognized investment banks selected by us and McDonald’s. The fair market value of our equity interests shall be calculated in U.S. dollars based on the amount that would be received for our equity interests in an arm’s-length transaction between a willing buyer and a willing seller, taking into account the benefits provided by the MFAs.

The 2016 Secured Loan Agreement

For a description of the secured loan agreement entered into by Arcos Dourados Comércio de Alimentos Ltda. with Citibank N.A., Bank of America N.A., Itau BBA International plc, JPMorgan Chase Bank, N.A. and Banco Santander (Brasil) S.A., Cayman Islands Branch, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Net Cash (used in) Financing Activities—The 2016 Secured Loan Agreement.”

The 2016 Notes, the 2023 Notes and the 2027 Notes

For a description of the 2016 notes, the 2023 notes and the 2027 notes, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.”

The Revolving Credit Facilities

For a description of the revolving credit facilities entered into by Arcos Dorados B.V. with Bank of America, N.A. and JP Morgan Chase Bank, N.A. see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Net Cash (used in) Financing Activities—Revolving Credit Facilities.”

The 2012 Swap Transaction

On August 13, 2012, the Company entered into a total equity return swap agreement with Goldman Sachs International in order to minimize earnings volatility related to this risk, which was renewed twice and matured on September 12, 2015.

Under the agreement effective as from August 20, 2012, the Company received (paid) the appreciation (depreciation), plus any dividends, on a certain notional number of Class A shares (2,272,551 at the inception) over a reference price of approximately $13.77 per share. The Company in turn paid interest at 3-month LIBOR plus 450 basis points (330 basis points at the inception and 380 between August 2013 and September 2014). During 2015 and 2014 the Company paid interest amounting to $0.52 million and $0.59 million, respectively, in connection with this agreement.

As a consequence of the maturity of the swap agreement, the Company paid, during August and September 2015, $9.7 million as settlement of the remaining 1,022,551 Class A shares net of accumulated dividends.

Beginning on September 23, 2014, the Company was required to make a collateral deposit equal to the excess of the mark-to-market above a threshold of $3 million with $0.5 million as the incremental basis. As of December 31, 2014, the collateral amounted to $4.8 million and was presented as a current asset within "Collateral deposits". During 2015, before the maturity of the total equity return swap, there were two amendments to the conditions of the collateral deposit that reduced the threshold from $3 million to $0 and included an additional collateral deposit of $0.5 million. As a consequence of the maturity of the swap agreement, the collateral deposit was returned to the Company.

The Company did not designate the swap as a hedge under ASC 815. Therefore, the agreement was carried at fair market value in the consolidated balance sheets with changes reported in earnings, within "General and administrative expenses." The interest portion was recorded within "Net interest expense" in the Company's consolidated statement of income.

D. Exchange Controls

There are currently no exchange control regulations in the BVI applicable to us or our shareholders. For information about any exchange controls or restrictions in Argentina, Brazil and Mexico, see "Item 3. Key Information—A. Selected Financial Data—Exchange Rates and Exchange Controls."

E. Taxation

British Virgin Islands Tax Considerations

The following summary contains a general description of certain British Virgin Islands tax consequences of the acquisition, ownership and disposition of class A shares, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to hold class A shares. The general summary is based upon the tax laws of the British Virgin Islands and regulations thereunder as of the date hereof, which are subject to change.

We are not liable to pay any form of corporate taxation in the BVI and all dividends, interests, rents, royalties, compensations and other amounts paid by us to persons who are not persons resident in the BVI or providing services in the BVI are exempt from all forms of taxation in the BVI and any capital gains realized with respect to any shares, debt obligations, or other securities of ours by persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligation or other securities of ours.

Subject to the payment of stamp duty on the acquisition or certain leasing of property in the BVI by us (and in respect of certain transactions in respect of the shares, debt obligations or other securities of BVI incorporated companies owning land in the BVI), all instruments relating to transfers of property to or by us and all instruments relating to transactions in respect of the shares, debt obligations or other securities of ours and all instruments relating to other transactions relating to our business are exempt from payment of stamp duty in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to us or our shareholders who are not providing services in the BVI.

The BVI has signed two inter-governmental agreements to improve international tax compliance and the exchange of information—one with the United States and one with the United Kingdom (the "US IGA" and the "UK IGA", respectively). The BVI has also signed, along with over 90 other countries, a multilateral competent authority agreement to implement the Organization for Economic Co-Operation and Development (OECD) Standard for Automatic Exchange of Financial Account Information—Common Reporting Standard (the "CRS" and together with the US IGA and the UK IGA, "AEOI").

Amendments have been made to the Mutual Legal Assistance (Tax Matters) Act, 2003 and orders have been made pursuant to this Act to give effect to the terms of the US IGA and the UK IGA under BVI law (the "BVI legislation"). Guidance notes were published by the government of the BVI in March 2015 to provide practical assistance to entities and others affected by the US IGA and/or UK IGA and the BVI legislation (the "Guidance Notes"). Further amendments have been made to the BVI legislation to give effect to the terms of the CRS, which took effect on 1 January 2016. The implementing legislation makes it clear that the CRS commentary published by the OECD is an integral part of the CRS and applies for the purposes of the automatic exchange of financial account information although additional guidance may be issued to aid with compliance with the BVI legislation relating to CRS.

All BVI "Financial Institutions" will be required to comply with the registration, due diligence and reporting requirements of the BVI legislation, except to the extent that they can rely on an exemption that allows them to become a "Non-Reporting Financial Institution" (as defined in the relevant BVI legislation) with respect to one or more of the AEOI regimes.

There is no income tax treaty currently in effect between the United States and the BVI.

Material U.S. Federal Income Tax Considerations for U.S. Holders

The following summary describes the material U.S. federal income tax consequences of the ownership and disposition of class A shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to own such securities. This summary applies only to U.S. Holders (as defined below) that own class A shares as capital assets for U.S. federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax consequences, the potential application of the provisions of the Internal Revenue Code of 1986, as amended, (the "Code") known as the Medicare contribution tax, and tax consequences applicable to certain U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding class A shares as part of a hedge, "straddle," wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the class A shares;
- persons whose "functional currency" for U.S. federal income tax purposes is not the U.S. dollar;
- tax exempt entities, including "individual retirement accounts" and "Roth IRAs";
- entities classified as partnerships for U.S. federal income tax purposes;
- persons that own or are deemed to own ten percent or more of our voting shares;
- persons who acquired our class A shares pursuant to the exercise of an employee stock option or otherwise as compensation; or
- persons holding class A shares in connection with a trade or business conducted outside the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds class A shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding class A shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the class A shares.

This discussion is based upon the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, all as of the date hereof, changes to any of which may affect the tax consequences described herein—possibly with retroactive effect.

A "U.S. Holder" is a holder who, for U.S. federal income tax purposes, is a beneficial owner of class A shares that is:

(1) a citizen or individual resident of the United States;

(2) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

(3) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of class A shares in their particular circumstances.

This discussion assumes that we are not, and will not become, a passive foreign investment company, as described below.

Taxation of Distributions

Distributions paid on class A shares, other than certain pro rata distributions of class A shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, we expect that distributions generally will be reported to U.S. Holders as dividends. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be eligible for taxation as "qualified dividend income" and therefore may be taxable at rates applicable to long-term capital gains. Non-corporate U.S. Holders should consult their tax advisers regarding the availability of the reduced tax rates on dividends in their particular circumstances. The amount of the dividend will be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Dividends will be included in a U.S. Holder's income on the date of the U.S. Holder's receipt of the dividend.

Sale or Other Taxable Disposition of Class A Shares

For U.S. federal income tax purposes, gain or loss realized on the sale or other taxable disposition of class A shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder owned the class A shares for more than one year. The amount of the gain or loss will equal the difference between the U.S. Holder's tax basis in the class A shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes.

Passive Foreign Investment Company Rules

We believe that we were not a "passive foreign investment company" (a "PFIC") for U.S. federal income tax purposes for our 2016 taxable year. However, because the application of the Treasury Regulations is not entirely clear and because PFIC status depends on the composition of a company's income and assets and the market value of its assets from time to time, there can be no assurance that we will not be a PFIC for any taxable year.

If we were a PFIC for any taxable year during which a U.S. Holder owned class A shares, gain recognized by such U.S. Holder on a sale or other disposition (including certain pledges) of the class A shares would be allocated ratably over the U.S. Holder's holding period for the class A shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the resulting tax liability for each taxable year. Further, to the extent that any distribution received by a U.S. Holder on its class A shares exceeds 125% of the average of the annual distributions on the class A shares received during the preceding three years or such U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain on the disposition of a share of a PFIC, described immediately above. If we were a PFIC, certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the class A shares that differ from the treatment set forth in this paragraph.

In addition, if we were a PFIC or, with respect to any U.S. Holder, were treated as a PFIC for the taxable year in which we paid a dividend or for the prior taxable year, the preferential dividend rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.

If we are a PFIC for any taxable year during which a U.S. Holder owned our class A shares, the U.S. Holder will generally be required to file IRS Form 8621 (or any successor form) with their annual U.S. federal income tax returns, subject to certain exceptions.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

Certain U.S. Holders who are individuals (and specified entities that are formed or availed of for purposes of holding certain foreign financial assets) may be required to report information relating to their ownership of stock of a non-U.S. person, subject to certain exceptions (including an exception for stock held in certain accounts maintained by a U.S. financial institution). U.S. Holders should consult their tax advisers regarding the effect, if any, of these reporting requirements on their ownership and disposition of class A shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other information filed with the SEC at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will send the transfer agent a copy of all notices of shareholders' meetings and other reports, communications and information that are made generally available to shareholders. The transfer agent has agreed to mail to all shareholders a notice containing the information (or a summary of the information) contained in any notice of a meeting of our shareholders received by the transfer agent and will make available to all shareholders such notices and all such other reports and communications received by the transfer agent.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

In the ordinary course of our business activities, we are exposed to various market risks that are beyond our control, including fluctuations in foreign exchange rates and the price of our primary supplies, and which may have an adverse effect on the value of our financial assets and liabilities, future cash flows and profit. As a result of these market risks, we could suffer a loss due to adverse changes in foreign exchange rates and the price of commodities in the international markets. In addition, we are subject to equity price risk relating to our share-based compensation plans. Our policy with respect to these market risks is to assess the potential of experiencing losses and the consolidated impact thereof, and to mitigate these market risks. We do not enter into market risk sensitive instruments for trading or speculative purposes.

Foreign Currency Exchange Rate Risk

Foreign Currency Exchange Rate Risk in 2016

We are exposed to foreign currency exchange rate risk primarily in connection with the fluctuation in the value of the local currencies of the countries in which we operate, primarily the Brazilian *real* , the Argentine *peso* and the Mexican *peso* , among others. We generate revenues and cash from our operations in local currencies while a significant portion of our long-term debt is denominated in U.S. dollars. An adverse change in foreign currency exchange rates would therefore affect the generation of cash flow from operations in U.S. dollars, which could negatively impact our ability to pay amounts owed in U.S. dollars. In order to partially mitigate the foreign exchange rate risk related to our long-term debt, we entered into certain derivative instruments. See Note 13 to our consolidated financial statements for more detail. Moreover, our continuing franchise fee payments to McDonald's pursuant to the MFAs must be translated into and paid in U.S. dollars using the exchange rate of the last business day of the month, payable on the seventh day subsequent to each month-end. As such, in the intervening period we are subject to significant foreign exchange risk.

While substantially all our income is denominated in the local currencies of the countries in which we operate, our supply chain management involves the importation of various products, and some of our imports are denominated in U.S. dollars. Therefore, we are exposed to foreign currency exchange risk related to imports. We have entered into various forward contracts to hedge a portion of the foreign exchange risk associated with the forecasted imports of certain countries. See Note 13 to our consolidated financial statements for more details. In addition, we attempt to minimize this risk also by entering into annual and semi-annual pricing arrangements with our main suppliers.

We are also exposed to foreign exchange risk related to U.S. dollar-denominated intercompany balances held by certain of our operating subsidiaries with our holding companies, and to foreign currency-denominated intercompany balances held by our holding companies with certain operating subsidiaries. Although these intercompany balances are eliminated through consolidation, an adverse change in exchange rates could have a significant impact on our results through the recognition of foreign currency exchange losses in our consolidated income statement. To help mitigate some of these foreign currency exchange rate risks, we have entered into a cross-currency interest rate swap agreement, to hedge all the variability in a portion of the collection of principal and interest from an intercompany loan receivable denominated in Brazilian *reais* of our holding company, Arcos Dorados B.V. See Note 13 to our consolidated financial statements for more details.

A decrease of 10% in the value of the Brazilian *real* against the U.S. dollar would result in a net foreign exchange loss totaling $10.6 million over (i) the cross-currency interest rate swap used to partially hedge the intercompany loan receivable of Arcos Dorados B.V. denominated in Brazilian *reais* (R$111.6 million including accrued interest), (ii) the Brazilian *reais* -denominated intercompany net receivable held by our subsidiaries, Arcos Dorados B.V. and Latam LLC (R$482.3 million including accrued interest), and (iii) the outstanding balance of the U.S. dollar-denominated intercompany net debt held by our Brazilian subsidiaries of $3.2 million as of December 31, 2016.

A decrease of 10% in the value of the Mexican *peso* against the U.S. dollar would result in a foreign exchange loss of $10.4 million, mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Mexico of $93.8 million as of December 31, 2016.

An increase of 10% in the value of the Uruguayan *peso* against the U.S. dollar would result in a foreign exchange loss of $4.3 million over the outstanding U.S. dollar-denominated intercompany net receivable held by our subsidiaries in Uruguay of $39.1 million as of December 31, 2016.

An increase of 10% in the value of the Costa Rican *Colones* against the U.S. dollar would result in a foreign exchange loss of $2.3 million mainly related to the outstanding U.S. dollar-denominated intercompany net receivable held by our subsidiary in Costa Rica of $21.0 million as of December 31, 2016.

An increase of 10% in the value of the European euro against the U.S. dollar would result in a foreign exchange loss of $2.1 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Martinique of $19.5 million as of December 31, 2016.

An increase of 10% in the value of the Chilean *peso* against the U.S. dollar would result in a foreign exchange loss of $1.7 million over the outstanding U.S. dollar-denominated intercompany net receivable held by our subsidiary in Chile of $15.7 million as of December 31, 2016.

Fluctuations in the value of the other local currencies against the U.S. dollar would not result in material foreign exchange gains or losses as of December 31, 2016 since there are no other significant intercompany balances exposed to foreign exchange risk.

We are also exposed to foreign currency exchange risk related to the currency translation of our Venezuelan operations. A depreciation of the Venezuelan *bolívar* against the U.S. dollar would result in a foreign currency exchange loss as a result of remeasuring monetary balances denominated in Venezuelan *bolívares* . See Note 22 to our consolidated financial statements for details about exchange controls affecting our operations in Venezuela.

Summary of Foreign Currency Exchange Rate Risk in 2015

A decrease of 10% in the value of the Brazilian *real* against the U.S. dollar would result in a net foreign exchange loss totaling $10.0 million over (i) the outstanding balance of the 2016 notes (R$659.0 million including accrued interest), (ii) the cross-currency interest rate swap used to partially hedge the intercompany loan receivable of Arcos Dorados B.V. denominated in Brazilian *reais* (R$111.6 million including accrued interest), (iii) the Brazilian *reais* -denominated intercompany net receivable held by our subsidiaries, Arcos Dorados B.V. and Latam LLC (R$1,072.6 million including accrued interest), and (iv) the outstanding balance of the U.S. dollar-denominated intercompany net debt held by our Brazilian subsidiaries of $33.7 million as of December 31, 2015.

An increase of 10% in the value of the Argentine *peso* against the U.S. dollar would result in a foreign exchange loss of $1.5 million mainly related to the intercompany payable denominated in Argentine *peso* held by our subsidiary Latam LLC (ARS$ 297.8 million) and the outstanding U.S. dollar-denominated intercompany payable held by our subsidiary in Argentina of $9.7 million as of December 31, 2015.

An increase of 10% in the value of the European euro against the U.S. dollar would result in a foreign exchange loss of $1.6 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Martinique of $14.6 million as of December 31, 2015.

An increase of 10% in the value of the Uruguayan *peso* against the U.S. dollar would result in a foreign exchange loss of $3.6 million over the outstanding U.S. dollar-denominated intercompany net receivable held by our subsidiaries in Uruguay of $32.2 million as of December 31, 2015.

Fluctuations in the value of the other local currencies against the U.S. dollar would not result in material foreign exchange gains or losses as of December 31, 2015 since there are no other significant intercompany balances exposed to foreign exchange risk.

We are also exposed to foreign currency exchange risk related to the currency translation of our Venezuelan operations. A depreciation of the Venezuelan *bolívar* against the U.S. dollar would result in a foreign currency exchange loss as a result of remeasuring monetary balances denominated in *bolívares* . See Note 22 to our consolidated financial statements for details about exchange controls affecting our operations in Venezuela.

Commodity Price Risk

We purchase our primary supplies, including beef, chicken, buns, produce, cheese, dairy mixes and toppings pursuant to oral agreements with our approved suppliers at prices that are derived from international market prices, local conversion costs and local tariffs and taxes. We therefore carry market risk exposure to changes in commodity prices that have a direct impact on our costs. We do not enter into futures or options contracts to protect ourselves against changes in commodity prices, although we may do so in the future. We attempt to minimize this risk by entering into annual and semi-annual pricing arrangements with our main suppliers. This allows us to provide cost predictability while avoiding the costs related to the use of derivative instruments, which we may not be able to pass on to our customers due to the competitive nature of the QSR industry.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

A. Defaults

No matters to report.

B. Arrears and Delinquencies

No matters to report.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. Material Modifications to Instruments

None.

B. Material Modifications to Rights

None.

C. Withdrawal or Substitution of Assets

None.

D. Change in Trustees or Paying Agents

None.

E. Use of Proceeds

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

As of December 31, 2016, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2016 in ensuring that information we are required to disclose in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

B. Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining an adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act.

Our internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes, in accordance with generally accepted accounting principles. These include those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements, in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, effective control over financial reporting cannot, and does not, provide absolute assurance of achieving our control objectives. Also, projections of, and any evaluation of effectiveness of the internal controls in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have adapted our internal control over financial reporting based on the guidelines set by the Internal Control—Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), or COSO.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2016, based on the guidelines set forth by the COSO.

Based on this assessment, management believes that, as of December 31, 2016, its internal control over financial reporting was effective based on those criteria.

Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, independent registered public accounting firm, has audited and reported on the effectiveness of our internal controls over financial reporting as of December 31, 2016.

C. Attestation Report of the Registered Public Accounting Firm

Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, independent registered public accounting firm, has audited and reported on the effectiveness of our internal controls over financial reporting as of December 31, 2016, as stated in their report which appears below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
ARCOS DORADOS HOLDINGS INC.:

We have audited Arcos Dorados Holdings Inc. internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Arcos Dorados Holdings Inc. management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Arcos Dorados Holdings Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Arcos Dorados Holdings Inc. as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2016, and our report dated March 15, 2017 expressed an unqualified opinion thereon.

Buenos Aires, Argentina
March 15, 2017

/s/ Pistrelli, Henry Martin y Asociados S.R.L.
PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global

D. Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15 or 15d-15 that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our audit committee consists of three directors, Mr. Chu, Mr. Vélez and Mr. Gutiérrez, who are independent within the meaning of the SEC and NYSE corporate governance rules applicable to foreign private issuers. Our Board of Directors has determined that Mr. Chu, Mr. Vélez and Mr. Gutiérrez are also "audit committee financial experts" as defined by the SEC.

ITEM 16B. CODE OF ETHICS

Our Board of Directors has approved and adopted our Standards of Business Conduct, which are a code of ethics that applies to all employees of Arcos Dorados, including executive officers, and to our board members. The current version of the Standards of Business Conduct is posted and maintained on the Arcos Dorados website at www.arcosdorados.com. The information contained on our website is not a part of this annual report.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table describes the amounts billed to us by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, independent registered public accounting firm, for audit and other services performed in fiscal years 2016 and 2015.

	2016	2015
	(in thousands of U.S. dollars)	
Audit fees	$ 1,898	$ 1,908
Audit-related fees	44	6
Tax fees	431	530
All other fees	92	68

Audit Fees

Audit fees are fees billed for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years. It includes the audit of our annual consolidated financial statements, the reviews of our quarterly consolidated financial statements submitted on Form 6-K and other services that generally only the independent accountant reasonably can provide, such as comfort letters, statutory audits, attestation services, consents and assistance with and review of documents filed with the SEC.

Audit-Related Fees

Audit-related fees are fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements for fiscal years 2016 and 2015 and not reported under the previous category. These services would include, among others: employee benefit plan audits, due diligence related to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, internal control reviews, attest services that are not required by statute or regulation and consultation concerning financial accounting and reporting standards.

Tax Fees

Tax fees are fees billed for professional services for tax compliance, tax advice and tax planning.

All Other Fees

All other fees are fees not reported under other categories. This category mainly includes advisory services on process improvement related to diagnostics and recommendations.

Pre-Approval Policies and Procedures

Our audit committee charter requires the audit committee to pre-approve the audit services and non-audit services to be provided by our independent auditor before the auditor is engaged to render such services. The audit committee may delegate its authority to pre-approve services to the Chair of the audit committee, provided that such designees present any such approvals to the full audit committee at the next audit committee meeting.

All of the audit fees, audit-related fees, tax fees and all other fees described in this Item 16C have been pre-approved by the audit committee in accordance with these pre-approval policies and procedures.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Our class A shares are listed on the NYSE. We are therefore required to comply with certain of the NYSE's corporate governance listing standards, or the NYSE Standards. As a foreign private issuer, we may follow our home country's corporate governance practices in lieu of most of the NYSE Standards. Our corporate governance practices differ in certain significant respects from those that U.S. companies must adopt in order to maintain a NYSE listing and, in accordance with Section 303A.11 of the NYSE Listed Company Manual, a brief, general summary of those differences is provided as follows.

Director independence

The NYSE Standards require a majority of the membership of NYSE-listed company boards to be composed of independent directors. Neither British Virgin Islands law, the law of our country of incorporation, nor our memorandum and articles of association require a majority of our board to consist of independent directors. Our Board of Directors currently consists of eight members, three of whom are independent directors.

Non-management directors' executive sessions

The NYSE Standards require non-management directors of NYSE-listed companies to meet at regularly scheduled executive sessions without management. Our memorandum and articles of association do not require our non-management directors to hold such meetings.

Committee member composition

The NYSE Standards require NYSE-listed companies to have a nominating/corporate governance committee and a compensation committee that are composed entirely of independent directors. British Virgin Islands law, the law of our country of incorporation, does not impose similar requirements. We do not have a nominating/corporate governance committee.

Independence of the compensation and nomination committee and its advisers

NYSE listing standards require that the board of directors of a listed company consider two factors (in addition to the existing general independence tests) in the evaluation of the independence of compensation committee members: (i) the source of compensation of the director, including any consulting, advisory or other compensatory fees paid by the listed company, and (ii) whether the director has an affiliate relationship with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company. In addition, before selecting or receiving advice from a compensation consultant or other adviser, the compensation committee of a listed company is required to take into consideration six specific factors, as well as all other factors relevant to an adviser's independence.

Foreign private issuers such as us are exempt from these requirements if home country practice is followed. British Virgin Islands law does not impose similar requirements.

Miscellaneous

In addition to the above differences, we are not required to: make our audit and compensation and nomination committees prepare a written charter that addresses either purposes and responsibilities or performance evaluations in a manner that would satisfy the NYSE's requirements; acquire shareholder approval of equity compensation plans in certain cases; or adopt and make publicly available corporate governance guidelines.

We were incorporated under, and are governed by, the laws of the British Virgin Islands. For a summary of some of the differences between provisions of the BVI Act applicable to us and the laws application to companies incorporated in Delaware and their shareholders, see "Item 10. Additional Information—B. Memorandum and Articles of Association—Differences in Corporate Law."

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this item.

ITEM 18. FINANCIAL STATEMENTS

Financial Statements are filed as part of this annual report. See page F-1.

ITEM 19. EXHIBITS

Exhibit No.	Description
1.1	Memorandum and Articles of Association, incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
2.1	Indenture dated September 27, 2013 among Arcos Dorados Holdings Inc., as issuer, the Subsidiary Guarantors named therein, Citibank N.A., as trustee, registrar, paying agent and transfer agent, and Banque Internationale à Luxembourg Société Anonyme, as Luxembourg paying agent, incorporated herein by reference to Exhibit 2.2 to the Company's Annual Report on Form 20-F for the year ended December 31, 2013.
2.2*	Indenture dated April 4, 2017 among Arcos Dorados Holdings Inc., as issuer, the Subsidiary Guarantors named therein, and Citibank N.A., as trustee, registrar, paying agent and transfer agent.
3.1	Los Laureles Voting Trust, incorporated herein by reference to Exhibit 9.1 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.1	Amended and Restated Master Franchise Agreement for McDonald's Restaurants in All of the Territories, except Brazil, incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.2	Amendment No. 1 to the Amended and Restated Master Franchise Agreement for McDonald's Restaurants in All of the Territories, except Brazil, incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.3	Second Amended and Restated Master Franchise Agreement for McDonald's Restaurants in Brazil, incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.4	Amendment No. 3 to the Amended and Restated Master Franchise Agreement for McDonald's Restaurants in all the Territories, except Brazil dated March 17, 2016 incorporated herein by reference to Exhibit 4.4 to the Company's Annual Report on Form 20-F for the year ended December 31, 2015.
4.5	Letter of Agreement dated as of July 31, 2014 among McDonald's Latin America and LatAm, LLC, incorporated herein by reference to Exhibit 4.4 to the Company's Annual Report on Form 20-F for the year ended December 31, 2014.
4.6	Amended and Restated Escrow Agreement dated October 12, 2010 among McDonald's Latin America, LLC, LatAm, LLC, each of the Escrowed MF Subsidiaries, Arcos Dorados Restaurantes de Chile Ltda., Arcos Dorados B.V., Deutsche Bank Trust Company Americas, as collateral agent, and Citibank, N.A., as escrow agent, incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.7	Letter of Credit Reimbursement Agreement dated August 3, 2007 between Arcos Dorados B.V. and Credit Suisse, acting through its Cayman Islands Branch, incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.8	Amendment to Letter of Credit Reimbursement Agreement dated November 3, 2008 between Arcos Dorados B.V. and Credit Suisse, acting through its Cayman Islands Branch, incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.

Exhibit No.	Description
4.9	Second Amendment to Letter of Credit Reimbursement Agreement dated December 10, 2008 between Arcos Dorados B.V. and Credit Suisse, acting through its Cayman Islands Branch, incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.10	Third Amendment to Letter of Credit Reimbursement Agreement dated July 8, 2009 between Arcos Dorados B.V. and Credit Suisse, acting through its Cayman Islands Branch, incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.11	Fourth Amendment to Letter of Credit Reimbursement Agreement dated April 23, 2010 between Arcos Dorados B.V. and Credit Suisse AG, Cayman Islands Branch, incorporated herein by reference to Exhibit 10.9 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.12	ISDA Schedule to the 2002 Master Agreement dated as of December 14, 2009 between Morgan Stanley & Co. International plc and Arcos Dorados B.V., incorporated herein by reference to Exhibit 10.16 to the Company's Registration Statement on Form F-1(File No. 333-173063) filed with the SEC on March 25, 2011.
4.13	ISDA Schedule to the 2002 Master Agreement dated as of December 14, 2009 between JPMorgan Chase Bank, N.A. and Arcos Dorados B.V., incorporated herein by reference to Exhibit 10.19 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.14	Credit Support Annex to the Schedule to the Master Agreement dated as of December 14, 2009 between JPMorgan Chase Bank, N.A. and Arcos Dorados B.V., incorporated herein by reference to Exhibit 10.20 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.15	Equity Incentive Plan, incorporated herein by reference to Exhibit 10.23 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.16	Amendment No. 2 to the Amended and Restated Master Franchise Agreement for McDonald's Restaurants in All of the Territories, except Brazil, incorporated herein by reference to Exhibit 10.17 to the Company's Registration Statement on Form F-1 (File No. 333-177210) filed with the SEC on October 7, 2011.
4.17	ISDA Master Agreement dated as of April 20, 2012 between Bank of America, N.A. and Arcos Dorados Holdings Inc., incorporated herein by reference to Exhibit 4.19 to the Company's Annual Report on Form 20-F for the year ended December 31, 2012.
4.18	ISDA Schedule to the 2012 Master Agreement dated as of April 20, 2012 between Bank of America, N.A. and Arcos Dorados Holdings Inc., incorporated herein by reference to Exhibit 4.20 to the Company's Annual Report on Form 20-F for the year ended December 31, 2012.
4.19	Guarantee dated as of April 20, 2012 of Arcos Dourados Comercio de Alimentos Ltda. in favor of Bank of America, N.A. in connection with the ISDA Master Agreement and Schedule thereto, each dated as of April 20, 2012, and any confirmations thereunder, incorporated herein by reference to Exhibit 4.21 to the Company's Annual Report on Form 20-F for the year ended December 31, 2012.
4.20	Confirmation dated June 8, 2012 between Arcos Dorados Holdings Inc. and Bank of America, N.A., incorporated herein by reference to Exhibit 4.22 to the Company's Annual Report on Form 20-F for the year ended December 31, 2012.
4.21	Credit Agreement dated as of August 3, 2011 among Arcos Dorados B.V., as borrower, certain subsidiaries of the borrower, as guarantors, and Bank of America, N.A., as lender, incorporated herein by reference to Exhibit 4.23 to the Company's Annual Report on Form 20-F for the year ended December 31, 2012.
4.22	First Amendment to Credit Agreement dated as of August 3, 2012 among Arcos Dorados B.V., as borrower, certain subsidiaries of the borrower, as guarantors, and Bank of America, N.A., as lender, incorporated herein by reference to Exhibit 4.24 to the Company's Annual Report on Form 20-F for the year ended December 31, 2012.
4.23	Second Amendment to Credit Agreement dated as of August 2, 2013 among Arcos Dorados B.V., as borrower, certain subsidiaries of the borrower, as guarantors, and Bank of America, N.A., as lender, incorporated herein by reference to Exhibit 4.26 to the Company's Annual Report on Form 20-F for the year ended December 31, 2013.

Exhibit No.	Description
4.23	Second Amendment to Credit Agreement dated as of August 2, 2013 among Arcos Dorados B.V., as borrower, certain subsidiaries of the borrower, as guarantors, and Bank of America, N.A., as lender, incorporated herein by reference to Exhibit 4.26 to the Company's Annual Report on Form 20-F for the year ended December 31, 2013.
4.24	Third Amendment to Credit Agreement dated as of July 28, 2014 among Arcos Dorados B.V., as borrower, certain subsidiaries of the borrower, as guarantors, and Bank of America, N.A., as lender, incorporated herein by reference to Exhibit 4.31 to the Company's Annual Report on Form 20-F for the year ended December 31, 2014.
4.25	Fourth Amendment to Credit Agreement dated as of July 30, 2015 among Arcos Dorados B.V., as borrower, certain subsidiaries of the borrower, as guarantors, and Bank of America, N.A., as lender, incorporated herein by reference to Exhibit 4.25 to the Company's Annual Report on Form 20-F for the year ended December 31, 2015.
4.26	Waiver and Fifth Amendment to Credit Agreement dated as of March 16, 2016 among Arcos Dorados B.V., as borrower, certain subsidiaries of the borrower, as guarantors, and Bank of America, N.A., as lender, incorporated herein by reference to Exhibit 4.26 to the Company's Annual Report on Form 20-F for the year ended December 31, 2015.
4.27*	Sixth Amendment to Credit Agreement dated as of August 1, 2016 among Arcos Dorados B.V., as borrower, certain subsidiaries of the borrower, as guarantors, and Bank of America, N.A., as lender.
4.28*	Credit Agreement dated as of November 10, 2016 among Arcos Dorados B.V., as borrower, certain subsidiaries of the borrower, as guarantors and JPMorgan Chase Bank, N.A., as lender.
8.1*	List of subsidiaries.
12.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
12.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
13.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.
13.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.
15.1*	Consent of Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, independent registered public accounting firm.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed with this Annual Report on Form 20-F.

** In accordance with Rule 402 of Regulation S-T, the information in these exhibits shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Arcos Dorados Holdings Inc.

By: /s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

Date: April 27, 2017

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As of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
ARCOS DORADOS HOLDINGS INC.:

We have audited the accompanying consolidated balance sheets of Arcos Dorados Holdings Inc. and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arcos Dorados Holdings Inc. and subsidiaries as of December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 15, 2017 expressed an unqualified opinion thereon.

Buenos Aires, Argentina
March 15, 2017
except for Note 27, as to which the date is April 27, 2017

/s/ Pistrelli, Henry Martin y Asociados S.R.L.
PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global

Arcos Dorados Holdings Inc.

Consolidated Statements of Income (Loss)

For the fiscal years ended December 31, 2016, 2015 and 2014

Amounts in thousands of US dollars, except for share data and as otherwise indicated

REVENUES	2016	2015	2014
Sales by Company-operated restaurants	$ 2,803,334	$ 2,930,379	$ 3,504,302
Revenues from franchised restaurants	125,296	122,361	146,763
Total revenues	**2,928,630**	**3,052,740**	**3,651,065**
OPERATING COSTS AND EXPENSES			
Company-operated restaurant expenses:			
Food and paper	(1,012,976)	(1,037,487)	(1,243,907)
Payroll and employee benefits	(607,082)	(660,773)	(791,677)
Occupancy and other operating expenses	(752,428)	(793,622)	(939,481)
Royalty fees	(142,777)	(149,089)	(173,663)
Franchised restaurants – occupancy expenses	(55,098)	(54,242)	(63,939)
General and administrative expenses	(221,075)	(270,680)	(272,065)
Other operating income (expenses), net	41,386	6,560	(95,476)
Total operating costs and expenses	**(2,750,050)**	**(2,959,333)**	**(3,580,208)**
Operating income	**178,580**	**93,407**	**70,857**
Net interest expense	(66,880)	(64,407)	(72,750)
Loss from derivative instruments	(3,065)	(2,894)	(685)
Foreign currency exchange results	32,354	(54,032)	(74,117)
Other non-operating (expenses) income, net	(2,360)	(627)	146
Income (loss) before income taxes	**138,629**	**(28,553)**	**(76,549)**
Income tax expense	(59,641)	(22,816)	(32,479)
Net income (loss)	**78,988**	**(51,369)**	**(109,028)**
Less: Net income attributable to non-controlling interests	(178)	(264)	(305)
Net income (loss) attributable to Arcos Dorados Holdings Inc.	**$ 78,810**	**$ (51,633)**	**$ (109,333)**
Earnings (loss) per share information:			
Basic net income (loss) per common share attributable to Arcos Dorados Holdings Inc.	$ 0.37	$ (0.25)	$ (0.52)
Diluted net income (loss) per common share attributable to Arcos Dorados Holdings Inc.	0.37	(0.25)	(0.52)

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statements of Comprehensive Income (Loss)

For the fiscal years ended December 31, 2016, 2015 and 2014

Amounts in thousands of US dollars

	2016	2015	2014
Net income (loss)	**$ 78,988**	**$ (51,369)**	**$ (109,028)**
Other comprehensive income (loss), net of tax:			
Foreign currency translation	(9,929)	(128,492)	(85,858)
Post-employment benefits:			
Loss recognized in accumulated other comprehensive income (loss)	(310)	(213)	(544)
Reclassification of loss to consolidated statement of income (loss)	386	440	199
Post-employment benefits (expenses) (net of $39, $120 and $178 of deferred income taxes, respectively)	76	227	(345)
Cash flow hedges:			
Net (loss) gains recognized in accumulated other comprehensive loss	(18,813)	20,487	5,158
Reclassification of net loss (gain) to consolidated statement of income (loss)	11,242	(14,209)	(2,792)
Cash flow hedges (net of $nil of income taxes)	(7,571)	6,278	2,366
Total other comprehensive loss	**(17,424)**	**(121,987)**	**(83,837)**
Comprehensive income (loss)	**61,564**	**(173,356)**	**(192,865)**
Less: Comprehensive income attributable to non-controlling interests	(140)	(73)	(200)
Comprehensive income (loss) attributable to Arcos Dorados Holdings Inc.	**$ 61,424**	**$ (173,429)**	**$ (193,065)**

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statements of Balance Sheet

As of December 31, 2016 and 2015

Amounts in thousands of US dollars, except for share data and as otherwise indicated

ASSETS	2016	2015
Current assets		
Cash and cash equivalents	$ 194,803	$ 112,519
Accounts and notes receivable, net	83,239	63,348
Other receivables	28,841	35,629
Inventories	48,915	44,641
Prepaid expenses and other current assets	87,643	110,808
Deferred income taxes	—	12,051
McDonald's Corporation's indemnification for contingencies	1,749	—
Total current assets	**445,190**	**378,996**
Non-current assets		
Miscellaneous	89,661	62,524
Collateral deposits	5,325	5,325
Property and equipment, net	847,966	833,357
Net intangible assets and goodwill	43,044	49,486
Deferred income taxes	70,446	63,321
Derivative instruments	—	6,741
McDonald's Corporation's indemnification for contingencies	3,421	3,452
Total non-current assets	**1,059,863**	**1,024,206**
Total assets	**$ 1,505,053**	**$ 1,403,202**
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 217,914	$ 187,685
Royalties payable to McDonald's Corporation	17,585	14,834
Income taxes payable	38,912	28,581
Other taxes payable	73,681	69,006
Accrued payroll and other liabilities	144,442	93,112
Provision for contingencies	764	512
Interest payable	7,035	15,990
Short-term debt	—	2,500
Current portion of long-term debt	28,099	161,240
Derivative instruments	19,876	2,126
Deferred income taxes	—	1,728
Total current liabilities	**548,308**	**577,314**
Non-current liabilities		
Accrued payroll and other liabilities	23,760	19,381
Provision for contingencies	17,348	20,066
Long-term debt, excluding current portion	551,580	491,327
Derivative instruments	10,615	—
Deferred income taxes	1,866	8,224
Total non-current liabilities	**605,169**	**538,998**
Total liabilities	**1,153,477**	**1,116,312**
Equity		
Class A shares - no par value common stock; 420,000,000 shares authorized; 130,711,224 shares issued and outstanding at December 31, 2016; 130,538,896 shares issued and outstanding at December 31, 2015	373,969	371,857
Class B shares - no par value common stock; 80,000,000 shares authorized, issued and outstanding at December 31, 2016 and 2015	132,915	132,915
Additional paid-in capital	13,788	12,606
Retained earnings	271,968	193,158
Accumulated other comprehensive losses	(441,649)	(424,263)
Total Arcos Dorados Holdings Inc. shareholders' equity	**350,991**	**286,273**
Non-controlling interests in subsidiaries	585	617
Total equity	**351,576**	**286,890**
Total liabilities and equity	**$ 1,505,053**	**$ 1,403,202**

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statements of Cash Flows

For the fiscal years ended December 31, 2016, 2015 and 2014

Amounts in thousands of US dollars

	2016	2015	2014
Operating activities			
Net income (loss) attributable to Arcos Dorados Holdings Inc	$ 78,810	$ (51,633)	$ (109,333)
Adjustments to reconcile net income (loss) attributable to Arcos Dorados Holdings Inc. to cash provided by operations:			
Non-cash charges and credits:			
Depreciation and amortization	92,969	110,715	116,811
Loss from derivative instruments	3,065	2,894	685
Amortization and accrual of letter of credit fees and deferred financing costs	3,974	3,982	4,195
Gain of property and equipment sales	(55,163)	(10,942)	(890)
Net income attributable to non-controlling interests	178	264	305
Deferred income taxes	5,499	(9,057)	7,419
Foreign currency exchange results	(33,348)	23,239	55,894
Accrued net share-based compensation expense	3,558	4,082	9,252
Impairment of long-lived assets and goodwill	12,742	13,022	52,915
Write-offs and related contingencies of property and equipment	5,776	6,038	7,111
Gain on Sales of restaurants businesses	(16,549)	(3,390)	(1,079)
Others, net	6,459	6,892	7,418
Changes in assets and liabilities:			
Accounts payable	35,815	25,020	(16,128)
Accounts and notes receivable and other receivables	(32,604)	2,369	(9,779)
Inventories, prepaid and other assets	26,763	(45,900)	53,082
Income taxes payable	9,480	15,786	15,884
Other taxes payable	8,180	(2,568)	(27)
Interest payable	(9,533)	(3,746)	(1,054)
Accrued payroll and other liabilities and provision for contingencies	15,412	24,195	(198)
Others	2,706	1,427	608
Net cash provided by operating activities	**164,189**	**112,689**	**193,091**
Investing activities			
Property and equipment expenditures	(92,282)	(90,964)	(169,813)
Purchases of restaurant businesses paid at acquisition date	—	(1,091)	(825)
Proceeds from sale of property and equipment and related advances	88,380	19,738	3,237
Proceeds from sales of restaurant businesses and related advances	25,090	3,861	1,938
Loans collected from / (granted to) related parties	1,800	9,702	(2,500)
Other investing activity	30	(1,361)	(1,001)
Net cash provided by (used in) investing activities	**23,018**	**(60,115)**	**(168,964)**
Financing activities			
Proceeds from secured loan agreement	167,262	—	—
Dividend payments to Arcos Dorados Holdings Inc.' shareholders	—	(12,509)	(50,036)
Net (payment) collection of derivative instruments	(6,268)	19,817	—
Purchase of 2023 Notes	(80,800)	—	—
Purchase and repayment of 2016 Notes	(181,156)	(11,710)	—
Issuance of other long-term debt	—	—	33,267
Net short-term borrowings	(2,488)	(29,043)	26,296
Other financing activities	(9,545)	(8,818)	(8,343)
Net cash (used in) provided by financing activities	**(112,995)**	**(42,263)**	**1,184**
Effect of exchange rate changes on cash and cash equivalents	8,072	(36,822)	(61,929)
Increase (decrease) in cash and cash equivalents	**82,284**	**(26,511)**	**(36,618)**
Cash and cash equivalents at the beginning of the year	112,519	139,030	175,648
Cash and cash equivalents at the end of the year	**$ 194,803**	**$ 112,519**	**$ 139,030**
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 76,605	$ 64,229	$ 71,369
Income tax	39,135	11,191	13,139
Non-cash investing and financing activities:			
Dividend declared pending of payment	—	—	12,509
Seller financing pending of payment and settlement of franchise receivables related to purchases of restaurant businesses	—	2,113	1,864
Exchange of assets	2,150	—	—

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statements of Changes in Equity

For the fiscal years ended December 31, 2016, 2015 and 2014

Amounts in thousands of US dollars, except for share data and as otherwise indicated

	Arcos Dorados Holdings Inc.' Shareholders									
	Class A shares of common stock		Class B shares of common stock							
	Number	Amount	Number	Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive losses	Total	Non-controlling interests	Total
Balances at December 31, 2013	**129,867,426**	**358,820**	**80,000,000**	**132,915**	**17,250**	**404,287**	**(218,735)**	**694,537**	**762**	**695,299**
Net income for the year	—	—	—	—	—	(109,333)	—	(109,333)	305	(109,028)
Other comprehensive losses	—	—	—	—	—	—	(83,732)	(83,732)	(105)	(83,837)
Dividends to Arcos Dorados Holdings Inc.'s shareholders ($0.24 per share)	—	—	—	—	—	(50,036)	—	(50,036)	—	(50,036)
Issuance of shares in connection with the partial vesting of outstanding restricted share units under the 2011 Equity Incentive Plan	348,617	6,881	—	—	(6,881)	—	—	—	—	—
Stock-based compensation related to the 2011 Equity Incentive Plan	—	—	—	—	6,163	—	—	6,163	—	6,163
Acquisition of non-controlling interests	—	—	—	—	(558)	—	—	(558)	(192)	(750)
Dividends on restricted share units under the 2011 Equity Incentive Plan	—	—	—	—	—	(127)	—	(127)	—	(127)
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(97)	(97)
Balances at December 31, 2014	**130,216,043**	**365,701**	**80,000,000**	**132,915**	**15,974**	**244,791**	**(302,467)**	**456,914**	**673**	**457,587**
Net loss for the year	—	—	—	—	—	(51,633)	—	(51,633)	264	(51,369)
Other comprehensive losses	—	—	—	—	—	—	(121,796)	(121,796)	(191)	(121,987)
Issuance of shares in connection with the partial vesting of outstanding restricted share units under the 2011 Equity Incentive Plan	322,853	6,156	—	—	(6,156)	—	—	—	—	—
Stock-based compensation related to the 2011 Equity Incentive Plan	—	—	—	—	2,788	—	—	2,788	—	2,788
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(129)	(129)
Balances at December 31, 2015	**130,538,896**	**371,857**	**80,000,000**	**132,915**	**12,606**	**193,158**	**(424,263)**	**286,273**	**617**	**286,890**
Net income for the year	—	—	—	—	—	78,810	—	78,810	178	78,988
Other comprehensive losses	—	—	—	—	—	—	(17,386)	(17,386)	(38)	(17,424)
Issuance of shares in connection with the partial vesting of outstanding restricted share units under the 2011 Equity Incentive Plan	172,328	2,112	—	—	(2,112)	—	—	—	—	—
Stock-based compensation related to the 2011 Equity Incentive Plan	—	—	—	—	3,294	—	—	3,294	—	3,294
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(172)	(172)
Balances at December 31, 2016	**130,711,224**	**373,969**	**80,000,000**	**132,915**	**13,788**	**271,968**	**(441,649)**	**350,991**	**585**	**351,576**

See Notes to the Consolidated Financial Statements.

1. Organization and nature of business

Arcos Dorados Holdings Inc. (the "Company") is a limited liability company organized and existing under the laws of the British Virgin Islands. The Company's fiscal year ends on the last day of December. The Company has a 99.999% equity interest in Arcos Dorados Cooperatieve U.A., which has a 100% equity interest in Arcos Dorados B.V. ("ADBV").

On August 3, 2007 the Company, indirectly through its wholly-owned subsidiary ADBV, entered into a Stock Purchase Agreement and Master Franchise Agreements ("MFAs") with McDonald's Corporation pursuant to which the Company completed the acquisition of the McDonald's business in Latin America and the Caribbean ("LatAm business"). See Note 4 for details. Prior to this acquisition, the Company did not carry out operations. The Company's rights to operate and franchise McDonald's-branded restaurants in the Territories, and therefore the ability to conduct the business, derive exclusively from the rights granted by McDonald's Corporation in the MFAs through 2027. The initial term of the MFA for French Guyana, Guadeloupe and Martinique was ten years through August 2, 2017 with an option to extend the agreement for these territories for an additional period of ten years, through August 2, 2027. On July 20, 2016, the Company has exercised its option to extend the MFA for these three territories.

The Company, through ADBV's wholly-owned and majority owned subsidiaries, operates and franchises McDonald's restaurants in the food service industry. The Company has operations in twenty territories as follows: Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curacao, Ecuador, French Guyana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Trinidad and Tobago, Uruguay, the U.S. Virgin Islands of St. Croix and St. Thomas (USVI) and Venezuela. All restaurants are operated either by the Company's subsidiaries or by independent entrepreneurs under the terms of sub-franchisee agreements (franchisees).

2. Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company has elected to report its consolidated financial statements in United States dollars ("$" or "US dollars").

Reclassifications

Certain reclassifications have been made from "Occupancy and other operating expenses" to "Payroll and employee benefits" in the Company's consolidated statements of income (loss), totaling $44,415 and $57,584, to the prior years information to conform to the current year presentation, for the fiscal year ended December, 31, 2015 and 2014, respectively.

According to the Accounting Standard Update 2015-03, debt issuance cost related to a recognized debt liability is required to be presented in the consolidated statements of balance sheet as a direct deduction from the corresponding debt liability rather than as an asset for the fiscal year beginning after December 15, 2015. As a result, certain reclassifications have been made from "Miscellaneous", included within "Non-current asset" amounting to $3,775 to "Current portion of long-term debt" and to "Long-term debt, excluding current portion", included within "Liabilities" in the Company's consolidated balance sheet amounting to $359 and $3,416, respectively.

3. Summary of significant accounting policies

The following is a summary of significant accounting policies followed by the Company in the preparation of the consolidated financial statements.

3. Summary of significant accounting policies (continued)

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Foreign currency matters

The financial statements of the Company's foreign operating subsidiaries are translated in accordance with guidance in ASC 830 Foreign Currency Matters. Except for the Company's Venezuelan operations, the functional currencies of the Company's foreign operating subsidiaries are the local currencies of the countries in which they conduct their operations. Therefore, assets and liabilities are translated into US dollars at the balance sheets date exchange rates, and revenues and expenses are translated at average rates prevailing during the periods. Translation adjustments are included in the "Accumulated other comprehensive losses" component of shareholders' equity. The Company includes foreign currency exchange results related to monetary assets and liabilities transactions, including intercompany transactions, denominated in currencies other than its functional currencies in its income (loss) statement.

Effective January 1, 2010, Venezuela is considered to be highly inflationary, and as such, the financial statements of the Company's Venezuelan subsidiaries are remeasured as if their functional currencies were the reporting currency (US dollars). As a result, remeasurement gains and losses are recognized in earnings rather than in the cumulative translation adjustment, component of "Accumulated other comprehensive losses" within shareholders' equity.

See Note 22 for additional information pertaining to the Company's Venezuelan operations, including currency restrictions and controls existing in the country and a discussion of the exchange rate used for remeasurement purposes.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less, from the date of purchase, to be cash equivalents.

Revenue recognition

The Company's revenues consist of sales by Company-operated restaurants and revenues from restaurants operated by franchisees. Sales by Company-operated restaurants are recognized on a cash basis. The Company presents sales net of sales tax and other sales-related taxes. Revenues from restaurants operated by franchisees include rental income, initial franchise fees and royalty income. Rental income is measured on a monthly basis based on the greater of a fixed rent, computed on a straight-line basis, or a certain percentage of gross sales reported by franchisees. Initial franchise fees represent the difference between the amount the Company collects from the franchisee and the amount the Company pays to McDonald's Corporation upon the opening of a new restaurant, which is when the Company has performed substantially all initial services required by the franchisee agreement. Royalty income represents the difference, if any, between the amount the Company collects from the franchisee and the amount the Company is required to pay to McDonald's Corporation. Royalty income is recognized in the period earned.

Accounts and notes receivable and allowance for doubtful accounts

Accounts receivable primarily consist of royalty and rent receivables due from franchisees and debit and credit card receivables. Accounts receivable are initially recorded at fair value and do not bear interest. Notes receivable relates to interest-bearing financing granted to certain franchisees in connection with the acquisition of equipment and third-party suppliers. The Company maintains an allowance for doubtful accounts in an amount that it considers sufficient to cover losses resulting from the inability of its franchisees to make required payments. In judging the adequacy of the allowance for doubtful accounts, the Company considers multiple factors including historical bad debt experience, the current economic environment and the aging of the receivables.

3. Summary of significant accounting policies (continued)

Other receivables

Other receivables primarily consist of value-added tax and other tax receivables (amounting to $15,089 and $24,088 as of December 31, 2016 and 2015, respectively). Other receivables are reported at the amount expected to be collected.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined on a first-in, first-out basis.

Property and equipment, net

Property and equipment are stated at cost, net of accumulated depreciation. Property costs include costs of land and building for both company-operated and franchise restaurants while equipment costs primarily relate to company-operated restaurants. Cost of property and equipment acquired from McDonald's Corporation (as part of the acquisition of LatAm business) was determined based on its estimated fair market value at the acquisition date, then partially reduced by the allocation of the negative goodwill that resulted from the purchase price allocation. Cost of property and equipment acquired or constructed after the acquisition of LatAm business in connection with the Company's restaurant reimaging and extension program is comprised of acquisition and construction costs and capitalized internal costs. Capitalized internal costs include payroll expenses related to employees fully dedicated to restaurant construction projects and related travel expenses. Capitalized payroll costs are allocated to each new restaurant location based on the actual time spent on each project. The Company commences capitalizing costs related to construction projects when it becomes probable that the project will be developed – when the site has been identified and the related profitability assessment has been approved. Maintenance and repairs are expensed as incurred. Accumulated depreciation is calculated using the straight-line method over the following estimated useful lives: buildings – up to 40 years; leasehold improvements – the lesser of useful lives of assets or lease terms which generally include option periods; and equipment 3 to 12 years.

Intangible assets, net

Intangible assets include computer software costs, initial franchise fees, reacquired rights under franchise agreements, letter of credit fees and others.

The Company follows the provisions of ASC 350-40-30 within ASC 350 Intangibles, Subtopic 40 Internal Use Software which requires the capitalization of costs incurred in connection with developing or obtaining software for internal use. These costs are amortized over a period of three years on a straight line basis.

The Company is required to pay to McDonald's Corporation an initial franchisee fee upon opening of a new restaurant. The initial franchise fee related to Company-operated restaurants is capitalized as an intangible asset and amortized on a straight-line basis over the term of the franchise.

A reacquired franchise right is recognized as an intangible asset as part of the business combination in the acquisition of franchised restaurants apart from goodwill with an assigned amortizable life limited to the remaining contractual term (i.e., not including any renewal periods). The value assigned to the reacquired franchise right excludes any amounts recognized as a settlement gain or loss and is limited to the value associated with the remaining contractual term and operating conditions for the acquired restaurants. The reacquired franchise right is measured using a valuation technique that considers restaurant's cash flows after payment of an at-market royalty rate to the Company. The cash flows are projected for the remaining contractual term, regardless of whether market participants would consider potential contractual renewals in determining its fair value.

Letter of credit fees are amortized on a straight-line basis over the term of the Letter of Credit.

3. Summary of significant accounting policies (continued)

Impairment and disposal of long-lived assets

In accordance with the guidance within ASC 360-10-35, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of the asset may not be recoverable. For purposes of reviewing assets for potential impairment assets are grouped at a country level for each of the operating markets. The Company manages its restaurants as a group or portfolio with significant common costs and promotional activities; as such, each restaurant's cash flows are not largely independent of the cash flows of others in a market. If an indicator of impairment exists for any grouping of assets, an estimate of undiscounted future cash flows produced by each individual restaurant within the asset grouping is compared to its carrying value. If an individual restaurant is determined to be impaired, the loss is measured by the excess of the carrying amount of the restaurant over its fair value considering its highest and best use, as determined by an estimate of discounted future cash flows or its market value.

During June 2014 and March 2015, the Company performed an impairment testing of its long-lived assets in Venezuela considering the operating losses incurred in this market as a consequence of the Company's currency exchange rate changes (indicator of potential impairment), as mentioned in Note 22. As a result of this analysis, the Company recorded impairment charges of $7,804 and $45,186 during the fiscal years 2015 and 2014, respectively, primarily associated to an advanced payment for a real estate given during the fourth quarter of 2013, using a fair market value approach. The impairment charges also included certain restaurants with undiscounted future cash flows insufficient to recover their carrying value. In the fourth quarter of 2016, 2015 and 2014, the Company assessed all markets for impairment indicators. As a result of these assessments, the Company concluded the second step was required to be performed as a component of the impairment testing of its long-lived assets in the following markets on a per store basis:

	2016	2015	2014
Puerto Rico	Yes	Yes	Yes
Mexico	Yes	Yes	Yes
Peru	Yes	Yes	Yes
Aruba	Yes	Yes	Yes
Curacao	No	Yes	Yes
USVI	Yes	Yes	Yes
Venezuela	Yes	Yes	Yes
Colombia	Yes	Yes	Yes
Ecuador	Yes	Yes	No
Trinidad and Tobago	Yes	No	No

As a result of the impairment testing the Company recorded the following impairment charges, for the markets indicated below, within Other operating income (expenses), net on the statements of income (loss):

Fiscal year	Markets		Total
2016	Mexico, Puerto Rico, USVI, Peru, Ecuador, Venezuela and Trinidad and Tobago	$	7,697
2015	Mexico, Peru, Colombia and Venezuela		12,343
2014	Mexico, Puerto Rico, Peru, Colombia and Venezuela		50,886

3. Summary of significant accounting policies (continued)

Goodwill

Goodwill represents the excess of cost over the estimated fair market value of net tangible assets and identifiable intangible assets acquired. In accordance with the guidance within ASC 350 Intangibles-Goodwill and Other, goodwill is stated at cost and reviewed for impairment on an annual basis. The annual impairment test is mostly performed during the fourth quarter of the fiscal year and compares the fair value of each reporting unit, generally based on discounted future cash flows, with its carrying amount including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is measured as the difference between the implied fair value of the reporting unit's goodwill and the carrying amount of goodwill.

In assessing the recoverability of the goodwill, the Company considers changes in economic conditions and makes assumptions regarding estimated future cash flows and other factors. Estimates of future cash flows are highly subjective judgments based on the Company's experience and knowledge of its operations. These estimates can be significantly impacted by many factors including changes in global and local business and economic conditions, operating costs, inflation, competition, and consumer and demographic trends.

As a result of the analyses performed the Company recorded the following impairment charges, related to goodwill generated in the acquisition of franchised restaurants, for the markets indicated below within Other operating income (expenses), net on the statements of income (loss):

Fiscal year	Markets	Total
2016	Mexico	$ 5,045
2015	Argentina	679
2014	Puerto Rico	2,029

Advertising costs

Advertising costs are expensed as incurred. Advertising expenses related to Company-operated restaurants were $117,250, $122,920 and $146,363 in 2016, 2015 and 2014, respectively. Advertising expenses related to franchised operations do not affect the Company's expenses since these are recovered from franchisees. Advertising expenses related to franchised operations were $36,374, $35,131 and $44,828 in 2016, 2015 and 2014, respectively.

Accounting for income taxes

The Company records deferred income taxes using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The guidance requires companies to set up a valuation allowance for that component of net deferred tax assets which does not meet the more likely than not criterion for realization.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company is regularly audited by tax authorities, and tax assessments may arise several years after tax returns have been filed. Accordingly, tax liabilities are recorded when, in management's judgment, a tax position does not meet the more likely than not threshold for recognition. For tax positions that meet the more likely than not threshold, a tax liability may be recorded depending on management's assessment of how the tax position will ultimately be settled. The Company records interest and penalties on unrecognized tax benefits in the provision for income taxes.

3. Summary of significant accounting policies (continued)

Accounts payable outsourcing

The Company offers its suppliers access to an accounts payable services arrangement provided by third party financial institutions. This service allows the Company's suppliers to view its scheduled payments online, enabling them to better manage their cash flow and reduce payment processing costs. Independent of the Company, the financial institutions also allow suppliers to sell their receivables to the financial institutions in an arrangement separately negotiated by the supplier and the financial institution. The Company has no economic interest in the sale of these receivables and no direct relationship with the financial institutions concerning the sale of receivables. All of the Company's obligations, including amounts due, remain to the Company's suppliers as stated in the supplier agreements. As of December 31, 2016 and 2015, $2,241 and $2,142, respectively, of the Company's total accounts payable are available for this purpose and have been sold by suppliers to participating financial institutions.

Share-based compensation

The Company recognizes compensation expense as services required to earn the benefits are rendered. See Note 17 for details of the outstanding plans and the related accounting policies.

Derivative financial instruments

The Company utilizes certain hedge instruments to manage its interest rate and foreign currency rate exposures. The counterparties to these instruments generally are major financial institutions. The Company does not hold or issue derivative instruments for trading purposes. In entering into these contracts, the Company assumes the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. The Company does not expect any losses as a result of counterparty defaults. All derivatives are recognized as either assets or liabilities in the balance sheets and are measured at fair value. Additionally, the fair value adjustments will affect either shareholders' equity as accumulated other comprehensive income (loss) or net income (loss) depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity.

Severance payments

Under certain laws and labor agreements of the countries in which the Company operates, the Company is required to make minimum severance payments to employees who are dismissed without cause and employees leaving its employment in certain other circumstances. The Company accrues severance costs if they relate to services already rendered, are related to rights that accumulate or vest, are probable of payment and can be reasonably estimated. Otherwise, severance payments are expensed as incurred.

Provision for contingencies

The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Company's estimates of the outcomes of these matters and the Company's lawyers' experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs. See Note 18 for details.

Comprehensive income (loss)

Comprehensive income (loss) includes net income as currently reported under generally accepted accounting principles and also includes the impact of other events and circumstances from non-owner sources which are recorded as a separate component of shareholders' equity. The Company reports foreign currency translation gains and losses, unrealized results on cash flow hedges as well as unrecognized post-retirement benefits as components of comprehensive income (loss).

3. Summary of significant accounting policies (continued)

Sales of properties and equipments and restaurant businesses

The Company recognizes the sale of properties and equipments when: (a) the profit is determinable, that is, the collectibility of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (b) the earnings process is virtually complete, that is, the Company is not obliged to perform significant activities after the sale to earn the profit. The sale of restaurant businesses is recognized when the Company transfers substantially all of the risks and rewards of ownership.

In order to determine the gain or loss on the disposal, the goodwill associated with the sold of property and equipments and restaurant business, if any, is considered within the carrying value. The amount of goodwill to be included in that carrying amount is based on the relative fair value of the item to be disposed and the portion of the reporting unit that will be retained.

During fiscal years 2016, 2015 and 2014, the Company recorded results from sales of properties and equipments and restaurant businesses, amounting to $71,712, $14,332 and $1,969, respectively, included within “Other operating income (expenses), net”. The sales performed during fiscal years 2016 and 2015, were primarily related to the redevelopment of certain real estate assets and restaurant businesses, related to the refranchising of a number of company-operated restaurants.

In addition, as of December 31, 2016 and 2015, the Company received advances related to the redevelopment of certain real estate assets and restaurant businesses plan for which the sales had not met the aforementioned conditions, amounting to $34,341 and $4,939, respectively, recorded within the current portion of “Accrued payroll and other Liabilities”.

Recent accounting pronouncements

In May 2014, the FASB issued guidance codified in Accounting Standards Codification (ASC) 606, “Revenue Recognition - Revenue from Contracts with Customers,” which amends the guidance in former ASC 605, “Revenue Recognition,” and becomes effective beginning January 1, 2017. In August 12, 2015, the FASB deferred the effective date to annual reporting periods beginning after December 15, 2017. The standard’s core principle is that a company must recognize revenue when it transfers promised goods or services to customers, in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. After evaluating the effect of adopting the new standard, the Company concluded that the sole source of revenue affected would be the initial franchise fee, which would be deferred over the term of the franchise agreement. Consequently, a deferred income is expected within a range of $4 million and $6 million as of the date of the adoption. The Company will adopt the modified retrospective method as of the date the new guidance become effective.

In November 2015, new guidance about ASC 740 “Income Tax” was issued. Becoming effective for fiscal periods, including interim periods, beginning after December 15, 2016, this standard requires the Company to classify all deferred tax assets and liabilities as non-current on the Consolidated Statements of Balance Sheets instead of separating deferred taxes into current and non-current amounts. As of December 31, 2016, the Company adopted this guidance prospectively, since early adoption was permitted.

In addition, in February 2016, new guidance about leases was issued. The new standard (ASC 842) supersede the lease requirements of ASC 840. The objective of the new guidance is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. This standard is effective for annual periods beginning after December 15, 2018, including interim periods. The Company is currently evaluating the impact of the provisions of ASC 842.

No other new accounting pronouncement issued or effective during the periods had or is expected to have a material impact on the Company’s consolidated financial statements.

4. Acquisition of businesses

LatAm Business

On August 3, 2007, the Company, indirectly through its wholly-owned subsidiary ADBV, entered into a Stock Purchase Agreement with McDonald's Corporation pursuant to which the Company completed the acquisition of the McDonald's business in Latin America and the Caribbean for a final purchase price of $698,080.

The acquisition of the LatAm business was accounted for by the purchase method of accounting and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of acquisition. When the fair value of the net assets acquired exceeded the purchase price, the resulting negative goodwill was allocated to partially reduce the fair value of the non-current assets acquired on a pro-rata basis.

In connection with this transaction, ADBV and certain subsidiaries (the "MF subsidiaries") also entered into 20-year Master Franchise Agreements ("MFAs") with McDonald's Corporation which grants to the Company and its MF subsidiaries the following:

i. The right to own and operate, directly or indirectly, franchised restaurants in each territory;

ii. The right and license to grant sub franchises in each territory;

iii. The right to adopt and use, and to grant the right and license to sub franchisees to adopt and use, the system in each territory;

iv. The right to advertise to the public that it is a franchisee of McDonald's;

v. The right and license to grant sub franchises and sublicenses of each of the foregoing rights and licenses to each MF subsidiary.

The Company is required to pay to McDonald's Corporation continuing franchise fees (Royalty fees) on a monthly basis. The amount to be paid during the first 10 years of the MFAs is equal to 5% of the US dollar equivalent of the gross product sales of each of the franchised restaurants. This percentage increases to 6% and 7% for the subsequent two 5-year periods of the agreement. Payment of monthly royalties is due on the seventh business day of the next calendar month.

Pursuant to the MFAs provisions, McDonald's Corporation has the right to (a) terminate the MFAs, or (b) exercise a call option over the Company's shares or any MF subsidiary, if the Company or any MF subsidiary (i) fails to comply with the McDonald's System (as defined in the MFAs), (ii) files for bankruptcy, (iii) defaults on its financial debt payments, (iv) substantially fails to achieve targeted openings and reinvestments requirements, or (v) upon the occurrence of any other event of default as defined in the MFAs.

Other acquisitions

During fiscal years 2015 and 2014, the Company acquired certain franchised restaurants in certain territories. No acquisitions of franchised restaurant were made during fiscal year 2016. Presented below is supplemental information about these acquisitions:

4. Acquisition of businesses (continued)

Purchases of restaurant businesses:		**2015**		**2014**
Property and equipment	$	936	$	583
Identifiable intangible assets		853		518
Goodwill		1,621		2,029
Assumed debt		(206)		—
Gain on bargain purchase of franchised restaurants		—		(71)
Purchase price		**3,204**		**3,059**
Restaurants sold in exchange		—		—
Settlement of franchise receivables		(2,113)		(1,436)
Seller financing		—		(798)
Purchase price paid at acquisition date	**$**	**1,091**	**$**	**825**

5 . Accounts and notes receivable, net

Accounts and notes receivable, net consist of the following at year end:

		2016		**2015**
Receivables from franchisees	$	45,700	$	34,714
Debit and credit card receivables		40,652		28,683
Meal voucher receivables		11,024		8,920
Notes receivable		2,230		3,799
Allowance for doubtful accounts		(16,367)		(12,768)
	$	**83,239**	**$**	**63,348**

6. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following at year end:

		2016		**2015**
Prepaid taxes	$	52,407	$	78,543
Prepaid expenses		18,753		21,124
Promotion items and prepayments		12,853		11,141
Other		3,630		—
	$	**87,643**	**$**	**110,808**

7. Miscellaneous

Miscellaneous consist of the following at year end:

	2016	2015
Judicial deposits	$ 35,652	$ 23,019
Tax credits	21,060	6,581
Prepaid property and equipment	13,279	11,344
Notes receivable	4,509	2,799
Rent deposits	4,471	6,584
Other	10,690	12,197
	$ 89,661	**$ 62,524**

8. Property and equipment, net

Property and equipment, net consist of the following at year-end:

	2016	2015
Land	$ 145,417	$ 138,546
Buildings and leasehold improvements	605,156	575,238
Equipment	563,973	521,957
Total cost	1,314,546	1,235,741
Total accumulated depreciation	(466,580)	(402,384)
	$ 847,966	**$ 833,357**

Total depreciation expense for fiscal years 2016, 2015 and 2014 amounted to $83,993, $96,383 and $101,703, respectively.

9. Net intangible assets and goodwill

Net intangible assets and goodwill consist of the following at year-end:

	2016	2015
Net intangible assets (i)		
Computer software cost	$ 66,969	$ 60,088
Initial franchise fees	15,039	14,659
Reacquired franchised rights	8,219	8,128
Letter of credit fees	940	940
Others	1,000	1,000
Total cost	92,167	84,815
Total accumulated amortization	(56,242)	(47,579)
Subtotal	**35,925**	**37,236**

9. Net intangible assets and goodwill (continued)

Goodwill (ii)	2016	2015
Mexico	—	6,013
Brazil	5,100	4,191
Chile	1,110	1,050
Argentina	411	504
Ecuador	273	273
Peru	167	165
Colombia	58	54
Subtotal	**7,119**	**12,250**
	$ 43,044	**$ 49,486**

(i) Total amortization expense for fiscal years 2016, 2015 and 2014 amounted to $8,976, $14,332 and $15,108, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years and thereafter is as follows: $13,949 for 2017, $9,073 for 2018; $2,843 for 2019; $1,347 for 2020; $1,347 for 2021; and thereafter $7,366.

(ii) Related to the acquisition of franchised restaurants (Mexico, Brazil, Peru, Chile, Argentina and Colombia) and non-controlling interests in subsidiaries (Ecuador and Chile).

10. Accrued payroll and other liabilities

Accrued payroll and other liabilities consist of the following at year end:

	2016	2015
Current:		
Accrued payroll	$ 95,754	$ 74,559
Advances related to pending sales of property and equipment and restaurant businesses	34,341	4,939
Accrued expenses	9,492	11,817
Other liabilities	4,855	1,797
	$ 144,442	**$ 93,112**
Non-current:		
Deferred rent	13,782	12,170
Other liabilities	9,978	7,211
	$ 23,760	**$ 19,381**

11. Short-term debt

Short-term debt consists of the following at year-end:

	2016	2015
Revolving Credit Facilities	$ —	$ 2,500
	$ —	**$ 2,500**

The Company entered into revolving credit facilities in order to borrow money from time to time to cover its working capital needs and for other general corporate purposes.

11. Short-term debt (continued)

On August 1, 2016, ADBV renewed its committed revolving credit facility with Bank of America, N.A. (BOFA), as lender, for up to $25 million maturing on August 3, 2017. In addition, on November 10, 2016, ADBV entered into a revolving credit facility with JPMorgan Chase Bank, N.A, for up to $25 million maturing on November 10, 2017. Each loan made to ADBV under these agreements will bear interest at an annual rate equal to LIBOR plus 2.50%. Interest on each loan will be payable at maturity and on a quarterly basis, beginning with the date that is three calendar months following the date the loan is made.

The obligations of ADBV under the revolving credit facilities are jointly and severally guaranteed by certain of the Company's subsidiaries on an unconditional basis. Furthermore, the agreements include customary covenants including, among others, restrictions on the ability of ADBV, the guarantors and certain material subsidiaries to: (i) incur liens (except for the event of default that may occur derives from the credit and debit card receivables that secured the Secured Loan Agreement mentioned in Note 12), (ii) enter into any merger, consolidation or amalgamation; (iii) sell, assign, lease or transfer all or substantially all of the borrower's or guarantor's business or property; (iv) enter into transactions with affiliates; (v) engage in substantially different lines of business; (vi) engage in transactions that violate certain anti-terrorism laws; and (vii) is required to comply with a consolidated net indebtedness to EBITDA ratio lower than 3.0 to 1 as of the last day of the fiscal quarter ended December 31, 2016 and thereafter. The revolving credit facilities provide for customary events of default, which, if any of them occurs, would permit or require the lender to terminate its obligation to provide loans under the revolving credit facilities and/or to declare all sums outstanding under the loan documents immediately due and payable.

As of December 31, 2016, the mentioned ratio was 1.64 and thus the Company is currently in compliance with the ratio requirement under both revolving credit facilities.

12. Long-term debt

Long-term debt consists of the following at year-end:

	2016	2015
2023 Notes	$ 393,767	$ 473,767
2016 Notes	—	158,544
Secured loan agreement	167,262	—
Capital lease obligations	4,704	5,599
Other long-term borrowings	25,553	22,465
Subtotal	**591,286**	**660,375**
Discount on 2023 Notes	(5,029)	(6,918)
Premium on 2023 Notes	1,910	2,640
Premium on 2016 Notes	—	245
Fair value adjustment related to Secured loan agreement (i)	(2,877)	—
Deferred financing costs	(5,611)	(3,775)
Total	**579,679**	**652,567**
Current portion of long-term debt	28,099	161,240
Long-term debt, excluding current portion	**$ 551,580**	**$ 491,327**

(i) The carrying value of hedged items in fair value hedges, are adjusted for fair value changes to the extent they are attributable to the risks designated as being hedged. The related hedging instrument is also recorded at fair value included within "Derivative instruments" in liabilities current and non-current.

12. Long-term debt (continued)

2023 and 2016 Notes:

The following table presents additional information related to the 2023 Notes and 2016 Notes:

	Annual interest rate	Currency	Principal as of December 31, 2016	Principal as of December 31, 2015	Maturity
2023 Notes	6.625 %	USD	$ 393,767	473,767	September 27, 2023
2016 Notes	10.25 %	BRL	—	158,544	July 13, 2016

	Interest Expense (i)			DFC Amortization (i)			Accretion of Premium and Amortization of Discount (i)		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
2023 Notes	$ 28,516	$ 31,387	$ 31,387	$ 943	$ 439	$ 438	$ 1,157	$ 515	$ 506
2016 Notes	6,668	20,991	29,490	391	805	778	(266)	(496)	(692)

(i) These charges are included within "Net interest expense" in the consolidated statements of income (loss).

On July 13, 2011 and April 24, 2012, the Company issued Brazilian reais notes due in 2016 (the "2016 Notes") amounting to Brazilian reais (“BRL”) 675,000. Periodic payments of principal were not required and interest was paid semi-annually beginning on January 13, 2012. The Company incurred $3,699 of financing costs related to these issuances, which were capitalized as deferred financing costs ("DFC") and were amortized over the life of the notes.

During November 2015 and January 2016, the Company redeemed a portion of the outstanding principal amount of its 2016 Notes. Furthermore, on April 8, 2016, the Company launched a cash tender offer for any and all of its outstanding 2016 Notes, at a redemption price equal to 97%, which expired on May 5, 2016. The holders who tendered their 2016 Notes prior to April 21, 2016, received a redemption price equal to 100%. The results related to the cash tender offer and the accelerated amortization of the related to DFC were recognized as interest expense within the consolidated statement of income (loss). Finally, on July 13, 2016, the Company settled the remaining 2016 Notes amounting to BRL 200,991 (equivalent to $60,965) and paid accrued and unpaid interest amounting to BRL 10,301 (equivalent to $3,124) related to the Notes.

The following table presents information related to the purchase and repayments of the principal of the 2016 Notes:

Date	Redemption price	Amount BRL	Amount $
November 25, 2015	93.75%	40,000	9,995
November 30, 2015	93.75%	7,039	1,715
January 29, 2016	97.75%	1,180	288
April 21, 2016	100.00%	421,765	118,797
May 5, 2016	97.00%	4,025	1,106
July 13, 2016	100.00%	200,991	60,965
Total		**675,000**	**192,866**

On September 27, 2013, the Company issued senior notes, which are due in 2023 (the "2023 Notes"). Periodic payments of principal are not required and interest is paid semi-annually commencing on March 27, 2014. The gross proceeds from the cash issuance of 2023 Notes amounting to $378,409 were partially used to finance the purchase of 2019 Notes and to repay certain of the Company’s short-term debt. The 2019 Notes, were canceled during 2013, when the Company launched a tender and exchange offer pursuant to which it offered to exchange any and all of the outstanding 2019 Notes for 2023 Notes and to purchase any and all of the outstanding 2019 Notes for cash.

12. Long-term debt (continued)

2023 and 2016 Notes (continued):

The Company recorded the portion of 2023 Notes issued in exchange for cash at the original price of 100.909%. The portion of 2023 Notes issued as consideration for the partial exchange of 2019 Notes was recorded at the carrying value of the 2019 Notes since there were no substantive modifications to the terms of the debts according to ASC 470-50-40. The net discount amounting to $5,420 (comprised of a discount of $8,829 related to the non-cash issuance, partially offset by $3,409 of a premium related to the cash issuance) is being accreted over the term of the 2023 Notes and recognized as a higher interest expense. The Company incurred $3,313 of financing costs related to the cash issuance of 2023 Notes, which were capitalized as deferred DFC and are being amortized over the life of the notes.

On June 1, 2016, the Company launched a cash tender offer to purchase $80,000 of its outstanding 2023 Notes, at a redemption price equal to 98%, which expired on June 28, 2016. The holders who tendered their 2023 Notes prior to June 14, received a redemption price equal to 101%. As a consequence of this transaction, the Company redeemed 16.89% of the outstanding principal. The total payment was $80,800 (including $800 of early tender payment) plus accrued and unpaid interest. The results related to the cash tender offer and the accelerated amortization of the related DFC were recognized as interest expense within the consolidated statement of income (loss).

The 2023 Notes, are redeemable, in whole or in part, at the option of the Company at any time at the applicable redemption price set forth in the indenture governing them. The 2023 Notes are fully and unconditionally guaranteed on a senior unsecured basis by certain of the Company's subsidiaries. The Notes and guarantees (i) are senior unsecured obligations and rank equal in right of payment with all of the Company's and guarantors' existing and future senior unsecured indebtedness; (ii) will be effectively junior to all of Company's and guarantors' existing and future secured indebtedness to the extent of the value of the Company's assets securing that indebtedness; and (iii) are structurally subordinated to all obligations of the Company's subsidiaries that are not guarantors.

The indenture governing the Notes limits the Company's and its subsidiaries' ability to, among other things, (i) create certain liens; (ii) enter into sale and lease-back transactions; and (iii) consolidate, merge or transfer assets. These covenants are subject to important qualifications and exceptions. The indenture governing the Notes also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, and interest on all of the then-outstanding 2023 Notes to be due and payable immediately.

The 2023 Notes are listed on the Luxembourg Stock Exchange and trade on the Euro MTF Market.

Secured loan agreement

On March 29, 2016, the Company's Brazilian subsidiary signed a $167,262 Secured Loan Agreement (the "Loan") with five off-shore lenders namely: Citibank N.A., Itaú BBA International plc, Santander (Brasil) S.A., Cayman Islands Branch, Bank of America N.A. and JP Morgan Chase Bank, N.A. Each loan under the agreement bears interest at the following annual interest rates:

Lender	Annual Interest Rate
Citibank N.A.	3M LIBOR + 2.439%
Itaú BBA International plc	5.26%
Banco Santander (Brasil) S.A., Cayman Islands Branch	4.7863%
Bank of America N.A.	3M LIBOR + 4.00%
JP Morgan Chase Bank, N.A.	3M LIBOR + 3.92%

In order to fully convert each loan of the agreement into BRL, the Brazilian subsidiary entered into five cross-currency interest rate swap agreements with the local subsidiaries of the same lenders. Consequently, the loans were fully converted into BRL amounting to BRL613,850. Refer to Note 13 for more details.

12. Long-term debt (continued)

Secured loan agreement (continued)

Considering the cross currency interest rate swap agreements, the final interest rate of the Loan is the Interbank Market reference interest rate (known in Brazil as “CDI”) plus 4.50% per year. Interest payments are made quarterly, beginning June 2016 and principal payments will be made semi-annually, beginning September 2017.

The Company incurred $3,243 of financing costs related to this issuance, which were capitalized as DFC and are being amortized over the life of the loan.

The following table presents information related to the Secured loan agreement:

Interest Expense (i) (ii)			DFC Amortization (ii)		
2016	2015	2014	2016	2015	2014
$ 6,519	$ —	$ —	$ 814	$ —	$ —

(i) This charge does not include the effect of the cross-currency interest rate swap agreements mentioned in Note 13, amounting to a loss of $18,177. Including this effect the total interest cost amounts to $24,696.

(ii) These charges are included within "Net interest expense" in the consolidated statement of income (loss).

The Loan matures on March 30, 2020 and periodic payments of principal are required: 10% of principal in September 2017, 15% in March and September 2018, and 20% in March and September 2019 and in March 2020. Prepayments are allowed without penalty.

The Loan is fully and unconditionally guaranteed on a senior secured basis by the Company and certain subsidiaries and is secured by certain credit and debit card receivables arising from sales in certain Brazilian restaurants operated by the Brazilian subsidiary. The Loan ranks at least *pari passu* in right of payment with all other unsubordinated and unsecured indebtedness of the borrower and the guarantors.

The Loan proceeds were used primarily to repay the 2016 Notes mentioned above.

The Loan agreement includes customary covenants including, among others, restrictions on the ability of the Company and certain subsidiaries to (i) pay dividends; (ii) create liens; (iii) sell certain real estate assets; (iv) enter into sale and lease-back transactions; (v) pay interest or principal on intercompany loans; and (vi) consolidate, merge or transfer assets. These covenants are subject to important qualifications and exceptions.

Under the Loan, the Company must maintain (i) a Consolidated Net Indebtedness to EBITDA ratio (as defined therein) lower than (a) 3.5 to 1 as of the last day of the fiscal quarter ended March 31 and June 30, 2016, (b) 3.25 to 1 as of the last day of the fiscal quarter ended September 30, 2016 and (c) 3.0 to 1 as of the last day of the fiscal quarter ended December 31, 2016 and thereafter; and (ii) an EBITDA to Consolidated Interest Expense ratio (as defined therein) greater than 2.5 to 1 as of the last day of any fiscal quarter. The Brazilian subsidiary must maintain an Adjusted Net Indebtedness to EBITDA ratio lower than 2.0 to 1 as of the last day of any fiscal quarter. The calculation of Adjusted Net Indebtedness of the Brazilian subsidiary shall exclude any intercompany indebtedness.

As of December 31, 2016, the Company was in compliance with the ratio requirements; Consolidated Net Indebtedness to EBITDA ratio and EBITDA to consolidated Interest Expense ratio were 1.90 and 3.11, respectively; and, the net indebtedness to EBITDA ratio of the Brazilian subsidiary was 0.96.

The Loan also provides for customary events of default, which, if any of them occur, would permit or require the principal and interest on all of the outstanding amount to be due and payable immediately.

12. Long-term debt (continued)

Other required disclosure

At December 31, 2016, future payments related to the Company's long-term debt are as follows:

	Principal	Interest	Total
2017	$ 19,974	$ 37,200	$ 57,174
2018	54,402	34,793	89,195
2019	71,165	31,523	102,688
2020	37,253	28,057	65,310
2021	3,782	27,267	31,049
Thereafter	404,710	53,945	458,655
Total payments	**591,286**	**212,785**	**804,071**
Interest	—	(212,785)	(212,785)
Discount on 2023 Notes	(5,029)	—	(5,029)
Premium on 2023 Notes	1,910	—	1,910
Fair value adjustments	(2,877)	—	(2,877)
Deferred financing cost	(5,611)	—	(5,611)
Long-term debt	**$ 579,679**	**$ —**	**$ 579,679**

13. Derivative instruments

The following table presents the fair values of derivative instruments included in the consolidated balance sheets as of December 31, 2016 and 2015:

		(Liability) Asset Derivatives Fair Value	
Type of Derivative	**Balance Sheets Location**	**2016**	**2015**
Derivatives designated as hedging instruments			
Forward contracts	Other receivables	$ —	$ 454
	Accrued payroll and other liabilities	(100)	—
2013 Cross-currency interest rate swap (i)	Derivative instruments	(3,274)	4,615
2016 Cross-currency interest rate swap (i)	Derivative instruments	(27,217)	—
		(30,591)	**5,069**

(i) At December 31, 2016, presented in the consolidated balance sheet as follows: $19,876 as a current liability and $10,615 as a non-current liability. At December 31, 2015, presented in the consolidated balance sheet as follows: $6,741 as a non-current asset and $2,126 as a current liability.

13. Derivative instruments (continued)

Derivatives designated as hedging instruments

Cash flow hedge

Forward contracts

The Company has entered into various forward contracts in a few territories in order to hedge a portion of the foreign exchange risk associated with forecasted imports of goods. The effect of the hedges result in fixing the cost of goods acquired (i.e. the net settlement or collection adjusts the cost of inventory paid to the suppliers). As of December 31, 2016, the Company has forward contracts outstanding with a notional amount of $12,295 that mature during 2017.

The Company made net (payments) collections totaling $(1,307), $2,306 and $1,451 during fiscal years 2016, 2015 and 2014, respectively, as a result of the net settlements of these derivatives.

2013 Cross-currency interest rate swap

On November 7, 2013, the Company entered into a cross-currency interest rate swap agreement (the "2013 cross-currency interest rate swap") with JP Morgan Chase Bank, N.A., to hedge all the variability in a portion (53.08%) of the principal and interest collections of its BRL intercompany loan receivable with ADBV. The agreement was amended on: November 13, 2015, June 24, 2016, July 15, 2016 and August 11, 2016. All the terms of the swap agreement match the terms of the BRL intercompany loan receivable. Pursuant to this agreement, the Company receives interests at a fixed rate of 4.38% over a notional amount of 33.2 million ($47.3 million at the inception, $28.3 million until June 24, 2016, $30.7 million until July 15, 2016 and $32.4 million before last amendment) and pays interest at a fixed rate of 13% over a notional amount of R$108 million on March 31 and September 30 of each year. This agreement matures on September 29, 2023 with exchange of principal.

As a result of the amendments, the Company paid $6,268 during 2016 and collected $19,817 and recorded a loss of $2,650 within “Loss from derivative instruments” in the income (loss) statement, during 2015. According to ASC 815-30-40, the amount deferred in accumulated other comprehensive income (loss) until the date of the last amendments that equals to a loss of $658 as of December 31,2016, will be amortized to earnings as the originally hedged cash flows affected income (loss) statement.

The Company paid $2,795, $1,933 and $3,512 of net interest during fiscal years 2016, 2015 and 2014, respectively.

13. Derivative instruments (continued)

Derivatives designated as hedging instruments (continued)

Cash flow hedge (continued)

The following table presents the pretax amounts affecting income and other comprehensive income for the fiscal years ended December 31, 2016, 2015 and 2014 for each type of derivative relationship:

	Forward contracts			Cross-currency interest rate swaps			Total		
Derivatives in Cash Flow Hedging Relationships	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
(Loss) Gain Recognized in Accumulated OCI on Derivative (Effective Portion)	$ (1,861)	$ 1,903	$ 1,925	$ (16,952)	$ 18,584	$ 3,233	$ (18,813)	$ 20,487	$ 5,158
Loss (Gain) Reclassified from Accumulated OCI into Income (Effective Portion) (i)	1,307	(2,306)	(1,451)	9,935	(11,903)	(1,341)	11,242	(14,209)	(2,792)
Loss Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing and Ineffective Portion) (ii)	—	—	—	—	(2,650)	—	—	(2,650)	—

(i) The (loss) gain recognized in income related to forward contracts was recorded as an adjustment to food and paper. The net (loss) gain recognized in income related to the cross-currency interest rate swap is presented in the consolidated income (loss) statement as follows: a (loss) gain of ($6,997), $13,595 and $5,084 for the fiscal year 2016, 2015 and 2014, respectively, as an adjustment to foreign exchange results and a loss of $2,938, $1,692 and $3,743, for the fiscal years 2016, 2015 and 2014, respectively, as an adjustment to net interest expense.

(ii) In the fiscal year 2015 related to the loss incurred in connection with the amendment of the cross-currency interest rate swap agreement. These results were recorded within “Loss from derivative instruments” in the Company’s consolidated statements of income (loss).

Fair value hedge

2016 Cross-currency interest rate swap

On March 29, 2016, the Company entered into five cross-currency interest rate swap agreements (the "2016 cross-currency interest rate swap") in order to fully hedge the principal and interest cash flows of the Secured Loan Agreement described in Note 12, into BRL. The agreements were signed with the Brazilian subsidiaries of the banks participating in the secured loan. All the terms of the 2016 cross-currency interest rate swap agreements match the terms of the Secured Loan Agreement. Pursuant to these agreements, the Company receives interest in US dollar at an interest rate equal to the one it has to pay to the off-shore lenders over a notional amount of $167,3 million and pays interest in BRL at CDI plus 4.50% per year, over a notional amount of BRL 613,9 million quarterly, beginning June 2016.

During fiscal year 2016, the accrued interest amounted to $18,177. This charge does not include the effect of the secured loan agreement mentioned in Note 12, amounting to a loss of $6,519. Including this effect the total interest cost amounts to $24,696. As of December 31, 2016 all accrued interest were settled.

According to ASC 815-25-35, the change in the fair value of the hedging instrument and the change in the fair value of the hedged item shall be recognized in earnings. If those results are not perfectly offset, the difference shall be considered as hedge ineffectiveness.

13. Derivative instruments (continued)

Fair value hedge (continued)

2016 Cross-currency interest rate swap (continued)

The following table presents the pretax amounts affecting income for the fiscal year ended December 31, 2016:

Derivatives in Fair Value Hedging Relationships	2016 Loss recognized in Income on hedging derivatives	2016 Gain recognized in Income on hedging items
Cross-currency swaps (i)	(5,814)	2,877

(i) The loss amounting to $2,938, related to the ineffective portion of derivatives, was recorded within “Loss from derivative instruments” in the Company’s consolidated statements of income (loss).

Derivatives not designated as hedging instruments

Total equity return swap

On August 13, 2012, the Company entered into a total equity return swap agreement with Goldman Sachs International (GSI) in order to minimize earning volatility related to a long-term incentive plan to reward employees implemented by ADBV in 2008, fully vested in March 2015. The agreement was renewed twice and as from the amendment signed on September 23, 2014, the Company was required to make a collateral deposit, which returned to the Company with the maturity of the agreement on September 12, 2015. During the third quarter of 2015, the Company paid $9,681 as settlement of the agreement.

The Company did not designate this swap as a hedge under ASC 815. Therefore, the agreement was carried at fair market value in the consolidated balance sheets with changes reported in earnings, within "General and administrative expenses". The interest portion was recorded within “Net interest expense” in the Company’s consolidated statement of income (loss).

The following table presents amounts affecting income related to derivatives not designated as hedging instruments:

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized in Income	Loss Recognized in Income on Derivative instruments 2016	2015	2014
Total equity return swap	General and administrative expenses (i)	$ —	$ (1,743)	$ (6,861)
	Net interest expense	—	(453)	(360)
Others	Loss from derivative instruments	(127)	(244)	(685)
Total		**$ (127)**	**$ (2,440)**	**$ (7,906)**

(i) For the fiscal year 2015, includes a loss amounting to $1,252 excluded from Adjusted EBITDA as from the total vesting of the plan. See Adjusted EBITDA reconciliation in Note 21.

14. Operating lease agreements

At December 31, 2016, the Company was the lessee at 2,775 locations through ground leases (the Company leases the land and the Company or franchisee owns the building) and through improved leases (the Company leases land and buildings). Lease terms for most restaurants vary between 10 and 20 years and, in many cases, provide for rent escalations and renewal options, with certain leases providing purchase options. Escalations terms vary by reporting unit, with examples including fixed-rent escalations, escalations based on an inflation index, and fair value adjustments. According to rental terms, the Company pays monthly rent based on the greater of a fixed rent or a certain percentage of the Company's gross sales. For most locations, the Company is obligated for the related occupancy costs including property taxes, insurance and maintenance. However, for franchised sites, the Company requires the franchisees to pay these costs. In addition, the Company is the lessee under non-cancelable leases covering certain offices and warehouses.

In March 2010, the Company entered into an aircraft operating lease agreement for a term of 8 years, which provides for quarterly payments of $690. The agreement includes a purchase option at the end of the lease term at fair market value and also an early purchase option at a fixed amount of $26,685 at maturity of the 24t h quarterly payment. The Company was required to make a cash deposit of $5,325 as collateral for the obligations assumed under this agreement.

At December 31, 2016, future minimum payments required under existing operating leases with initial terms of one year or more are:

	Restaurant	Other	Total
2017	$ 136,812	$ 5,340	$ 142,152
2018	124,045	2,663	126,708
2019	110,171	1,846	112,017
2020	98,739	1,838	100,577
2021	84,291	1,395	85,686
Thereafter	382,221	4,162	386,383
Total minimum payment	**$ 936,279**	**$ 17,244**	**$ 953,523**

The following table provides detail of rent expense for fiscal years 2016, 2015 and 2014:

	2016	2015	2014
Company-operated restaurants (i)	$ 131,142	$ 135,232	$ 151,724
Franchised restaurants (ii)	43,311	36,381	48,814
Total rent expense	**$ 174,453**	**$ 171,613**	**$ 200,538**

(i) Included within "Occupancy and other operating expenses" in the consolidated statements of income (loss).
(ii) Included within "Franchised restaurants – occupancy expenses" in the consolidated statements of income (loss).

The following table provides a breakdown detail of rent expense between minimum and contingent rentals for fiscal years 2016, 2015 and 2014:

	2016	2015	2014
Minimum rentals	$ 122,726	$ 122,110	$ 131,463
Contingent rentals based on sales	51,727	49,503	69,075
Total rent expense	**$ 174,453**	**$ 171,613**	**$ 200,538**

15. Franchise arrangements

Individual franchise arrangements generally include a lease and a license and provide for payment of initial fees as well as continuing rent and service fees (royalties) to the Company based upon a percentage of sales with minimum rent payments. The Company's franchisees are granted the right to operate a restaurant using the McDonald's system and, in most cases, the use of a restaurant facility, generally for a period of 20 years. Franchisees pay related occupancy costs including property taxes, insurance and maintenance. Pursuant to the MFAs, the Company pays initial fees and continuing service fees for franchised restaurants to McDonald's Corporation. Therefore, the margin for franchised restaurants is primarily comprised of rental income net of occupancy expenses (depreciation for owned property and equipment and/or rental expense for leased properties).

At December 31, 2016 and 2015, net property and equipment under franchise arrangements totaled $140,000 and $131,587, respectively (including land for $39,273 and $39,452, respectively).

Revenues from franchised restaurants for fiscal years 2016, 2015 and 2014 consisted of:

	2016	2015	2014
Rent	$ 123,311	$ 121,122	$ 145,540
Initial fees (i)	1,386	611	564
Royalty fees (ii)	599	628	659
Total	**$ 125,296**	**$ 122,361**	**$ 146,763**

(i) Presented net of initial fees paid to McDonald's Corporation for $1,588, $747 and $885 in 2016, 2015 and 2014, respectively.

(ii) Presented net of royalties fees paid to McDonald's Corporation for $50,839, $49,742 and $63,680 in 2016, 2015 and 2014, respectively.

At December 31, 2016, future minimum rent payments due to the Company under existing franchised agreements are:

	Owned sites	Leased sites	Total
2017	$ 5,318	$ 20,365	$ 25,683
2018	4,824	19,372	24,196
2019	4,358	18,693	23,051
2020	3,954	17,236	21,190
2021	3,646	15,658	19,304
Thereafter	16,009	71,278	87,287
Total	**$ 38,109**	**$ 162,602**	**$ 200,711**

16. Income taxes

The Company's operations are conducted by its foreign subsidiaries in Latin America and the Caribbean. The foreign subsidiaries are incorporated under the laws of their respective countries and as such the Company is taxed in such foreign countries.

Statutory tax rates in the countries in which the Company operates for fiscal years 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Puerto Rico	20%	20%	20%
Argentina, Martinique, French Guyana, Guadeloupe, St Croix, St. Thomas, Aruba and Curacao	35%	35%	35%
Brazil and Venezuela	34%	34%	34%
Colombia	40%	39%	34%
Peru	28%	28%	30%
Costa Rica and Mexico	30%	30%	30%
Panamá, Uruguay, Trinidad and Tobago and Netherlands	25%	25%	25%
Ecuador	25%	25%	22%
Chile	24%	23%	21%

Income tax expense for fiscal years 2016, 2015 and 2014 consisted of the following:

	2016	2015	2014
Current income tax expense	$ 54,142	$ 31,873	$ 25,060
Deferred income tax (benefit) expense	5,499	(9,057)	7,419
Income tax expense	**$ 59,641**	**$ 22,816**	**$ 32,479**

Income tax expense for fiscal years 2016, 2015 and 2014 differed from the amounts computed by applying the Company's weighted-average statutory income tax rate to pre-tax income (loss) as a result of the following:

	2016	2015	2014
Pre-tax income (loss)	$ 138,629	$ (28,553)	$ (76,549)
Weighted-average statutory income tax rate (i)	35.4%	32.8%	33.4%
Income tax expense at weighted-average statutory tax rate on pre-tax income (loss)	49,030	(9,353)	(25,604)
Permanent differences :			
Change in valuation allowance	(17,037)	63,880	81,360
Non-deductible expenses	11,993	6,368	15,641
Tax benefits, including Brazil and other	(14,437)	(17,377)	(45,223)
Withholding income taxes on intercompany transactions	22,379	1,557	369
Expiration and changes in tax loss carryforwards	18,291	—	7,852
Differences including exchange rate and inflation adjustment	(9,947)	(25,347)	(4,440)
Alternative taxes	(114)	2,386	3,070
Others	(517)	702	(546)
Income tax expense	**$ 59,641**	**$ 22,816**	**$ 32,479**

16. Income taxes (continued)

(i) Weighted-average statutory income tax rate is calculated based on the aggregated amount of the income before taxes by country multiplied by the prevailing statutory income tax rate, divided by the consolidated income before taxes. Certain changes, mainly related to the remeasurement effect of the entities with a functional currency different from the local currency, have been made to the prior years weighted-average statutory income tax rate calculation for the fiscal years ended December 31, 2015 and 2014, to conform to the current year presentation.

The tax effects of temporary differences and carryforwards that comprise significant portions of deferred tax assets and liabilities at December 31, 2016 and 2015 are presented below:

	2016	2015
Tax loss carryforwards (i)	$ 268,389	$ 254,861
Purchase price allocation adjustment	30,855	37,549
Property and equipment, tax inflation	37,471	45,650
Other accrued payroll and other liabilities	15,437	13,891
Share-based compensation	4,151	3,570
Provision for contingencies	3,449	2,177
Other deferred tax assets (ii)	27,292	27,642
Other deferred tax liabilities (iii)	(13,649)	(9,618)
Property and equipment - difference in depreciation rates	(14,195)	(12,411)
Valuation allowance (iv)	(290,620)	(297,891)
Net deferred tax asset	**$ 68,580**	**$ 65,420**

(i) As of December 31, 2016, the Company and its subsidiaries has accumulated operating tax loss carryforwards amounting to $949,634. The Company has operating tax loss carryforwards amounting to $369,663, expiring between 2017 and 2021. In addition, the Company has operating tax loss carryforwards amounting to $359,793 expiring after 2021 and operating tax loss carryforwards amounting to $220,178 that do no expire.

(ii) Other deferred tax assets reflect the net tax effects of temporary differences between the carrying amounts of assets for financial reporting purposes (accounting base) and the amounts used for income tax purposes (tax base). For the fiscal year ended December 31, 2016, include regular expenses provisions in Brazil and Colombia for $10,785 and $3,278, respectively; $5,055 related to foreign currency exchange differences in Venezuela and $3,832 in Puerto Rico, mainly related to bad debt reserve. For the Fiscal year ended December 31, 2015 include $11,745 related to foreign currency exchange differences in Venezuela.

(iii) Primarily related to intangible assets and foreign currency exchange differences.

(iv) In assessing the realization of deferred income tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

The total amount of $68,580 for the year ended December 31, 2016, is presented in the consolidated balance sheet as non-current asset and non-current liability amounting to $70,446 and $1,866, respectively.

The total amount of $65,420 for the year ended December 31, 2015, is presented in the consolidated balance sheet as current asset, non-current asset, current liability and non-current liability amounting to $12,051; $63,321; $1,728 and $8,224, respectively.

Deferred income taxes have not been recorded for temporary differences related to investments in certain foreign subsidiaries. These temporary differences were $123,494 at December 31, 2016 and consisted of undistributed earnings considered permanently invested in subsidiaries. Determination of the deferred income tax liability on these unremitted earnings is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

16. Income taxes (continued)

As of December 31, 2016 and 2015, the Company's gross unrecognized tax benefits totaled $19 and $63 (including interests and penalties), respectively, that would favorably affect the effective tax rate if resolved in the Company's favor.

The following table presents a reconciliation of the beginning and ending amounts of unrecognized tax benefits:

	2016	2015
Balances at beginning balance	$ 63	$ 221
Decrease for positions taken in prior years	(44)	(158)
Balances at ending balance	$ 19	$ 63

The Company is regularly under audit in multiple tax jurisdictions. It is reasonably possible that, as a result of audit progression within the next 12 months, there may be new information that causes the Company to reassess the total amount of unrecognized tax benefits recorded. While the Company cannot estimate the impact that new information may have on the unrecognized tax benefit balance, the Company believes that the liabilities that are recorded are appropriate and adequate as determined under ASC 740. The Company is generally no longer subject to income tax examinations by tax authorities for years prior to 2010.

As of December 31, 2016, there are certain matters related to the interpretation of income tax laws for which there is a possibility that a loss may have been incurred, as of the date of the financial statements in accordance with ASC 740 in an amount of $20 million, related to assessments for the fiscal years 2010 and 2011. No formal claim has been made for fiscal years from 2012 to 2016 by Tax authorities in any of the mentioned matters, however those years are still subject to audit and claims may be asserted in the future.

17. Share-based compensation

2011 Equity Incentive Plan

In March 2011, the Company adopted its Equity Incentive Plan, or 2011 Plan, to attract and retain the most highly qualified and capable professionals and to promote the success of its business. This Plan is being used to reward certain employees for the success of the Company's business through an annual award program. The 2011 Plan permits grants of awards relating to class A shares, including awards in the form of shares (also referred to as stock), options, restricted shares, restricted share units, share appreciation rights, performance awards and other share-based awards as will be determined by the Company's Board of Directors. The maximum number of shares that may be issued under the 2011 Plan is 2.5% of the Company's total outstanding class A and class B shares immediately following its initial public offering.

The Company made a special grant of stock options and restricted share units in 2011 in connection with its initial public offering, which are totally vested. The Company also made recurring grants of stock options and restricted share units in each of the fiscal years from 2011 to 2016 (for fiscal years 2016 and 2015 only restricted share units). Both types of these recurring annual awards vest as follows: 40% on the second anniversary of the date of grant and 20% on each of the following three anniversaries. For all grants, each stock option granted represents the right to acquire a Class A share at its grant-date fair market value, while each restricted share unit represents the right to receive a Class A share when vested. The exercise right for the stock options is cumulative and, once such right becomes exercisable, it may be exercised in whole or in part during quarterly window periods until the date of termination, which occurs at the seventh anniversary of the date of grant. On June 28, 2016, 1,117,380 stock option units were converted to a liability award maintaining the original conditions of the 2011 Plan.

The Company utilizes a Black-Scholes option-pricing model to estimate the value of stock options at the grant date. The value of restricted shares units is based on the quoted market price of the Company's class A shares at the grant date. The following variables and assumptions were used by the Company for purposes of measuring its stock options award at 2014 grant date (on the second quarter of the year):

17. Share-based compensation (continued)

2011 Equity Incentive Plan (continued)

	2014
Grant-date stock price (i)	8.58
Weighted-average strike price	8.58
Expected volatility (ii)	35.5%
Dividend yield	2.8%
Risk-free interest rate	1.3%
Expected term	4.1

(i) Equal to the quoted market price per Class A share at market-closing of the date of grant.

(ii) Based on implied volatility of the Company's Class A shares.

The resulting value of stock options and restricted share units granted was $nil and $4,067, respectively, during fiscal year 2016, $nil and $5,844, respectively, during fiscal year 2015 and $491 and $2,723, respectively, during fiscal year 2014.

The Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. The Company recognized stock-based compensation expense in the amount of $3,303, $2,788 and $6,163 during fiscal years 2016, 2015 and 2014, respectively, of which $nil, $210 and $2,503 relates to the special awards granted in connection with the initial public offering. Stock-based compensation expense is included within "General and administrative expenses" in the consolidated statements of income (loss).

The Company recognized $688, $(1,581) and $678 of related income tax benefit (expense) during fiscal years 2016, 2015 and 2014, respectively.

Stock Options

The following table summarizes the activity of stock options during fiscal years 2016, 2015 and 2014:

	Units	Weighted-average strike price	Weighted-average grant-date fair value
Outstanding at December 31, 2013	**2,433,888**	**18.57**	**5.26**
2014 annual grant	247,475	8.58	1.98
Forfeitures	(130,528)	18.14	5.27
Outstanding at December 31, 2014	**2,550,835**	**17.62**	**4.94**
Forfeitures	(141,130)	16.54	5.02
Expired (i)	(383,811)	20.01	5.41
Outstanding at December 31, 2015	**2,025,894**	**21.03**	**5.87**
Forfeitures	(80,734)	10.30	2.68
Expired (i)	(51,305)	14.05	4.02
Modification (ii)	(1,117,380)	19.07	5.30
Outstanding at December 31, 2016	**776,475**	**15.55**	**4.46**
Exercisable at December 31, 2016	**584,103**	**16.99**	**4.88**

(i) As of December 31, 2016 and 2015, Additional paid-in capital included $206 and $2,077 respectively, related to expired stock options.

17. Share-based compensation (continued)

2011 Equity Incentive Plan (continued)

Stock Options (continued)

(ii) Corresponds to stock options converted to a liability award. The employees affected by this modification were 104. There were no incremental compensation costs resulting from the modification. As of December 31, 2016, the accumulated Additional paid-in capital related to these units as from the grant date amounts to $5,820 (net of $9 reclassified to "Accrued payroll and other liabilities non-current" in the Company's consolidated balance sheet. The accrued liability is remeasured on a monthly basis until settlement. The following table provides a summary of the outstanding and exercisable units related to the modification:

	Units	Weighted-average strike price	Weighted-average grant-date fair value
Outstanding at the modification	**1,117,380**	**19.07**	**0.01**
Forfeitures	(10,020)	14.33	
Expired (i)	(173,961)	20.14	
Outstanding at December 31, 2016	**933,399**	**18.92**	**0.01**
Exercisable at December 31, 2016	**842,986**	**19.41**	**0.01**

(i) As of December 31, 2016, Additional paid-in capital included $926, related to expired stock options.

The following table provides a summary of outstanding stock options at December 31, 2016:

	Vested (i)	Non-vested (ii)	Total
Number of units outstanding	584,103	192,372	776,475
Weighted-average grant-date fair market value per unit	4.88	3.18	4.46
Total grant-date fair value	2,852	612	3,464
Weighted-average accumulated percentage of service	100	81.4	96.7
Stock-based compensation recognized in Additional paid-in capital	2,852	498	3,350
Compensation expense not yet recognized (iii)	—	114	114

(i) Related to exercisable awards.
(ii) Related to awards that will vest between fiscal years 2017 and 2019.
(iii) Expected to be recognized in a weighted-average period of 0.6 years.

17. Share-based compensation (continued)

Restricted Share Units

The following table summarizes the activity of restricted share units during fiscal years 2016, 2015 and 2014:

	Units	Weighted-average grant-date fair value
Outstanding at December 31, 2013	**942,068**	**18.36**
2014 annual grant	317,351	8.58
Partial vesting of 2011 grant	(274,314)	21.20
Partial vesting of 2012 grant	(74,303)	14.35
Forfeitures	(47,947)	15.11
Outstanding at December 31, 2014	**862,855**	**14.38**
2015 annual grant	923,213	6.33
Partial vesting of 2011 grant	(222,781)	21.20
Partial vesting of 2012 grant	(31,772)	14.35
Partial vesting of 2013 grant	(68,300)	14.31
Forfeitures	(233,005)	9.88
Outstanding at December 31, 2015	**1,230,210**	**7.96**
2016 annual grant	865,291	4.70
Partial vesting of 2011 grant	(27,075)	21.20
Partial vesting of 2012 grant	(24,653)	14.35
Partial vesting of 2013 grant	(26,054)	14.31
Partial vesting of 2014 grant	(94,546)	8.58
Forfeitures	(142,176)	6.64
Outstanding at December 31, 2016	**1,780,997**	**6.07**
Exercisable at December 31, 2016	—	—

As of December 31, 2016, all Class A Shares were issued. Hence, the accumulated compensation expense related to partial vesting was reclassified from "Additional paid-in capital" to "Common stock".

The following table provides a summary of outstanding restricted share units at December 31, 2016:

Number of units outstanding (i)	1,780,997
Weighted-average grant-date fair market value per unit	6.07
Total grant-date fair value	10,807
Weighted-average accumulated percentage of service	49.67
Stock-based compensation recognized in Additional paid-in capital	5,368
Compensation expense not yet recognized (ii)	5,439

(i) Related to awards that will vest between fiscal years 2017 and 2021.
(ii) Expected to be recognized in a weighted-average period of 2.0 years.

18. Commitments and contingencies

Commitments

The MFAs require the Company and its MF subsidiaries, among other obligations:

(i) to pay monthly royalties commencing at a rate of approximately 5% of gross sales of the restaurants, during the first 10 years, substantially consistent with market. This percentage increases to 6% and 7% for the subsequent two 5-year periods of the agreement;

(ii) to agree with McDonald's on a restaurant opening plan and a reinvestment plan for each three-year period and pay an initial franchise fee for each new restaurant opened. On January 26, 2017, the Company reached an agreement with McDonald's Corporation for the three-year period commenced on January 1, 2017. Refer to Note 27 for more details;

(iii) to commit to funding a specified Strategic Marketing Plan;

(iv) to own (or lease) directly or indirectly, the fee simple interest in all real property on which any franchised restaurant is located; and

(v) to maintain a minimum fixed charge coverage ratio (as defined therein) at least equal to 1.50 as well as a maximum leverage ratio (as defined therein) of 4.25.

Related to the royalties mentioned in point (i), during 2014, the Company negotiated and obtained temporary royalty waivers from McDonald's Corporation for its operations in Venezuela considering the restrictions and regulations in place affecting its operations in that country. Therefore the Company recorded a royalty waiver amounting to $6.1 million within "Royalty fees" in the consolidated statement of income (loss), for the fiscal year ended December 31, 2014.

McDonald's Corporation granted the Company limited waivers through and including June 30, 2016, during which time the Company was not required to comply with the financial ratios set forth in the MFA, mentioned in point (v) above. If the Company would not be in compliance with the financial requirements and would be unable to obtain an extension of the waiver or to comply with the original commitments under the MFA, it could be in material breach. A breach of the MFA would give McDonald's Corporation certain rights, including the ability to acquire all or portions of the business.

The following table summarize Company's ratios requirements for the three-month periods ended from June 30, 2014 to December 31, 2016:

	Leverage Ratio	Fixed Charge Coverage Ratio
June 30, 2014	4.38	1.48
September 30, 2014	4.59	1.44
December 31, 2014	4.65	1.42
March 31, 2015	4.62	1.40
June 30, 2015	4.61	1.45
September 30, 2015	4.56	1.48
December 31, 2015	4.40	1.56
March 31, 2016	4.80	1.67
June 30, 2016	4.40	1.64
September 30, 2016	4.08	1.67
December 31, 2016	4.21	1.64

18. Commitments and contingencies (continued)

Commitments (continued)

In addition, the Company maintains standby letters of credit with an aggregate drawing amount of $80 million in favor of McDonald's Corporation as collateral for the obligations assumed under the MFAs. The letters of credit can be drawn if certain events occur, including the failure to pay royalties. No amounts have been drawn at the date of issuance of these financial statements.

Provision for contingencies

The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor, tax and other matters. At December 31, 2016 and 2015, the Company maintains a provision for contingencies, net of judicial deposits, amounting to $18,112 and $20,578, respectively, presented as follows: $764 and $512 as a current liability and $17,348 and $20,066 as a non-current liability, respectively. The breakdown of the provision for contingencies is as follows:

Description	Balance at beginning of period	Accruals, net	Settlements	Reclassifications and increase of judicial deposits	Translation	Balance at end of period
Year ended December 31, 2016						
Tax contingencies in Brazil (i)	$ 5,118	$ 7,196	$ —	$ —	$ 998	$ 13,312
Labor contingencies in Brazil (ii)	7,013	19,903	(17,523)	—	1,757	11,150
Other (iii)	13,947	1,478	(3,031)	(37)	(135)	12,222
Subtotal	26,078	28,577	(20,554)	(37)	2,620	36,684
Judicial deposits (iv)	(5,500)	—	—	(11,458)	(1,614)	$ (18,572)
Provision for contingencies	**$ 20,578**	**$ 28,577**	**$ (20,554)**	**$ (11,495)**	**$ 1,006**	**$ 18,112**
Year ended December 31, 2015						
Tax contingencies in Brazil (i)	$ 1,999	$ 4,616	$ (9)	$ (532)	$ (956)	$ 5,118
Labor contingencies in Brazil (ii)	10,360	19,692	(19,877)	(26)	(3,136)	7,013
Other (iii)	7,780	13,421	(4,213)	(22)	(3,019)	13,947
Subtotal	20,139	37,729	(24,099)	(580)	(7,111)	26,078
Judicial deposits (iv)	(7,935)	—	684	(863)	2,614	(5,500)
Provision for contingencies	**$ 12,204**	**$ 37,729**	**$ (23,415)**	**$ (1,443)**	**$ (4,497)**	**$ 20,578**
Year ended December 31, 2014						
Tax contingencies in Brazil (i)	$ 2,235	$ 14	$ —	$ —	$ (250)	$ 1,999
Labor contingencies in Brazil (ii)	9,484	22,726	(20,582)	(29)	(1,239)	10,360
Other (iii)	10,622	3,620	(2,974)	(543)	(2,945)	7,780
Subtotal	22,341	26,360	(23,556)	(572)	(4,434)	20,139
Judicial deposits (iv)	(7,519)	—	455	(1,857)	986	(7,935)
Provision for contingencies	**$ 14,822**	**$ 26,360**	**$ (23,101)**	**$ (2,429)**	**$ (3,448)**	**$ 12,204**

(i) In 2014, mainly related to tax on bank account transactions (CPMF). In 2015 and 2016 it also includes indirect tax matters (PIS/COFINS).
(ii) It primarily relates to dismissals in the normal course of business.
(iii) It mainly relates to tax and labor contingencies in other countries.

18. Commitments and contingencies (continued)

Provision for contingencies (continued)

(iv) It primarily relates to judicial deposits the Company was required to make in connection with the proceedings in Brazil.

As of December 31, 2016, there are certain matters related to the interpretation of tax and labor laws for which there is a possibility that a loss may have been incurred in accordance with ASC 450-20-50-4 within a range of $89 million and $122 million.

Additionally, there is a lawsuit filed by several Puerto Rican franchisees against McDonald's Corporation and certain subsidiaries purchased by the Company during the acquisition of the LatAm business ("the Puerto Rican franchisees lawsuit"). The claim seeks declaratory judgment and damages in the aggregate amount of $66.7 million plus plaintiffs' attorney fees. At the end of 2014 the plaintiffs finalized their presentation of evidence whereas the Company has not started yet. The Company believes that a final negative resolution has a low probability of occurrence.

During 2014, another franchisee filed a complaint ("the related Puerto Rican franchisee lawsuit") against the Company and McDonald's USA, LLC (a wholly owned subsidiary of McDonald's Corporation), asserting a very similar claim to the one filed in the Puerto Rican franchisees lawsuit. The claim seeks declaratory judgment and damages in the amount of $30 million plus plaintiffs' attorney fees. Although this case is in its early stages, the Company believes that a final negative resolution has a low probability of occurrence, since its close resemblance to the Puerto Rican franchisees lawsuit.

Furthermore, the Puerto Rico Owner Operator's Association ("PROA"), an association integrated by the Company's franchisees that meets periodically to coordinate the development of promotional and marketing campaigns (an association that at the time of the claim was formed solely by franchisees that are plaintiffs in the Puerto Rican franchisees lawsuit), filed a third party complaint and counterclaim ("the PROA claim") against the Company and other third party defendants, in the amount of $31 million. On June 9, 2014, after several motions for summary judgment duly filed and opposed by the parties, the Court entered a "Partial Summary Judgment and Resolution" in favor of PROA, before initiating the discovery phase, finding that the Company must participate and contribute funds to the association. However, the Court did not specify any amount for which the Company should be held liable, due to its preliminary and interlocutory nature, and the lack of discovery conducted regarding the amounts claimed by the plaintiffs. The Company is opposing this claim vigorously because it believes that there is no legal basis for it, considering: (i) the obligation to contribute is not directed towards a cooperative, (ii) the franchise agreement does not contain a provision that makes it mandatory to participate in the cooperative, and (iii) PROA's by-laws state that participation in the cooperative is voluntary, among other arguments. According to the points previously mentioned, the Company believes that a final negative resolution has a low probability of occurrence, therefore no provision has been recorded.

Pursuant to Section 9.3 of the Stock Purchase Agreement, McDonald's Corporation indemnifies the Company for certain Brazilian claims as well as for specific and limited claims arising from the Puerto Rican franchisees lawsuit. Pursuant to the MFA, the Company indemnifies McDonald's for the related Puerto Rican franchisee lawsuit and the PROA claim.

At December 31, 2016, the non-current portion of the provision for contingencies includes $5,170 related to Brazilian claims that are covered by the indemnification agreement. As a result, the Company has recorded a current asset and non-current asset in respect of McDonald's Corporation's indemnity in the consolidated balance sheet. The current asset in respect of McDonald's Corporation's indemnity represents the amount of cash to be received as a result of settling certain Brazilian labor and tax contingencies.

19. Disclosures about fair value of financial instruments

As defined in ASC 820 Fair Value Measurement and Disclosures, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The transaction is based on a hypothetical transaction in the principal or most advantageous market considered from the perspective of the market participant that holds the asset or owes the liability. The valuation techniques that can be used under this guidance are the market approach, income approach or cost approach. The market approach uses prices and other information for market transactions involving identical or comparable assets or liabilities, such as matrix pricing. The income approach uses valuation techniques to convert future amounts to a single discounted present amount based on current market conditions about those future amounts, such as present value techniques, option pricing models (e.g. Black-Scholes model) and binomial models (e.g. Monte-Carlo model). The cost approach is based on current replacement cost to replace an asset.

The Company utilizes market data or assumptions that market participants who are independent, knowledgeable and willing and able to transact would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. The Company attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Company is able to classify fair value balances based on the observance of those inputs. The guidance establishes a formal fair value hierarchy based on the inputs used to measure fair value. The hierarchy gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements, and accordingly, level 1 measurement should be used whenever possible.

The three levels of the fair value hierarchy as defined by the guidance are as follows:

Level 1 : Valuations utilizing quoted, unadjusted prices for identical assets or liabilities in active markets that the Company has the ability to access. This is the most reliable evidence of fair value and does not require a significant degree of judgment. Examples include exchange-traded derivatives and listed equities that are actively traded.

Level 2 : Valuations utilizing quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

Financial instruments that are valued using models or other valuation methodologies are included. Models used should primarily be industry-standard models that consider various assumptions and economic measures, such as interest rates, yield curves, time value, volatilities, contract terms, current market prices, credit risk or other market-corroborated inputs. Examples include most over-the-counter derivatives (non-exchange traded), physical commodities, most structured notes and municipal and corporate bonds.

Level 3 : Valuations utilizing significant unobservable inputs provides the least objective evidence of fair value and requires a significant degree of judgment. Inputs may be used with internally developed methodologies and should reflect an entity’s assumptions using the best information available about the assumptions that market participants would use in pricing an asset or liability. Examples include certain corporate loans, real-estate and private equity investments and long-dated or complex over-the-counter derivatives.

Depending on the particular asset or liability, input availability can vary depending on factors such as product type, longevity of a product in the market and other particular transaction conditions. In some cases, certain inputs used to measure fair value may be categorized into different levels of the fair value hierarchy. For disclosure purposes under this guidance, the lowest level that contains significant inputs used in valuation should be chosen. Pursuant to ASC 820-10-50, the Company has classified its assets and liabilities into these levels depending upon the data relied on to determine the fair values. The fair values of the Company’s derivatives are valued based upon quotes obtained from counterparties to the agreements and are designated as Level 2.

The following fair value hierarchy table presents information about the Company’s assets and liabilities measured at fair value on a recurring basis as of December 31, 2016:

19. Disclosures about fair value of financial instruments (continued)

	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2016
Assets				
Cash equivalents	$ 132,040	$ —	$ —	$ 132,040
Total Assets	**$ 132,040**	**$ —**	**$ —**	**$ 132,040**
Liabilities				
Derivatives	$ —	$ 30,591	$ —	$ 30,591
Share-based compensation	—	512	—	512
Secured loan agreement	—	164,385	—	164,385
Total Liabilities	**$ —**	**$ 195,488**	**$ —**	**$ 195,488**

The derivative contracts were measured based on quotes from the Company's counterparties. Such quotes have been derived using models pricing or discounted cash analysis that incorporate observable market parameters for all significant inputs such as interest yield curves, options volatilities and currency rates and that were observable for substantially the full term of the derivative contracts.

Certain financial assets and liabilities not measured at fair value

At December 31, 2016, the fair value of the Company's short-term and long-term debt was estimated at $435,228, compared to a carrying amount of $422,329. This fair value was estimated using various pricing models or discounted cash flow analysis that incorporated quoted market prices, and is similar to Level 2 within the valuation hierarchy. The carrying amount for notes receivable approximates fair value.

Non-financial assets and liabilities measured at fair value on a nonrecurring basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). At December 31, 2016, no material fair value adjustments or fair value measurements were required for non-financial assets or liabilities, except for those required in connection with the impairment of long-lived assets and goodwill. Refer to Note 3 for more details, including inputs and valuation techniques used to measure fair value of these non-financial assets.

20. Certain risks and concentrations

The Company's financial instruments that are exposed to concentration of credit risk primarily consist of cash and cash equivalents and accounts and notes receivable. Cash and cash equivalents are deposited with various creditworthy financial institutions, and therefore the Company believes it is not exposed to any significant credit risk related to cash and cash equivalents. Concentrations of credit risk with respect to accounts and notes receivable are generally limited due to the large number of franchisees comprising the Company's franchise base.

All the Company's operations are concentrated in Latin America and the Caribbean. As a result, the Company's financial condition and results of operations depend, to a significant extent, on macroeconomic and political conditions prevailing in the region. See Note 22 for additional information pertaining to the Company's Venezuelan operations.

21. Segment and geographic information

The Company is required to report information about operating segments in annual financial statements and interim financial reports issued to shareholders in accordance with ASC 280. Operating segments are components of a company about which separate financial information is available that is regularly evaluated by the chief operating decision maker(s) in deciding how to allocate resources and assess performance. ASC 280 also requires disclosures about the Company's products and services, geographical areas and major customers.

As discussed in Note 1, the Company through its wholly-owned and majority-owned subsidiaries operates and franchises McDonald's restaurants in the food service industry. The Company has determined that its reportable segments are those that are based on the Company's method of internal reporting. The Company manages its business as distinct geographic segments and its operations are divided into four geographical divisions, which are as follows: Brazil; the Caribbean division, consisting of Aruba, Curacao, Colombia, French Guyana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago, the U.S. Virgin Islands of St. Croix and St. Thomas and Venezuela; the North Latin America division ("NOLAD"), consisting of Costa Rica, Mexico and Panama; and the South Latin America division ("SLAD"), consisting of Argentina, Chile, Ecuador, Peru and Uruguay. The accounting policies of the segments are the same as those described in Note 3.

As from January 1, 2016, the Company made changes in the allocation of certain expenses previously included in the corporate segment to the operating divisions in order to align the financial statement presentation with the revised allocation used by the Company's management as from that date. In accordance with ASC 280, Segment Reporting, the Company has restated its comparative segment information based on the new allocation of expenses.

The following table presents information about profit or loss and assets for each reportable segment:

	For the fiscal years ended December 31,		
	2016	**2015**	**2014**
Revenues:			
Brazil	$ 1,333,237	$ 1,361,989	$ 1,816,046
Caribbean division	409,671	398,144	594,220
NOLAD	363,965	367,364	385,114
SLAD	821,757	925,243	855,685
Total revenues	**$ 2,928,630**	**$ 3,052,740**	**$ 3,651,065**
Adjusted EBITDA:			
Brazil	$ 168,076	$ 174,102	$ 220,711
Caribbean division	18,049	2,059	(11,284)
NOLAD	36,288	31,424	25,035
SLAD	76,327	100,718	82,859
Total reportable segments	**298,740**	**308,303**	**317,321**
Corporate and others (i)	(60,295)	(78,132)	(65,647)
Total adjusted EBITDA	**$ 238,445**	**$ 230,171**	**$ 251,674**

21. Segment and geographic information (continued)

	For the fiscal years ended December 31,		
	2016	2015	2014
Adjusted EBITDA reconciliation:			
Total Adjusted EBITDA	**$ 238,445**	**$ 230,171**	**$ 251,674**
(Less) Plus items excluded from computation that affect operating income:			
Depreciation and amortization	(92,969)	(110,715)	(116,811)
Gains from sale or insurance recovery of property and equipment	57,244	12,308	3,379
Write-offs and related contingencies of property and equipment	(5,776)	(6,038)	(7,111)
Impairment of long-lived assets	(7,697)	(12,343)	(50,886)
Impairment of goodwill	(5,045)	(679)	(2,029)
Stock-based compensation related to the special awards in connection with the initial public offering under the 2011 Plan	—	(210)	(2,503)
Reorganization and optimization plan expenses	(5,341)	(18,346)	(4,707)
ADBV Long-Term Incentive Plan incremental compensation from modification	(281)	(741)	(149)
Operating income	**178,580**	**93,407**	**70,857**
(Less) Plus:			
Net interest expense	(66,880)	(64,407)	(72,750)
Loss from derivative instruments	(3,065)	(2,894)	(685)
Foreign currency exchange results	32,354	(54,032)	(74,117)
Other non-operating (expenses) income, net	(2,360)	(627)	146
Income tax expense	(59,641)	(22,816)	(32,479)
Net income attributable to non-controlling interests	(178)	(264)	(305)
Net income (loss) attributable to Arcos Dorados Holdings Inc.	**$ 78,810**	**$ (51,633)**	**$ (109,333)**

21. Segment and geographic information (continued)

	For the fiscal years ended December 31,		
	2016	2015	2014
Depreciation and amortization:			
Brazil	$ 43,733	$ 48,849	$ 60,261
Caribbean division	27,376	30,998	29,142
NOLAD	21,975	25,733	28,565
SLAD	14,477	19,340	19,989
Total reportable segments	**107,561**	**124,920**	**137,957**
Corporate and others (i)	5,478	8,068	8,202
Purchase price allocation (ii)	(20,070)	(22,273)	(29,348)
Total depreciation and amortization	**$ 92,969**	**$ 110,715**	**$ 116,811**
Property and equipment expenditures:			
Brazil	$ 42,657	$ 40,482	$ 100,455
Caribbean division	14,387	11,756	18,717
NOLAD	10,117	14,623	23,680
SLAD	24,967	23,623	25,423
Others	154	480	1,538
Total property and equipment expenditures	**$ 92,282**	**$ 90,964**	**$ 169,813**

	As of December 31,	
	2016	2015
Total assets:		
Brazil	$ 726,250	$ 612,074
Caribbean division	355,568	382,022
NOLAD	247,546	308,632
SLAD	246,344	242,081
Total reportable segments	**1,575,708**	**1,544,809**
Corporate and others (i)	82,822	36,946
Purchase price allocation (ii)	(153,477)	(178,553)
Total assets	**$ 1,505,053**	**$ 1,403,202**

(i) Primarily relates to corporate general and administrative expenses, corporate supply chain operations in Uruguay, and related assets. Corporate general and administrative expenses consist of corporate office support costs in areas such as facilities, finance, human resources, information technology, legal, marketing, restaurant operations, supply chain and training. As of December 31, 2016, corporate assets primarily include corporate cash and cash equivalents and a collateral deposit. As of December 31, 2015, corporate assets also included derivative instruments.

(ii) Relates to the purchase price allocation adjustment made at corporate level, which reduces the total assets and the corresponding depreciation and amortization.

21. Segment and geographic information (continued)

The Company's revenues are derived from two sources: sales by Company-operated restaurants and revenues from restaurants operated by franchisees. See Note 3 for more details. All of the Company's revenues are derived from foreign operations.

Long-lived assets consisting of property and equipment totaled $847,966 and $833,357 at December 31, 2016 and 2015, respectively. All of the Company's long-lived assets are related to foreign operations.

22. Venezuelan operations

The Company conducts business in Venezuela where currency restrictions exist, limiting the Company's ability to immediately access cash through repatriations at the government's official exchange rate. The Company's access to Venezuelan Bolívares (VEF) held by its Venezuelan subsidiaries remains available for use within this jurisdiction and is not restricted. The official exchange rate is established by the Central Bank of Venezuela and the Venezuelan Ministry of Finance and the acquisition of foreign currency at the official exchange rate by Venezuelan companies to pay foreign debt or dividends is subject to a registration and approval process by the relevant Venezuelan authorities. Since these restrictions are in place, the Company has not been able to access the official exchange rate to pay dividends and has been limited in its ability to pay royalties at the official exchange rate.

Revenues and operating loss of the Venezuelan operations were $51,615 and $(8,608), respectively, for fiscal year 2016; $40,898 and $(28,329), respectively, for fiscal year 2015; and $187,588 and $(74,962), respectively, for fiscal year 2014.

Since February 2013, the Venezuelan government has announced several changes in the currency exchange regulations. As a consequence, the Company reassessed the exchange rate used for remeasurement purposes as follows:

			Effects of exchange rate change		
Period	**Exchange rate System applied**	**Exchange rate at System date change (VEF per US dollar)**	**Write down of inventories (i)**	**Impairment of long-lived assets (i)**	**Foreign currency exchange loss**
From February 8, 2013 to February 28, 2014	Official exchange rate	6.30	—	—	15,379
From March 1, 2014 to May 31, 2014	SICAD	11.80	7,611	—	19,697
From June 1, 2014 to February 28, 2015	SICAD II	49.98	9,937	45,186	38,963
From March 1, 2015 to March 9, 2016	SIMADI	177.00	3,250	7,804	8,046
From March 10, 2016 up to date	DICOM	215.34	401	—	117

(i) Presented within Other operating income (expenses), net
(ii) Presented within Foreign currency exchange results

Effective from March 10, 2016, a new Exchange Agreement was issued that set forth the new rules that govern foreign exchange transactions carried out by public and private entities and individuals in Venezuela. Hereafter, the SICAD and SIMADI systems were eliminated and a dual exchange system was created: (i) the protected rate called DIPRO, with an initial exchange rate of 10 VEF per US dollar, and (ii) the supplementary floating market rate called DICOM, with an initial exchange rate of 215.34 VEF per US dollar. As of December 31, 2016, DICOM exchange rate settled at 673.76 VEF per US dollar.

22. Venezuelan operations (continued)

As of December 31, 2016, the Company's local currency denominated net monetary position, which would be subject to remeasurement in the event of further changes in the DICOM rate was $3.6 million (including $9.6 million of cash and cash equivalents). Venezuela's non-monetary assets were $52.4 million at December 31, 2016 and included approximately $42.6 million of fixed assets and advances to suppliers.

In addition to exchange controls, the Venezuelan market is subject to price controls. The Venezuelan government issued a regulation establishing a maximum profit margin for companies and maximum prices for certain goods and services. Although these regulations caused a delay in the pricing plan, the Company was able to increase prices during the fiscal year ended December 31, 2016.

The Company's Venezuelan operations, and the Company's ability to repatriate its earnings, continue to be negatively affected by these difficult conditions and would be further negatively affected by additional devaluations or the imposition of additional or more stringent controls on foreign currency exchange, pricing, payments, profits or imports or other governmental actions or continued or increased labor unrest. The Company continues to closely monitor developments in this dynamic environment, to assess evolving business risks and actively manage its operations in Venezuela.

23. Shareholders' equity

Authorized capital

The Company is authorized to issue to 500,000,000 shares, consisting of 420,000,000 Class A shares and 80,000,000 Class B shares of no par value each.

Issued and outstanding capital

At December 31, 2013, the Company had 209,867,426 shares issued and outstanding with no par value, consisting of 129,867,426 class A shares and 80,000,000 class B shares.

During fiscal years 2016, 2015 and 2014, the Company issued 172,328, 322,853 and 348,617 Class A shares, respectively, in connection with the partial vesting of restricted share units under the 2011 Equity Incentive Plan. Therefore, at December 31, 2016, 2015 and 2014 the Company had 210,711,224; 210,538,896 and 210,216,043 shares issued and outstanding with no par value, consisting of 130,711,224; 130,538,896 and 130,216,043 Class A shares, respectively, and 80,000,000 for Class B shares for each year.

Rights, privileges and obligations

Holders of Class A shares are entitled to one vote per share and holders of Class B shares are entitled to five votes per share. Except with respect to voting, the rights, privileges and obligations of the Class A shares and Class B shares are *pari passu* in all respects, including with respect to dividends and rights upon liquidation of the Company.

Distribution of dividends

The Company can only make distributions to the extent that immediately following the distribution, its assets exceed its liabilities and the Company is able to pay its debts as they become due.

During fiscal years 2016 and 2015, the Company did not declare a dividend distribution to its shareholders, with respect to its results of operations for fiscal years 2015 and 2014, respectively. During fiscal year 2014, the Company declared dividend distributions totaling $50,036. The last installment of that distribution was paid during the fiscal year 2015, amounting to $12,509.

23. Shareholders’ equity (continued)

Distribution of dividends (continued)

During April and May, 2014, the Company paid dividends on restricted share units under the 2011 Equity Incentive Plan amounting to $382.

Accumulated other comprehensive loss

The following table sets forth information with respect to the components of “Accumulated other comprehensive loss” as of December 31, 2016 and their related activity during the three-years in the period then ended:

	Foreign currency translation	Cash flow hedges	Post-employment benefits (i)	Total Accumulated other comprehensive (loss) income
Balances at December 31, 2013	**$ (217,136)**	**$ (768)**	**$ (831)**	**$ (218,735)**
Other comprehensive (loss) income before reclassifications	(85,753)	5,158	(544)	(81,139)
Net (gain) loss reclassified from accumulated other comprehensive loss to consolidated statement of income	—	(2,792)	199	(2,593)
Net current-period other comprehensive (loss) income	(85,753)	2,366	(345)	(83,732)
Balances at December 31, 2014	**(302,889)**	**1,598**	**(1,176)**	**(302,467)**
Other comprehensive (loss) income before reclassifications	(128,301)	20,487	(213)	(108,027)
Net (gain) loss reclassified from accumulated other comprehensive loss to consolidated statement of income	—	(14,209)	440	(13,769)
Net current-period other comprehensive (loss) income	(128,301)	6,278	227	(121,796)
Balances at December 31, 2015	**(431,190)**	**7,876**	**(949)**	**(424,263)**
Other comprehensive loss before reclassifications	(9,891)	(18,813)	(310)	(29,014)
Net loss reclassified from accumulated other comprehensive loss to consolidated statement income	—	11,242	386	11,628
Net current-period other comprehensive (loss) income	(9,891)	(7,571)	76	(17,386)
Balances at December 31, 2016	**$ (441,081)**	**$ 305**	**$ (873)**	**$ (441,649)**

(i) Related to a post-employment benefit in Venezuela established by the Organic Law of Labor and Workers (known as “LOTTT”, its Spanish acronym) in 2012. This benefit provides a payment of 30 days of salary per year of employment tenure based on the last wage earned to all workers who leave the job for any reason. The term of service to calculate the post-employment payment of active workers run retroactively since June 19, 1997. The Company obtains an actuarial valuation to measure the post-employment benefit obligation, using the projected unit credit actuarial method and measures this benefit in accordance with ASC 715-30, similar to pension benefit.

24. Earnings (loss) per share

The Company is required to present basic earnings per share and diluted earnings per share in accordance with ASC 260. Earnings per share are based on the weighted average number of shares outstanding during the period after consideration of the dilutive effect, if any, for common stock equivalents, including stock options and restricted share units. Basic earnings per common share are computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share are computed by dividing net income by the weighted average number of shares of common stock outstanding and dilutive securities outstanding during the period under the treasury method.

The following table sets forth the computation of basic and diluted net (loss) income per common share attributable to Arcos Dorados Holdings Inc. for all years presented:

	For the fiscal years ended December 31,		
	2016	**2015**	**2014**
Net income (loss) attributable to Arcos Dorados Holdings Inc. available to common shareholders	$ 78,810	$ (51,633)	$ (109,333)
Weighted-average number of common shares outstanding - Basic	210,646,955	210,436,232	210,105,059
Incremental shares from assumed exercise of stock options (a)	—	—	—
Incremental shares from vesting of restricted share units	377,653	160,122	239,171
Weighted-average number of common shares outstanding - Diluted	211,024,608	210,596,354	210,344,230
Basic net income (loss) per common share attributable to Arcos Dorados Holdings Inc.	**$ 0.37**	**$ (0.25)**	**$ (0.52)**
Diluted net income (loss) per common share attributable to Arcos Dorados Holdings Inc.	**$ 0.37**	**$ (0.25)**	**$ (0.52)**

(a) Options to purchase shares of common stock were outstanding during fiscal years 2016, 2015 and 2014. See Note 17 for details. These options were not included in the computation of diluted earnings per share because their inclusion would have been anti-dilutive.

25. Related party transactions

The Company has entered into a master commercial agreement on arm's length terms with Axionlog, a company under common control that operates the distribution centers in Argentina, Chile, Colombia, Mexico, Venezuela, Uruguay and Perú (the "Axionlog Business"). Pursuant to this agreement Axionlog provides the Company distribution inventory, storage and transportation services in the countries in which it operates. On November 9, 2011 the Company entered into a revolving loan agreement as a creditor with Axionlog Distribution B.V., a holding company of the Axionlog Business, for a total amount of $12 million at an interest rate of LIBOR plus 6%, in line with interest rates prevailing in the market at the time of the agreement. Notwithstanding the fact that the loan maturity date was November 7, 2016 the parties decided to terminate the agreement early as of May 27, 2016. As a result, the Company collected the outstanding principal amount of $1,800.

25. Related party transactions (continued)

The following table summarizes the outstanding balances between the Company and the Axionlog Business as of December 31, 2016 and 2015:

	As of December 31,	
	2016	2015
Accounts and notes receivable	$ —	$ 1,854
Other receivables	1,050	2,266
Miscellaneous	3,612	1,729
Accounts payable	(10,355)	(5,110)

The following table summarizes the transactions between the Company and the Axionlog Business for the fiscal years ended December 31, 2016, 2015 and 2014:

	Fiscal years ended December 31,		
	2016	2015	2014
Food and paper (i)	$ (163,536)	$ (164,882)	$ (199,801)
Occupancy and other operating expenses	(3,882)	(2,499)	(2,251)
Other operating expenses, net (ii)	—	—	16,986
Net interest income	47	461	1,387

(i) Includes $40,714 of distribution fees and $122,822 of suppliers purchases managed through the Axionlog Business for the fiscal year ended December 31, 2016; $44,170 and $120,712, respectively, for the fiscal year ended December 31, 2015; and $45,143 and $154,658, respectively, for the fiscal year ended December 31, 2014.

(ii) Related to inventory sales with a cost of $16,986 for the fiscal year 2014 (the net effect on such income statement line was nil). No such transaction took place in the fiscal years 2016 and 2015.

As of December 31, 2016 and 2015, the Company had other receivables totaling $1,315 and $142, respectively and accounts payable with Lacoop, A.C. and Lacoop II, S.C. totaling $1,299 and $1,386, respectively.

26. Valuation and qualifying accounts

The following table presents the information required by Rule 12-09 of Regulation S-X in regards to valuation and qualifying accounts for each of the periods presented:

Description	Balance at beginning of period	Additions (i)	Deductions (ii)	Translation	Balance at end of period
Year ended December 31, 2016					
Deducted from assets accounts:					
Allowance for doubtful accounts	$ 12,768	$ 5,367	$ (1,647)	$ (121)	$ 16,367
Valuation allowance on deferred tax assets	297,891	36,778	(24,967)	(19,082)	290,620
Reported as liabilities:					
Provision for contingencies	20,578	28,577	(32,049)	1,006	18,112
Total	**$ 331,237**	**$ 70,722**	**$ (58,663)**	**$ (18,197)**	**$ 325,099**
Year ended December 31, 2015					
Deducted from assets accounts:					
Allowance for doubtful accounts	$ 9,373	$ 6,656	$ (2,615)	$ (646)	$ 12,768
Valuation allowance on deferred tax assets	301,012	49,879	(401)	(52,599)	297,891
Reported as liabilities:					
Provision for contingencies	12,204	37,729	(24,858)	(4,497)	20,578
Total	**$ 322,589**	**$ 94,264**	**$ (27,874)**	**$ (57,742)**	**$ 331,237**
Year ended December 31, 2014					
Deducted from assets accounts:					
Allowance for doubtful accounts	$ 5,098	$ 6,567	$ (800)	$ (1,492)	$ 9,373
Valuation allowance on deferred tax assets	270,057	76,085	(4,389)	(40,741)	301,012
Reported as liabilities:					
Provision for contingencies	14,822	26,360	(25,530)	(3,448)	12,204
Total	**$ 289,977**	**$ 109,012**	**$ (30,719)**	**$ (45,681)**	**$ 322,589**

(i) Additions in valuation allowance on deferred tax assets are charged to income tax expense.

Additions in provision for contingencies are explained as follows:

Fiscal years 2016, 2015 and 2014 – Relate to the accrual of $28,577, $37,729 and $26,360, respectively. See Note 18 for details.

(ii) Deductions in valuation allowance on deferred tax assets are charged to income tax expense.

Deductions in provision for contingencies are explained as follows:

Corresponds to the settlements and reclassifications amounting to $20,554 and $11,495, respectively, during fiscal year 2016; $23,415 and $1,443, respectively, during fiscal year 2015; and $23,101 and $2,429, respectively, during fiscal year 2014; as discussed in Note 18.

27. Subsequent events

On January 26, 2017, as mentioned in Note 18, the Company reached an agreement with McDonald's Corporation related to the restaurant opening and reinvestment plan for the three-year period commenced on January 1, 2017. Under the agreement, the Company committed to open 180 new restaurants and to reinvest $292 million in existing restaurants. In addition, on January 25, 2017, McDonald's Corporation agreed to provide growth support for the same period. The Company projects that the impact of this support could result in an effective royalty rate of 5.3% in 2017, 5.7% in 2018 and 5.9% in 2019.

On March 16, 2017, the Company launched a cash tender offer to purchase $80,000 of its outstanding 2023 Notes (the "Notes"), mentioned in Note 12, at a redemption price equal to 104%, which expired on April 12, 2017. The holders who tendered their 2023 Notes prior to March 29, 2017, received a redemption price equal to 107%. As a consequence of this transaction, the Company redeemed 11.6% of the outstanding principal. The total payment was $48,885 (including $3,187 of early tender payment) plus accrued and unpaid interest.

On April 4, 2017, the Company issued senior notes for an aggregate principal amount of $265 million, which are due in 2027 (the "2027 Notes"). The 2027 Notes bear interest of 5.875% per year. Periodic payment of principal is not required and interest is paid semiannually, in April and October, commencing on October 4, 2017. The 2027 Notes are fully and unconditionally guaranteed on a senior unsecured basis by certain of the Company's subsidiaries. The proceeds from the issuance of the 2027 Notes were used to repay the Secured loan agreement and unwind the related derivative instruments, to pay the principal and premium on the 2023 Notes in connection with the aforementioned tender offer, and for general corporate purposes.

On April 11, 2017, the Company repaid the Secured loan agreement, mentioned in Note 12. The total payment of $169.7 million included all outstanding principal, plus accrued and unpaid interest and certain transaction costs. In addition, on April 13, 2017 and April 17, 2017, the Company unwound the 2016 Cross-currency interest rate swap, mentioned in Note 13, related to the Secured loan agreement for BRL122.7 million.

Exhibit 2.2

ARCOS DORADOS HOLDINGS INC.
as Issuer

THE SUBSIDIARY GUARANTORS
named herein

and

CITIBANK N.A.
as Trustee, Registrar, Paying Agent and Transfer Agent

INDENTURE

Dated as of April 4, 2017

5.875% NOTES DUE 2027

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INDENTURE, dated as of April 4, 2017, among Arcos Dorados Holdings Inc., a British Virgin Islands business company (the " Company "), the Subsidiary Guarantors named herein (as defined below) and Citibank, N.A., a national banking association as trustee (the " Trustee "), registrar (the " Registrar "), paying agent and transfer agent.

Each party agrees as follows for the benefit of the other parties and of the Holders of the Initial Notes and any Additional Notes (in each case as defined herein):

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1 Definitions .

" 2007 Letter of Credit Agreement " means the Letter of Credit Reimbursement Agreement, dated as of August 3, 2007, between the Company and Credit Suisse, Cayman Islands Branch, as issuing bank.

" 2011 Letter of Credit Agreement " means the Letter of Credit Reimbursement Agreement, dated as of May 9, 2011, between the Company and Itaú Unibanco S.A., as issuing bank.

" 2015 Letter of Credit Agreement " means the Letter of Credit Reimbursement Agreement, dated as of November 3, 2015, between the Company and JPMorgan Chase Bank N.A., as issuing bank.

" Accounts Receivable " means (1) accounts receivable, (2) franchise fee payments and other revenues related to franchise agreements, (3) royalty and other similar payments made related to the use of trade names and other intellectual property, business support, training and other services and (4) revenues related to distribution and merchandising of the products of the Company and its Restricted Subsidiaries.

" Acquired Indebtedness " means Indebtedness of a Person or any of its subsidiaries existing at the time such Person becomes a Restricted Subsidiary of the Company or at the time it merges or consolidates with the Company or any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person. Acquired Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

" Additional Amounts " has the meaning set forth under Section 3.14 .

" Additional Note Board Resolutions " means resolutions duly adopted by the Board of Directors of the Company and delivered to the Trustee in an Officers' Certificate providing for the issuance of Additional Notes.

" Additional Note Supplemental Indenture " means a supplement to this Indenture duly executed and delivered by the Company and the Trustee pursuant to Article IX providing for the issuance of Additional Notes.

" Additional Notes " means any additional Notes as specified in the relevant Additional Note Board Resolutions or Additional Note Supplemental Indenture issued therefor in accordance with this Indenture.

" Affiliate " means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. Solely for purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

" Agent Members " has the meaning assigned to it in Section 2.7(b) .

" Asset Acquisition " means:

(1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary; or

(2) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or

(3) any Revocation with respect to an Unrestricted Subsidiary.

" Asset Sale " means:

(1) any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including, without limitation, a Sale and Leaseback Transaction (each, a "disposition"), by the Company or any Restricted Subsidiary of:

(a) any Capital Stock other than Capital Stock of the Company (other than directors' qualifying shares and shares issued to foreign nationals to the extent required by applicable law); or

(b) any property or assets (other than cash, Cash Equivalents or Capital Stock) of the Company or any Restricted Subsidiary; and

(2) the exercise by McDonald's of the McDonald's Call Option in respect of any Subsidiary of the Company other than the Master Franchisee or the Brazilian Master Franchisee.

" Asset Sale Transaction " means any Asset Sale and any Designation with respect to an Unrestricted Subsidiary.

" Attributable Debt " means (i) with respect to a Sale and Lease-Back Transaction relative to any property, at the time of determination, the present value of the total net amount of rent required to be paid under such lease during the remaining term thereof (including any period for which such lease has been extended), discounted at the applicable rate of interest set forth or implicit in the terms of such lease (or, if not practicable to determine such rate, the weighted average interest rate per annum borne by the securities of all series then outstanding under this Indenture) and (ii) in the case of any lease which is terminable by the lessee upon the payment of a penalty, the net amount of such lease shall be the lesser of (x) the net amount determined assuming termination upon the first date such lease may be terminated (in which case the net amount shall also include the amount of the penalty, but shall not include any rent that would be required to be paid under such lease subsequent to the first date upon which it may be terminated) or (y) the net amount determined assuming no such termination.

" Authenticating Agent " has the meaning assigned to it in Section 2.2(d) .

" Authorized Agent " has the meaning assigned to it in Section 11.6(d) .

" Bankruptcy Law " means Title 11, U.S. Code or any similar U.S. federal or state law or non-U.S. law for the relief of debtors, including the Insolvency Act, 2003 of the British Virgin Islands.

" Bankruptcy Law Event of Default " means:

(1) the Company or any of its Significant Subsidiaries, or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, pursuant to or under or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case or proceeding;

(b) consents to the making of a Bankruptcy Order in an involuntary case or proceeding or consents to the commencement of any case against it (or them);

(c) consents to the appointment of a custodian, receiver, liquidator, assignee, trustee, *síndico* , *conciliador* , sequestrator or similar official of it (or them) or for all or any substantial part of its property;

(d) makes a general assignment for the benefit of its (or their) creditors;

(e) files an answer or consent seeking reorganization or relief;

(f) admits in writing its inability to pay its (or their) debts generally; or

(g) consents to the filing of a petition in bankruptcy;

(2) a court of competent jurisdiction in any involuntary case or proceeding enters a Bankruptcy Order against the Company, or any Significant Subsidiary, or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, or of all or any substantial part of the property of the Company, or any Significant Subsidiary, or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, and such Bankruptcy Order remains unstayed and in effect for 60 consecutive days; or

(3) a custodian, receiver, liquidator, assignee, trustee, *síndico, conciliador,* sequestrator or similar official is appointed out of court with respect to the Company, or any Significant Subsidiary, or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, or with respect to all or any substantial part of the assets or properties of the Company, or any Significant Subsidiary, or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

" Bankruptcy Order " means any court order made in a proceeding pursuant to or within the meaning of any Bankruptcy Law, containing an adjudication of bankruptcy or insolvency, or providing for liquidation, receivership, winding-up, dissolution, suspension of payments, reorganization or similar proceedings, or appointing a custodian of a debtor or of all or any substantial part of a debtor's property, or providing for the staying, arrangement, adjustment or composition of indebtedness or other relief of a debtor.

" Board of Directors " means, with respect to any Person, the board of directors or similar governing body of such Person or any duly authorized committee thereof.

" Board Resolution " means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

" Brazilian Master Franchisee " means Arcos Dourados Comércio de Alimentos Ltda., or any successor to its rights and obligations under the Second Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America and Arcos Dourados Comércio de Alimentos Ltda., as the same may be amended, restated, supplemented or otherwise modified from time to time.

" Business Day " means a day, other than a Saturday, a Sunday, or a legal holiday or a day on which commercial banks and foreign exchange markets are authorized or obligated to close in the City of New York.

" Call Option Closing Date " means the date on which the equity interests of the Master Franchisee or the Brazilian Master Franchisee are transferred to McDonald's upon McDonald's exercise of the McDonald's Call Option and the Call Option Price in respect thereof is paid by McDonald's to the Company.

" Call Option Price " means the price payable by McDonald's to the Company upon exercise by McDonald's of the McDonald's Call Option in respect of the equity interests of the Master Franchisee or the Brazilian Master Franchisee.

" Call Option Redemption Event " means the occurrence of the Call Option Closing Date and the payment of the Call Option Price by McDonald's to the Company, but only with respect to the Master Franchisee and/or the Brazilian Master Franchisee.

" Capital Stock " means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated and whether or not voting) of equity of such Person, including each class of Common Stock, Preferred Stock, limited liability interests or partnership interests, but excluding any debt securities convertible into such equity.

" Capitalized Lease Obligations " means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

" Cash Equivalents " means:

(1) U.S. dollars, or money in the local currency of any country in which the Company or any of its Restricted Subsidiaries operates;

(2) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof;

(3) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof or any country recognized by the Unites States of America maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the three highest ratings obtainable from either S&P or Moody's or any successor thereto;

(4) commercial paper outstanding at any time issued by any Person that is organized under the laws of the United States of America, any state thereof or any Latin American country recognized by the United States and rated P-1 or better from Moody's or A-1 or better from S&P or, with respect to Persons organized outside of the United States, a local market credit rating at least "BBB-" (or the then equivalent grade) by S&P and the equivalent rating by Moody's and in each case with maturities of not more than 360 days from the date of acquisition thereof;

(5) demand deposits, certificates of deposit, overnight deposits and time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any commercial bank that is organized under the laws of the United States of

America, any state thereof or any foreign country recognized by the United States and at the time of acquisition thereof has capital and surplus in excess of $500 million (or the foreign currency equivalent thereof) and a rating of P-1 or better from Moody's or A-1 or better from S&P or, with respect to a commercial bank organized outside of the United States, a local market credit rating of at least "BBB-" (or the then equivalent grade) by S&P and the equivalent rating by Moody's, or with government owned financial institution that is organized under the laws of any of the countries in which the Company's Restricted Subsidiaries conduct business;

(6) insured demand deposits made in the ordinary course of business and consistent with the Company's or its Subsidiaries' customary cash management policy in any domestic office of any commercial bank organized under the laws of the United States of America or any state thereof;

(7) repurchase obligations with a term of not more than 360 days for underlying securities of the types described in clauses (2), (3) and (4) above entered into with any financial institution meeting the qualifications specified in clause (5) above;

(8) substantially similar investments denominated in the currency of any jurisdiction in which the Company or any of its Restricted Subsidiaries conducts business of issuers whose country's credit rating is at least "BBB-" (or the then equivalent grade) by S&P and the equivalent rating by Moody's; and

(9) investments in money market funds which invest at least 95% of their assets in securities of the types described in clauses (1) through (8) above.

"Certificated Note" means any Note issued in fully-registered certificated form (other than a Global Note), which shall be substantially in the form of Exhibit A, with appropriate legends as specified in Section 2.8 and Exhibit A.

"Change of Control" means the occurrence of one or more of the following events:

(1) The Permitted Holders cease to be the "beneficial owners" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of 30.0% of the voting power of the Voting Stock of the Company (including any Surviving Entity), the Master Franchisee or the Brazilian Franchisee ;

(2) individuals appointed by the Permitted Holders cease for any reason to constitute a majority of the members of the Board of Directors of the Company, the Master Franchisee or the Brazilian Franchisee ;

(3) the sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the assets of the Company, the Master Franchisee or the Brazilian Franchisee determined on a consolidated basis, to any "person" (as defined in Sections 13d and 14d under the Exchange Act), whether or not otherwise in compliance with the Indenture, other than a Permitted Holder; or

(4) the approval by the holders of Capital Stock of the Company, the Master Franchisee or the Brazilian Franchisee of any plan or proposal for the liquidation or dissolution of the Company, the Master Franchisee or the Brazilian Franchisee, whether or not otherwise in compliance with the Indenture.

" Change of Control Notice " means notice of a Change of Control Offer made pursuant to Section 3.7 , which shall be sent to each record Holder as shown on the Note Register within 30 days following the date upon which a Change of Control Repurchase Event occurred, with a copy to the Trustee, in the manner provided for in Section 11.1 and which notice shall govern the terms of the Change of Control Offer and shall state:

(1) that a Change of Control Repurchase Event has occurred, the circumstances or events causing such Change of Control Repurchase Event and that a Change of Control Offer is being made pursuant to Section 3.7 , **a** nd that all Notes that are timely tendered shall be accepted for payment;

(2) the Change of Control Payment, and the Change of Control Payment Date;

(3) that any Notes or portions thereof not tendered or accepted for payment shall continue to accrue interest;

(4) that, unless the Company defaults in the payment of the Change of Control Payment with respect thereto, all Notes or portions thereof accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest from and after the Change of Control Payment Date;

(5) that any Holder electing to have any Notes or portions thereof purchased pursuant to a Change of Control Offer shall be required to tender such Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of such Notes completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that any Holder shall be entitled to withdraw such election if the Paying Agent receives, not later than the close of business on the third Business Day preceding the Change of Control Payment Date, a facsimile transmission or letter, setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing such Holder's election to have such Notes or portions thereof purchased pursuant to the Change of Control Offer;

(7) that any Holder electing to have Notes purchased pursuant to the Change of Control Offer must specify the principal amount that is being tendered for purchase, which principal amount must be U.S.$100,000 or an integral multiple of U.S.$1,000 in excess thereof;

(8) that any Holder of Certificated Notes whose Certificated Notes are being purchased only in part shall be issued new Certificated Notes equal in principal amount to the unpurchased portion of the Certificated Note or Notes surrendered, which unpurchased portion shall be equal in principal amount to U.S.$100,000 or an integral multiple of U.S.$1,000 in excess thereof;

(9) that the Trustee shall return to the Holder of a Global Note that is being purchased in part, such Global Note with a notation on the schedule of increases and decreases thereof adjusting the principal amount thereof to be equal to the unpurchased portion of such Global Note;

(10) that, in the event that Holders of not less than 95% of the aggregate principal amount of the Outstanding Notes accept a Change of Control Offer and the Company or a third party purchases all of the Notes held by such Holders, the Company shall have the right, upon prior notice, to redeem all of the Notes that remain outstanding in accordance with Section 3.7(e) ; and

(11) any other information necessary to enable any Holder to tender Notes and to have such Notes purchased pursuant to Section 3.7 .

" Change of Control Offer " has the meaning assigned to it in Section 3.7(a) .

" Change of Control Payment " has the meaning assigned to it in Section 3.7 .

" Change of Control Payment Date " means a Business Day no earlier than 30 days nor later than 60 days subsequent to the date on which the Change of Control Notice is mailed (other than as may be required by applicable law);

" Change of Control Repurchase Event " means the occurrence of both a Change of Control and a Rating Downgrade Event.

" Commodity Agreement " means, with respect to any Person, any commodity swap agreement, commodity cap agreement, commodity collar agreement, commodity or raw material futures contract or any other agreement as to which such Person is a party designed to manage commodity risk of such Person.

" Common Stock " means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

" Company " means the party named as such in the introductory paragraph to this Indenture and its successors and assigns, including any Surviving Entity.

" Company Order " has the meaning assigned to it in Section 2.2(c) .

" Consolidated Adjusted EBITDA " means, with respect to any Person for any period, Consolidated Net Income for such Person for such period, *plus* the following (without duplication) to the extent deducted or added in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense for such Person for such period;

(2) Consolidated Income Tax Expense for such Person for such period;

(3) Consolidated Non-cash Charges for such Person for such period;

(4) any non-operating and/or non-recurring charges, expenses or losses of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period; and

(5) the amount of loss on any sale of Accounts Receivables and related assets to a Securitization Subsidiary in connection with a Permitted Receivables Financing;

less (x) all non-cash credits and gains increasing Consolidated Net Income for such Person for such period, (y) all cash payments made by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) during such period relating to non-cash charges that were added back in determining Consolidated Adjusted EBITDA in any prior period and (z) non-operating and/or non-recurring income or gains (less all fees and expenses related thereto) increasing Consolidated Net Income of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period.

Notwithstanding the foregoing, the items specified in clauses (1) and (3) above for any Subsidiary (Restricted Subsidiary in the case of the Company) will be added to Consolidated Net Income in calculating Consolidated Adjusted EBITDA for any period:

(a) in proportion to the percentage of the total Capital Stock of such Subsidiary (Restricted Subsidiary in the case of the Company) held directly or indirectly by such Person at the date of determination; and

(b) to the extent that a corresponding amount would be permitted at the date of determination to be distributed to such Person by such Subsidiary (Restricted Subsidiary in the case of the Company) pursuant to its charter and bylaws (estatutos sociales) and each law, regulation, agreement or judgment applicable to such distribution.

" Consolidated Income Tax Expense " means, with respect to any Person for any period, the provision for federal, state, local and any other income taxes payable by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period as determined on a consolidated basis in accordance with GAAP.

" Consolidated Interest Expense " means, with respect to any Person for any period, the sum (without duplication) determined on a consolidated basis in accordance with GAAP of:

(1) the aggregate of cash and non-cash interest expense of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period determined on a consolidated basis in accordance with GAAP, including, without limitation, the following (whether or not interest expense in accordance with GAAP):

(a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) in the form of additional Indebtedness;

(b) any amortization of deferred financing costs;

(c) the net costs under Hedging Obligations (including amortization of fees) in respect of Indebtedness or that are otherwise treated as interest expense or equivalent under GAAP; provided that if Hedging Obligations result in net benefits rather than costs, such benefits will be credited to reduce Consolidated Interest Expense unless, pursuant to GAAP, such net benefits are otherwise reflected in Consolidated Net Income;

(d) all capitalized interest;

(e) the interest portion of any deferred payment obligation;

(f) any premiums, fees, discounts, expenses and losses on the sale of accounts receivable (and any amortization thereof) payable by the Company or any Restricted Subsidiary in connection with a Permitted Receivables Financing;

(g) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances; and

(h) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Company) or secured by a Lien on the assets of such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Company), whether or not such Guarantee or Lien is called upon; and

(2) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) during such period.

" Consolidated Net Income " means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with GAAP; *provided* that there will be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) net after-tax gains or losses from Asset Sale Transactions or abandonments or reserves relating thereto;

(2) net after-tax items classified as extraordinary, special (reflected as a separate line item on a consolidated income statement prepared in accordance with GAAP) gains or losses or income or expense or charge including, without limitation, any severance expense, and fees, expenses or charges related to any offering of Capital Stock of the Company, any Permitted Investment, Asset Acquisition or Indebtedness permitted to be incurred pursuant to Section 3.9 ;

(3) the net income (or loss) of any Person, other than such Person and any Subsidiary of such Person (Restricted Subsidiary in the case of the Company); except that the Company's equity in the net income of any Person will be included up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (4) below); and except further that the Company's equity in the net loss of any Person will be included to the extent such loss have been funded with cash from the Company or a Restricted Subsidiary;

(4) [Reserved]

(5) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of Consolidated Net Income accrued at any time following the Issue Date;

(6) any gain (or loss) from foreign exchange translation or change in net monetary position;

(7) any net gain or loss (after any offset) resulting in such period from Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes; provided that the net effect on income or loss (including in any prior periods) will be included upon any termination or early extinguishment of such Hedging Obligations, other than any Hedging Obligations with respect to Indebtedness (that is not itself a Hedging Obligation) and that are extinguished concurrently with the termination or other prepayment of such Indebtedness; and

(8) the cumulative effect of changes in accounting principles.

" Consolidated Net Tangible Assets " means the total consolidated assets of the Company and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Company provided to the Trustee pursuant to Section 3.13 (or required to be provided thereunder), less (1) all current liabilities of the Company and its Restricted Subsidiaries after eliminating (a) all intercompany items between the Company and any Restricted Subsidiaries or between Restricted Subsidiaries and (b) all current maturities of long-term Indebtedness; and (2) all goodwill, patents, tradenames, trademarks, copyrights, franchises, experimental expenses, organization expenses and any other amounts classified as intangible assets in accordance with GAAP; all calculated in accordance with GAAP and calculated on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by the Company and its Restricted Subsidiaries subsequent to such date and on or prior to the date of determination.

" Consolidated Non-cash Charges " means, with respect to any Person for any period, the aggregate depreciation, amortization and other non-cash expenses or losses of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period,

determined on a consolidated basis in accordance with GAAP (excluding any such charge which constitutes an accrual of or a reserve for cash charges for any future period or the amortization of a prepaid cash expense paid in a prior period).

" Consolidated Total Net Indebtedness " means, with respect to any Person as of any date of determination, an amount equal to the aggregate amount (without duplication) of all Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) outstanding at such time less the sum of (without duplication) consolidated cash and Cash Equivalents and consolidated marketable securities recorded as current assets (except for any Capital Stock in any Person) in all cases determined in accordance with GAAP and as set forth in the most recent consolidated balance sheet of the Company and its Restricted Subsidiaries.

" Corporate Trust Office " means the principal office of the Trustee at which at any time its corporate trust business shall be administered, which office at the date hereof is located at (a) 480 Washington Boulevard, 30th Floor, Jersey City, New Jersey 07310, Attention: Global Transaction Services, Arcos Dorados, for Note transfer purposes and presentment of the Notes for final payment thereon, and (b) 388 Greenwich Street, 14th Floor, New York, NY 10013, Attention: Agency & Trust – Arcos Dorados Holdings Inc., Email: john.hannon@citi.com, or call (888) 855-9695 to obtain Citibank, N.A. account manager's email address, for all other purposes, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice to the Holders and the Company).

" Covenant Defeasance " has the meaning assigned to it in Section 8.1(c) .

" Covenant Suspension Event " has the meaning assigned to it in Section 3.16(a) .

" Currency Agreement " means, with respect to any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed solely to hedge foreign currency risk of such Person.

" Default " means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

" Defaulted Interest " has the meaning assigned to it in paragraph 1 of the Form of Reverse Side of Note contained in Exhibit A .

" Designation " and " Designation Amount " have the respective meanings assigned to them in Section 3.11(a) .

" Disqualified Capital Stock" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof.

" Distribution Compliance Period " means, with respect to any Regulation S Global Note, the 40 consecutive days beginning on and including the later of (a) the day on which any Notes represented thereby are offered to persons other than distributors (as defined in Regulation S under the Securities Act) pursuant to Regulation S and (b) the issue date for such Notes.

" DTC " means The Depository Trust Company, its nominees and their respective successors and assigns, or such other depositary institution hereinafter appointed by the Company that is a clearing agency registered under the Exchange Act.

" Equity Offering " means an offering for cash, after the Issue Date, of Qualified Stock of the Company or of any direct or indirect parent of the Company (to the extent the proceeds thereof are contributed to the common equity of the Company).

" Event of Default " has the meaning assigned to it in Section 6.1 .

" Exchange Act " means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

" Fair Market Value " means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided* that the Fair Market Value of any such asset or assets will be determined conclusively by the Board of Directors of the Company acting in good faith, and will be evidenced by a Board Resolution.

" Fitch " means Fitch Inc., a subsidiary of Fimalac, S.A., and its successors.

" Four-Quarter Period " has the meaning set forth in the definition of Net Debt to EBITDA Ratio below.

" Franchise Documents " means the Master Franchise Agreements and any other documents pursuant to which the Company or any of its Restricted Subsidiaries has acquired the right to operate any franchised restaurant in Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curacao, Ecuador, French Guiana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Trinidad and Tobago, Uruguay, Venezuela and the U.S. Virgin Islands of St. Thomas and St. Croix, as the same may be amended, restated, supplemented or otherwise modified from time to time.

" GAAP " means generally accepted accounting principles in effect in the United States.

" Global Note " means any Note issued in fully-registered certificated form to DTC (or its nominee), as depositary for the beneficial owners thereof, which shall be substantially in the form of Exhibit A , with appropriate legends as specified in Section 2.8 and Exhibit A .

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

(1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise; or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part;

provided that "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. "Guarantee," when used as a verb, has a corresponding meaning.

"Hedging Obligations" means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"Holder" means the Person in whose name a Note is registered in the Note Register.

"Incur" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, guarantee or otherwise become liable in respect of such Indebtedness (and "Incurrence" and "Incurred" will have meanings correlative to the foregoing), *provided* that (1) any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary of the Company will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary of the Company and (2) neither the accrual of interest nor the accretion of original issue discount nor the payment of dividends on Disqualified Stock or Preferred Stock in the form of additional shares of the same class of Disqualified Stock or Preferred Stock will be considered an Incurrence of Indebtedness.

"Indebtedness" means, with respect to any Person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person;

(4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business);

(5) all reimbursement obligations in respect of letters of credit, banker's acceptances or similar credit transactions (except to the extent Incurred in the ordinary course of business and such obligation is satisfied within 20 Business Days of Incurrence);

(6) guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clause (8) below;

(7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) above which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the Indebtedness so secured;

(8) all net obligations under Hedging Obligations of such Person (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);

(9) the amount of all Permitted Receivables Financings of such Person; and

(10) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any; *provided* that:

(a) if the Disqualified Capital Stock does not have a fixed repurchase price, such maximum fixed repurchase price will be calculated in accordance with the terms of the Disqualified Capital Stock as if the Disqualified Capital Stock were purchased on any date on which Indebtedness will be required to be determined pursuant to the Indenture; and

(b) if the maximum fixed repurchase price is based upon, or measured by, the fair market value of the Disqualified Capital Stock, the fair market value will be the Fair Market Value thereof.

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingency obligations at such date.

"Indenture" means this Indenture, as amended or supplemented from time to time, including the Exhibits hereto, and any supplemental indenture hereto.

"Initial Notes" means any of the Company's 5.875% Notes due 2027 payable in U.S. Dollars issued on the Issue Date, and any replacement Notes issued therefor in accordance with this Indenture.

" Initial Purchasers " means (i) with respect to the Initial Notes issued on the Issue Date, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Itau BBA USA Securities Inc. and Santander Investment Securities Inc. and (ii) with respect to each issuance of Additional Notes, the Persons purchasing such Additional Notes under the related purchase agreement.

" Interest Payment Date " means the stated due date of an installment of interest on the Notes as specified in the Form of Face of Note contained in Exhibit A .

" Interest Rate Agreement " means, with respect to any Person, any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed solely to hedge interest rate risk of such Person.

" Investment " means, with respect to any Person, any:

(1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other Person (other than advances or extensions of credit to customers in the ordinary course of business);

(2) capital contribution (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) to any other Person; or

(3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

"Investment" will exclude accounts receivable or deposits arising in the ordinary course of business. "Invest," "Investing" and "Invested" have corresponding meanings.

For purposes of Section 3.10 , the Company will be deemed to have made an "Investment" in an Unrestricted Subsidiary at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary owed to the Company or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

" Investment Grade Rating " means a rating equal to or higher than BBB-, in the case of S&P and Fitch, and Baa3, in the case of Moody's.

" Issue Date " means the date of this Indenture (being the original issue date of Notes hereunder).

" L/C Documents " means the Letters of Credit, the Letter of Credit Agreements, the L/C Security Documents and each other agreement, instrument or document delivered in connection with the foregoing, as the same may be amended, restated, supplemented or otherwise modified from time to time.

" L/C Security Documents " means the Security Agreement dated as of August 3, 2007 made by the Subsidiaries of the Company party thereto and the Pledge Agreement dated as of August 3, 2007 made by the Subsidiaries of the Company party thereto, in each case to secure the obligations under the 2007 Letter of Credit Agreement; the Security Agreement dated as of May 9, 2011 made by the Subsidiaries of the Company party thereto and the Pledge Agreement dated as of May 9, 2011 made by the Subsidiaries of the Company party thereto, in each case to secure the obligations under the 2011 Letter of Credit Agreement; and Security Agreement dated as of November 3, 2015 made by the Subsidiaries of the Company party thereto and the Pledge Agreement dated as of November 3, 2015 made by the Subsidiaries of the Company party thereto, in each case to secure the obligations under the 2015 Letter of Credit Agreement.

" Legal Defeasance " has the meaning assigned to it in Section 8.1(b) .

" Letter of Credit Agreements " means the 2007 Letter of Credit Agreement, the 2011 Letter of Credit Agreement and the 2015 Letter of Credit Agreement.

" Letters of Credit " means (i) the irrevocable standby letter of credit issued on August 3, 2007, for the account of the Company and the subsidiary guarantors identified thereto, for the benefit of McDonald's Latin America, pursuant to the 2007 Letter of Credit Agreement, (ii) the irrevocable standby letter of credit issued on May 9, 2011, for the account of the Company and the subsidiary guarantors identified thereto, for the benefit of McDonald's Latin America, pursuant to the 2009 Letter of Credit Agreement and (iii) the irrevocable standby letter of credit issued on November 3, 2015, for the account of the Company and the subsidiary guarantors identified thereto, for the benefit of McDonald's Latin America, pursuant to the 2015 Letter of Credit Agreement.

" Legal Holiday " has the meaning assigned to it in Section 11.5 .

" Lien " means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder; *provided* that in no event shall an operating lease be deemed to constitute a Lien.

" Master Franchise Agreements " means the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America, the Company and the other parties thereto, and the Second Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America and Arcos Dourados Comércio de Alimentos Ltda., as the same may be amended, restated, supplemented or otherwise modified from time to time.

" Master Franchisee " means LatAm, LLC, or any successor to its rights and obligations under the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America, the Company and the other parties thereto, as the same may be amended, restated, supplemented or otherwise modified from time to time.

" McDonald's " means McDonald's Corporation and its Subsidiaries.

" McDonald's Call Option " means the "Call Option" referred to in the Master Franchise Agreements.

" McDonald's Deposit " means any cash and investments, in an aggregate amount not to exceed U.S.$15,000,000, serving as credit support to obligations owing by the Company and the Subsidiary Guarantors to McDonald's Latin America under the Franchise Documents.

" McDonald's Deposit Pledge Agreement " means documentation, pursuant to which a lien in favor of McDonald's Latin America is granted over the McDonald's Deposit (and to the extent perfection of such lien is by "control" as provided in Section 9-314 of the Uniform Commercial Code, any related control agreements in customary form providing for such perfection).

" McDonald's Foreign Pledge Agreements " means, collectively, the pledge agreements listed on Schedule I to this Indenture.

" McDonald's Latin America " means McDonald's Latin America, LLC, a limited liability company organized under the laws of the State of Delaware.

" McDonald's Mortgage " means any mortgages granted in favor of McDonald's Latin America on Secured Restricted Real Estate, in each case securing obligations owing to McDonald's Latin America under the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America, the Company and the other parties thereto, as the same may be amended, restated, supplemented or otherwise modified from time to time, in an aggregate amount not to exceed the undrawn portion of the Letter of Credit on the date of termination thereof.

" McDonald's Security Documents " means the McDonald's U.S. Stock Pledge Agreement, dated as of August 3, 2008, made by Arcos Dorados B.V. and the other parties thereto in favor of McDonald's Latin America, the McDonald's Foreign Pledge Agreements and the McDonald's Deposit Pledge Agreement and any other agreement, instrument or document under which any Lien is granted to secure obligations under the Franchise Documents, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Maturity Date" means, when used with respect to any Note, the date on which the principal of such Note becomes due and payable as therein or herein provided, whether at Stated Maturity or by declaration of acceleration, call for redemption, exercise of the repurchase right or otherwise.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Net Debt to EBITDA Ratio" means, with respect to any Person as of any date of determination, the ratio of the aggregate amount of Consolidated Total Net Indebtedness for such Person as of such date to Consolidated Adjusted EBITDA for such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination (the "Four-Quarter Period").

For purposes of this definition, Consolidated Total Net Indebtedness and Consolidated Adjusted EBITDA will be calculated after giving effect on a pro forma basis in good faith for the period of such calculation for the following:

(1) the Incurrence, repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company), and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such Four-Quarter Period or at any time subsequent to the last day of such Four-Quarter Period and prior to or on such date of determination, to the extent, in the case of an Incurrence, such Indebtedness is outstanding on the date of determination, as if such Incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such Four-Quarter Period; and

(2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company), including any Asset Sale Transaction or Asset Acquisition giving rise to the need to make such determination, occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and prior to or on such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of the Four-Quarter Period.

For purposes of making such *pro forma* computation, the amount of Indebtedness under any revolving credit facility will be computed based on:

(a) the average daily balance of such Indebtedness during such Four-Quarter Period; or

(b) if such facility was created after the end of such Four-Quarter Period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation,

in each case giving *pro forma* effect to any borrowings related to any transaction referred to in clause (2) above.

" Non-Guarantor Restricted Subsidiary " has the meaning assigned to it in Section 10.5 .

" Non-U.S. Person " means a person who is not a U.S. person, as defined in Regulation S.

" Note Custodian " means the custodian with respect to any Global Note appointed by DTC, or any successor Person thereto, and shall initially be the Trustee.

" Note Register " has the meaning assigned to it in Section 2.3(a) .

" Notes " means, collectively, the Initial Notes and any Additional Notes issued under this Indenture.

" Offering Memorandum " means the Company's offering memorandum dated March 30, 2017, used in connection with the Original Offering of Notes.

" Officer " means, when used in connection with any action to be taken by the Company or Subsidiary, the Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Director of Corporate Finance, the Chief Legal Officer, the Treasurer or any Assistant Treasurer and the Secretary or any Assistant Secretary (or, in each case, the officers of the Company with equivalent positions).

" Officers' Certificate " means, when used in connection with any action to be taken by the Company or Subsidiary, a certificate signed by two Officers of the Company or such Subsidiary, and delivered to the Trustee.

" Opinion of Counsel " means a written opinion of counsel, who may be an employee of or counsel for the Company (except as otherwise provided in this Indenture), obtained at the expense of the Company, a Surviving Entity or a Subsidiary, and who is reasonably acceptable to the Trustee.

" Original Offering of Notes " means the original private offering of the Initial Notes, which were issued on the Issue Date.

" Outstanding " means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, *except* :

(1) Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Notes, or portions thereof, for the payment, redemption or, in the case of a Change of Control Offer, purchase of, which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company or an Affiliate of the Company) in trust or set aside and segregated in trust by the Company or an Affiliate of the Company (if the Company or such Affiliate of the Company is acting as Paying Agent) for the Holders of such Notes; *provided* that, if Notes (or portions thereof) are to be redeemed or purchased, notice of such redemption or purchase has been duly given pursuant to this Indenture or provision therefor reasonably satisfactory to the Trustee has been made;

(3) Notes which have been surrendered pursuant to Section 2.10 or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a protected purchaser in whose hands such Notes are valid obligations of the Company; and

(4) Solely to the extent provided in Article VIII, Notes which are subject to Legal Defeasance or Covenant Defeasance as provided in Article VIII;

provided, however , that in determining whether the Holders of the requisite aggregate principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Company or any other obligor under the Notes or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which a Trust Officer of the Trustee actually knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor.

" Paying Agent " has the meaning assigned to it in Section 2.3(a) .

" Permitted Business " means the business or businesses conducted by the Company and its Restricted Subsidiaries as of the Issue Date and any business ancillary or complementary thereto.

" Permitted Holders " means (1) Woods W. Staton and any Related Party of Mr. Staton and (2) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned directly or indirectly 51% or more by Persons specified in clause (1).

" Permitted Indebtedness " has the meaning assigned to it in Section 3.9(b) .

" Permitted Investments " means:

(1) Investments by the Company or any Restricted Subsidiary in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary or constituting a merger or consolidation of such Person into the Company or with or into a Restricted Subsidiary; provided that such Person is engaged solely in a Permitted Business;

(2) Investments by any Restricted Subsidiary in the Company;

(3) Investments in cash and Cash Equivalents;

(4) Investments in existence on the Issue Date;

(5) any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date);

(6) Investments received as a result of the bankruptcy or reorganization of any Person or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;

(7) Investments made by the Company or its Restricted Subsidiaries as a result of non-cash consideration received in connection with an Asset Sale;

(8) Investments in the form of Hedging Obligations permitted under Section 3.9(b)(iii) ;

(9) receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances and that are consistent with industry practice;

(10) Investments arising as a result of any Permitted Receivables Financing;

(11) any Investment acquired solely in exchange for Qualified Capital Stock of the Company;

(12) [Reserved]

(13) payroll, travel, moving and other loans or advances to, or Guarantees issued to support the obligations of, officers and employees, in each case in the ordinary course of business;

(14) extensions of credit and prepayment of expenses to customers, suppliers, utility providers, licensees, franchisees and other trade creditors in the ordinary course of business consistent with past practice;

(15) any Investment in any Subsidiary or any joint venture in connection with intercompany cash management arrangements or related activities arising in the ordinary course of business consistent with past practice;

(16) Investments in the nature of deposits with respect to leases provided to third parties in the ordinary course of business;

(17) Investments in negotiable instruments received in the ordinary course and held for collection;

(18) Investments by the Company or any of its Restricted Subsidiaries, together with all other Investments pursuant to this clause (18), in an aggregate amount at the time of such Investment not to exceed the greater of U.S.$75,000,000 and 5% of Total Assets of the Company at the time of Investment (or the equivalent in other currencies), outstanding at any one time (with the Fair Market Value of each such Investment being measured at the time made and without giving effect to subsequent changes in value); provided that any Person in which such Investments are made is engaged solely in a Permitted Business.

" Permitted Liens " means any of the following Liens:

(1) Liens existing on the Issue Date and any extension, renewal or replacement thereof;

(2) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof;

(3) (a) licenses, sublicenses, leases or subleases granted by the Company or any of its Restricted Subsidiaries to other Persons not materially interfering with the conduct of the business of the Company or any of its Restricted Subsidiaries and (b) any interest or title of a lessor, sublessor or licensor under any lease or license agreement permitted by the Indenture to which the Company or any Restricted Subsidiary is a party;

(4) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, customs duties, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(5) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(6) Liens on patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to the extent such Liens arise from the granting of license to use such patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to any Person in the ordinary course of business of the Company or any of its Restricted Subsidiaries;

(7) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(8) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or a Restricted Subsidiary, including rights of offset and set-off;

(9) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings, *provided* that appropriate reserves required pursuant to GAAP have been made in respect thereof;

(10) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(11) deposits in the ordinary course of business securing liability for reimbursement obligations of insurance carriers providing insurance to the Company or its Restricted Subsidiaries and any Liens thereon;

(12) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired;

(13) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution;

(14) Liens securing Hedging Obligations;

(15) Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness which has been Incurred in accordance with Section 3.9 and which has been secured by a Lien permitted under the covenant described under Section 3.8 not incurred pursuant to clause (18) or (20); *provided* that such new Liens:

(a) are no less favorable to the Holders of Notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced; and

(b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;

(16) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Company or another Restricted Subsidiary;

(17) Liens securing Acquired Indebtedness Incurred in accordance with Section 3.9 not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided* that

(a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary; and

(b) such Liens do not extend to or cover any property of the Company or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Restricted Subsidiary and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary;

(18) purchase money Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred to finance the acquisition or leasing of property of the Company or a Restricted Subsidiary used in a Permitted Business; *provided* that:

(a) the related Purchase Money Indebtedness does not exceed the cost of such property and will not be secured by any property of the Company or any Restricted Subsidiary other than the property so acquired; and

(b) the Lien securing such Indebtedness will be created within 365 days of such acquisition;

(19) Liens securing an amount of Indebtedness outstanding at any one time (together with any Sale and Lease-Back Transaction (as defined below) that would otherwise be prohibited by Section 3.12 of this Indenture) not to exceed the greater of (a) U.S.$175,000,000 (or the equivalent in other currencies) or (b) 15% of Consolidated Net Tangible Assets;

(20) Liens under the L/C Documents;

(21) Liens in favor of McDonald's Latin America created pursuant to the McDonald's Security Documents and the McDonald's Mortgages;

(22) the interest of McDonald's Latin America, as franchisor under the Franchise Documents;

(23) Liens on Capital Stock of Unrestricted Subsidiaries; and

(24) Liens arising under any Permitted Receivables Financing.

" Permitted Receivables Financing " means any receivables financing facility or arrangement pursuant to which a Securitization Subsidiary purchases or otherwise acquires Accounts Receivable of the Company or any Restricted Subsidiaries and enters into a third party financing thereof on terms that the Board of Directors has concluded are customary and market terms fair to the Company and its Restricted Subsidiaries.

" Person " means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

" Preferred Stock " means, with respect to any Person, any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

" Private Placement Legend " has the meaning assigned to it in Section 2.8(b) .

" Purchase Money Indebtedness " means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement of any property; *provided* that the aggregate principal amount of such Indebtedness does not exceed such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of the Refinancing.

" QIB " means any "qualified institutional buyer" (as defined in Rule 144A).

" Qualified Capital Stock " means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

" Rating Agency " means (1) each of Fitch, Moody's and S&P; and (2) if any of Fitch, Moody's or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of our control, a "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, selected by us as a replacement agency for Fitch, Moody's or S&P, as the case may be.

" Rating Downgrade Event " means the rating on the Notes is lowered from their rating then in effect as a result of any event or circumstance comprised of or arising as a result of, or in respect of, a Change of Control (or pending Change of Control) by at least two of the Rating Agencies on any date during the period (the " Trigger Period ") from the date of the public announcement by the Company of a Change of Control (or pending Change of Control) until the end of the 60-day period following public announcement by the Company of the consummation of a Change of Control (which Trigger Period shall be extended following the consummation of the Change of Control so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies). In the event that less than two Rating Agencies are providing a rating for the Notes at the commencement of any Trigger

Period, then a "Rating Downgrade Event" shall be deemed to have occurred during that Trigger Period. Notwithstanding the foregoing, no Rating Downgrade Event will be deemed to have occurred as a result of any event or circumstance comprised of or arising as a result of, or in respect of, a Change of Control unless and until such Change of Control has actually been consummated.

" Record Date " has the meaning assigned to it in the Form of Face of Note contained in Exhibit A .

" Redemption Date " means, with respect to any redemption of Notes, the date fixed for such redemption pursuant to this Indenture and the Notes.

" Refinance " means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. "Refinanced" and "Refinancing" have correlative meanings.

" Refinancing Indebtedness " means Indebtedness of the Company or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary so long as:

(1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Company in connection with such Refinancing;

(2) such new Indebtedness has:

(a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced; and

(b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and

(3) if the Indebtedness being Refinanced is Subordinated Indebtedness, then such Refinancing Indebtedness will be subordinate to the Notes or any relevant Subsidiary Guarantee, if applicable, at least to the same extent and in the same manner as the Indebtedness being Refinanced.

" Registrar " has the meaning assigned to it in Section 2.3(a) .

" Regulation S " means Regulation S under the Securities Act or any successor regulation.

" Regulation S Global Note " has the meaning assigned to it in Section 2.1(e) .

" Related Party " means, with respect to any Person, (1) any Subsidiary, spouse, descendant or other immediate family member (which includes any child, stepchild, parent, stepparent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law) (in the case of an individual), of such Person, (2) any estate, trust, corporation, partnership or other entity, the beneficiaries and stockholders, partners or owners of which consist solely of one or more Permitted Holders referred to in clause (1) of the definition thereof and /or such other Persons referred to in the immediately preceding clause (1), or (3) any executor, administrator, trustee, manager, director or other similar fiduciary of any Person referred to in the immediately preceding clause (2), acting solely in such capacity.

" Resale Restriction Termination Date " means, for any Restricted Note (or beneficial interest therein), one year (or such other period specified in Rule 144(k)) from the Issue Date or, if any Additional Notes that are Restricted Notes have been issued before the Resale Restriction Termination Date for any Restricted Notes, from the latest such original issue date of such Additional Notes.

" Restricted Note " means any Initial Note (or beneficial interest therein) or any Additional Note (or beneficial interest therein), until such time as:

(1) the Resale Restriction Termination Date therefor has passed;

(2) such Note is a Regulation S Global Note and the Distribution Compliance Period therefor has terminated; or

(3) the Private Placement Legend therefor has otherwise been removed pursuant to Section 2.9(d) or, in the case of a beneficial interest in a Global Note, such beneficial interest has been exchanged for an interest in a Global Note not bearing a Private Placement Legend.

" Restricted Payment " has the meaning assigned to it in Section 3.10(a) .

" Restricted Subsidiary " means any Subsidiary of the Company which at the time of determination is not an Unrestricted Subsidiary.

" Reversion Date " has the meaning assigned to it in Section 3.16(b) .

" Revocation " has the meaning assigned to it in Section 3.11(c) .

" Rule 144 " means Rule 144 under the Securities Act (or any successor rule).

" Rule 144A " means Rule 144A under the Securities Act (or any successor rule).

" Rule 144A Global Note " has the meaning assigned to it in Section 2.1(d) .

" SEC " means the U.S. Securities and Exchange Commission.

" Securities Act " means the U.S. Securities Act of 1933, as amended.

"Special Record Date" has the meaning assigned to it in Section 2.13(a).

"Sale and Leaseback Transaction" means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such Property.

"S&P" means Standard & Poor's Rating Service or any successor thereto.

"Secured Restricted Real Estate" means the real estate listed on Schedule II to this Indenture.

"Securitization Subsidiary" means a Subsidiary of the Company

(1) that is designated a "Securitization Subsidiary" by the Board of Directors,

(2) that does not engage in, and whose charter prohibits it from engaging in, any activities other than Permitted Receivables Financings and any activity necessary, incidental or related thereto,

(3) no portion of the Indebtedness or any other obligation, contingent or otherwise, of which

(4) is Guaranteed by the Company or any Restricted Subsidiary of the Company,

(5) is recourse to or obligates the Company or any Restricted Subsidiary of the Company in any way, or

(6) subjects any property or asset of the Company or any Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof,

(7) with respect to which neither the Company nor any Restricted Subsidiary of the Company (other than an Unrestricted Subsidiary) has any obligation to maintain or preserve its financial condition or cause it to achieve certain levels of operating results

other than, in respect of clauses (3) and (4), pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Permitted Receivables Financing.

"Significant Subsidiary" means a Restricted Subsidiary of the Company that would constitute a "Significant Subsidiary" of the Company in accordance with Rule 1-02 under Regulation S-X under the Securities Act in effect on the Issue Date.

" Stated Maturity " means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

" Subordinated Indebtedness " means, with respect to the Company or any Restricted Subsidiary, any Indebtedness of the Company or such Restricted Subsidiary, as the case may be, which is expressly subordinated in right of payment to the Notes or the relevant Subsidiary Guarantee, as the case may be.

" Subsidiary " means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person's outstanding Voting Stock.

" Subsidiary Guarantee " means the unconditional guarantee, on a joint and several basis, of the full and prompt payment of all obligations of the Company under this Indenture and the Notes, in accordance with the terms of Article X .

" Subsidiary Guarantor " means the Subsidiaries signatories to this Indenture on the Issue Date and any that execute Supplemental Indentures hereto after the Issue Date.

" Surviving Entity " has the meaning set forth under Section 4.1(a) .

" Suspended Covenants " has the meaning assigned to it in Section 3.17(a) .

" Suspension Period " has the meaning assigned to it in Section 3.17(c) .

" Total Assets " means the total consolidated assets of the Company and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Company provided to the Trustee pursuant to Section 3.13 (or required to be provided thereunder), calculated on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by the Company and its Restricted Subsidiaries subsequent to such date and on or prior to the date of determination.

" Transfer Agent " has the meaning assigned to it in Section 2.3(a) .

" Trustee " means the party named as such in the introductory paragraph of this Indenture until a successor replaces it in accordance with the terms of this Indenture and, thereafter, means the successor.

" Trust Officer " means, when used with respect to the Trustee, any officer within the corporate trust department (or any successor group of the Trustee) of the Trustee, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject, in each case having direct responsibility for the administration of this Indenture.

" Unlevered Subsidiary " means any Subsidiary that has not more than U.S.$10,000,000 of outstanding Indebtedness Incurred after the Issue Date.

" Unrestricted Subsidiary " means any Subsidiary of the Company Designated as an Unrestricted Subsidiary pursuant to Section 3.11 . Any such Designation may be revoked by a Board Resolution of the Company, subject to the provisions of such covenant.

" U.S. Government Obligations " means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

" U.S. Dollars " or " U.S.$ " means such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

" Venezuelan Subsidiary " means any direct or indirect Subsidiary of the Company that generates more than 50% of its revenues or holds more than 50% of its total assets in Venezuela.

" Voting Stock " means, with respect to any Person, securities of any class of Capital Stock of such Person then outstanding and normally entitled to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person. The term "normally entitled" means without regard to any contingency.

" Weighted Average Life to Maturity " means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one twelfth) obtained by dividing:

(1) the then outstanding aggregate principal amount or liquidation preferences, as the case may be, of such Indebtedness into

(2) the sum of the products obtained by multiplying:

(a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by

(b) the number of years (calculated to the nearest one twelfth) which will elapse between such date and the making of such payment.

Section 1.2 Rules of Construction . Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) "including" means including without limitation;

(5) words in the singular include the plural and words in the plural include the singular;

(6) references to the payment of principal of the Notes shall include applicable premium, if any;

(7) references to payments on the Notes shall include Additional Amounts payable on the Notes, if any;

(8) all references to Sections or Articles refer to Sections or Articles of this Indenture;

(9) references to any law are to be construed as including all statutory and regulatory provisions or rules consolidating, amending, replacing, supplementing or implementing such law; and

(10) the term "obligor," when used with respect to the Notes, means the Company and any other obligor as of the date of this Indenture.

ARTICLE II
THE NOTES

Section 2.1 Form and Dating.

(a) The Initial Notes are being originally issued by the Company on the Issue Date. The Notes shall be issued in fully registered certificated global form without coupon, and in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes and the certificate of authentication shall be substantially in the form of Exhibit A.

(b) The terms and provisions of the Notes, the form of which is in Exhibit A, shall constitute, and are hereby expressly made, a part of this Indenture, and, to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture expressly agree to such terms and provisions and to be bound thereby. Except as otherwise expressly permitted in this Indenture, all Notes shall be identical in all respects. Notwithstanding any differences among them, all Notes issued under this Indenture shall vote and consent together on all matters as one class.

(c) The Notes may have notations, legends or endorsements as specified in Section 2.8 or as otherwise required by law, stock exchange rule or DTC rule or usage. The

Company and the Trustee shall approve the form of the Notes and any notation, legend or endorsement on them. Each Note shall be dated the date of its authentication.

(d) Notes originally offered and sold to QIBs in reliance on Rule 144A shall be represented by a single permanent global certificate (which may be subdivided) without interest coupons (each, a " Rule 144A Global Note ").

(e) Notes originally offered and sold outside the United States of America in reliance on Regulation S shall be represented by a single permanent global certificate (which may be subdivided) without interest coupons (each, a " Regulation S Global Note ").

Section 2.2 Execution and Authentication .

(a) An Officer shall sign the Notes for the Company by manual or facsimile signature. If an Officer whose signature is on a Note no longer holds that office at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

(b) A Note shall not be valid until an authorized signatory of the Trustee manually authenticates the Note. The signature of the Trustee on the certificate of authentication on a Note shall be conclusive evidence that such Note has been duly and validly authenticated and issued under this Indenture.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Trustee shall authenticate and make available for delivery Notes upon a written order of the Company signed by an Officer of the Company (the " Company Order "). A Company Order shall specify the amount of the Notes to be authenticated and the date on which such original issue of Notes is to be authenticated .

(d) The Trustee may appoint an agent (the " Authenticating Agent ") reasonably acceptable to the Company to authenticate the Notes. Unless limited by the terms of such appointment, any such Authenticating Agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by the Authenticating Agent.

(e) In case a Surviving Entity has executed an indenture supplemental hereto with the Trustee pursuant to Article IV, any of the Notes authenticated or delivered prior to such transaction may, from time to time, at the request of the Surviving Entity, be exchanged for other Notes executed in the name of the Surviving Entity with such changes in phraseology and form as may be appropriate, but otherwise identical to the Notes surrendered for such exchange and of like principal amount; and the Trustee, upon Company Order of the Surviving Entity, shall authenticate and deliver Notes as specified in such order for the purpose of such exchange. If Notes shall at any time be authenticated and delivered in any new name of a Surviving Entity pursuant to this Section 2.2 in exchange or substitution for or upon registration of transfer of any Notes, such Surviving Entity, at the option of the Holders but without expense to them, shall provide for the exchange of all Notes at the time Outstanding for Notes authenticated and delivered in such new name.

Section 2.3 Registrar, Transfer Agent and Paying Agent .

(a) The Company shall maintain an office or agency in the Borough of Manhattan, City of New York, where Notes may be presented or surrendered for registration of transfer or for exchange (the " Registrar " and " Transfer Agent, " respectively) and where Notes may be presented for payment (the " Paying Agent "). The Registrar shall keep a register of the Notes and of their transfer and exchange (the " Note Register "). The Company may have one or more co-Registrars and one or more additional paying agents or transfer agents. The terms "Paying Agent" and "Transfer Agent" include any additional paying agent and any additional transfer agent, as the case may be.

(b) The Company shall enter into an appropriate agency agreement with any Registrar, Paying Agent or co-Registrar not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of each such agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.7 . The Company may act as Paying Agent, Registrar, co-Registrar or Transfer Agent.

(c) The Company initially appoints the Trustee as Registrar, Paying Agent and Transfer Agent (and the Trustee hereby accepts such appointment), until such time as another Person is appointed as such.

(d) The Company may change the Registrar, Paying Agent and Transfer Agent without notice to Holders.

Section 2.4 Paying Agent to Hold Money in Trust . The Company shall require each Paying Agent (other than the Trustee) to agree that such Paying Agent shall hold in trust separate and apart from, and not commingle with any other properties, for the benefit of Holders or the Trustee all money held by such Paying Agent for the payment of principal of or interest on the Notes (whether such money has been distributed to it by the Company or any other obligor of the Notes) in accordance with the terms of this Indenture and shall notify the Trustee in writing of any Default by the Company or any Subsidiary Guarantor (or any other obligor on the Notes) in making any such payment. If the Company or an Affiliate of the Company or any Subsidiary Guarantor acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent (other than the Trustee) to pay all money held by it to the Trustee and to account for any funds disbursed by such Paying Agent. The Paying Agent shall not hold any money under this Indenture in the British Virgin Islands, nor will the Paying Agent under this Indenture be a British Virgin Islands entity at any time. Upon complying with this Section 2.4 , the Paying Agent (if other than the Company) shall have no further liability for the money delivered to the Trustee. Upon any proceeding under any Bankruptcy Law with respect to the Company or any Affiliate of the Company or any Subsidiary Guarantor, if the Company, a Subsidiary Guarantor or such Affiliate, is then acting as Paying Agent, the Trustee shall replace the Company, such Subsidiary Guarantor or such Affiliate as Paying Agent.

The receipt by the Paying Agent or the Trustee from the Company of each payment of principal, interest and/or other amounts due in respect of the Notes in the manner specified herein and on the date on which such amount of principal, interest and/or other

amounts are then due, shall satisfy the obligations of the Company herein and under the Notes to make such payment to the Holders on the due date thereof; *provided, however* , that the liability of any Paying Agent hereunder shall not exceed any amounts paid to it by the Company, or held by it, on behalf of the Holders under this Indenture. Notwithstanding the preceding sentence or any other provision of this Indenture to the contrary, the Company shall indemnify the Holders in the event that there is subsequent failure by the Trustee or any Paying Agent to pay any amount due in respect of the Notes in accordance with the Notes and this Indenture as shall result in the receipt by the Holders of such amounts as would have been received by them had no such failure occurred.

Section 2.5 CUSIP and ISIN Numbers . In issuing the Notes, the Company may use CUSIP and ISIN numbers (if then generally in use) and, if so, the Trustee shall use CUSIP and ISIN numbers in notices of redemption as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee in writing of any initial CUSIP and/or ISIN numbers and any change in the CUSIP or ISIN numbers.

Section 2.6 Holder Lists . The Registrar shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee, in writing at least seven Business Days before each Interest Payment Date and at such other times as the Trustee may reasonably request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders.

Section 2.7 Global Note Provisions .

(a) Each Global Note initially shall: (i) be registered in the name of DTC or the nominee of DTC; (ii) be delivered to the Note Custodian; and (iii) bear the appropriate legend, as set forth in Section 2.8 and Exhibit A . Any Global Note may be represented by more than one certificate. The aggregate principal amount of each Global Note may from time to time be increased or decreased by adjustments made on the records of the Note Custodian, as provided in this Indenture.

(b) Members of, or participants in, DTC (" Agent Members ") shall have no rights under this Indenture with respect to any Global Note held on their behalf by DTC or by the Note Custodian under such Global Note, and DTC may be treated by the Company, the Trustee, the Paying Agent and the Registrar and any of their agents as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee, the Paying Agent or the Registrar or any of their agents from giving effect to any written certification, proxy or other authorization furnished by DTC. The registered Holder of a Global Note may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action that a Holder is entitled to take under this Indenture or the Notes.

(c) Except as provided below, owners of beneficial interests in Global Notes shall not be entitled to receive Certificated Notes. Global Notes shall be exchangeable for Certificated Notes only in the following limited circumstances:

(i) DTC notifies the Company that it is unwilling or unable to continue as depositary for such Global Note or DTC ceases to be a clearing agency registered under the Exchange Act, at a time when DTC is required to be so registered in order to act as depositary, and in each case a successor depositary is not appointed by the Company within 90 days of such notice;

(ii) the Company executes and delivers to the Trustee and Registrar an Officers' Certificate stating that such Global Note shall be so exchangeable; or

(iii) an Event of Default has occurred and is continuing with respect to the Notes.

In connection with the exchange of an entire Global Note for Certificated Notes pursuant to this Section 2.7(c) , such Global Note shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and upon Company Order the Trustee shall authenticate and deliver, to each beneficial owner identified by DTC in exchange for its beneficial interest in such Global Note, an equal aggregate principal amount of Certificated Notes of authorized denominations.

Section 2.8 Legends .

(a) Each Global Note shall bear the legend specified therefor in Exhibit A on the face thereof.

(b) Each Restricted Note shall bear the private placement legend specified therefor in Exhibit A on the face thereof (the " Private Placement Legend ").

Section 2.9 Transfer and Exchange .

The following provisions shall apply with respect to any proposed transfer of an interest in a Rule 144A Global Note that is a Restricted Note:

(a) If (1) the owner of a beneficial interest in a Rule 144A Global Note wishes to transfer such interest (or portion thereof) to a Non-U.S. Person pursuant to Regulation S and (2) such Non-U.S. Person wishes to hold its interest in the Notes through a beneficial interest in the Regulation S Global Note, subject to the rules and procedures of DTC, upon receipt by the Note Custodian and Registrar of:

(i) instructions from the Holder of the Rule 144A Global Note directing the Note Custodian and Registrar to credit or cause to be credited a beneficial interest in the Regulation S Global Note equal to the principal amount of the beneficial interest in the Rule 144A Global Note to be transferred; and

(ii) a certificate in the form of Exhibit C from the transferor,

the Note Custodian and Registrar shall increase the Regulation S Global Note and decrease the Rule 144A Global Note by such amount in accordance with the foregoing.

(b) If the owner of a beneficial interest in a Regulation S Global Note wishes to transfer such interest (or any portion thereof) to a QIB pursuant to Rule 144A prior to the expiration of the Distribution Compliance Period therefor, subject to the rules and procedures of DTC, upon receipt by the Note Custodian and Registrar of:

(i) instructions from the Holder of the Regulation S Global Note directing the Note Custodian and Registrar to credit or cause to be credited a beneficial interest in the Rule 144A Global Note equal to the principal amount of the beneficial interest in the Regulation S Global Note to be transferred; and

(ii) a certificate in the form of Exhibit B duly executed by the transferor,

the Note Custodian and Registrar shall increase the Rule 144A Global Note and decrease the Regulation S Global Note by such amount in accordance with the foregoing.

(c) Other Transfers . Any transfer of Restricted Notes not described in Section 2.9 (other than a transfer of a beneficial interest in a Global Note that does not involve an exchange of such interest for a Certificated Note or a beneficial interest in another Global Note, which must be effected in accordance with applicable law and the rules and procedures of DTC, but is not subject to any procedure required by this Indenture) shall be made only upon receipt by the Company, the Trustee and the Registrar of such Opinions of Counsel, certificates and/or other information reasonably required by and satisfactory to it in order to ensure compliance with the Securities Act or in accordance with Section 2.9(d) .

(d) Use and Removal of Private Placement Legends . Upon the registration of transfer, exchange or replacement of Notes (or beneficial interests in a Global Note) not bearing (or not required to bear upon such registration of transfer, exchange or replacement) a Private Placement Legend, the Note Custodian and Registrar shall exchange such Notes (or beneficial interests) for beneficial interests in a Global Note (or Certificated Notes if they have been issued pursuant to Section 2.7(c)) that does not bear a Private Placement Legend. Upon the transfer, exchange or replacement of Notes (or beneficial interests in a Global Note) bearing a Private Placement Legend, the Note Custodian and Registrar shall deliver only Notes (or beneficial interests in a Global Note) that bear a Private Placement Legend unless:

(i) such Notes (or beneficial interests) are transferred pursuant to Rule 144 upon delivery to the Registrar of a certificate of the transferor in the form of Exhibit D and an Opinion of Counsel reasonably satisfactory to the Registrar;

(ii) a transfer of such Notes is made pursuant to an effective Shelf Registration Statement, in which case the Private Placement Legend shall be removed from such Note so transferred at the request of the Holder; or

(iii) in connection with such registration of transfer, exchange or replacement the Registrar shall have received an Opinion of Counsel addressed to it, the

Trustee and the Company and other evidence reasonably satisfactory to the Company to the effect that neither such Private Placement Legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act.

The Private Placement Legend on any Rule 144A Global Note shall be removed only at the option of the Company. The Private Placement Legend on any Regulation S Global Note shall be removed at the request of the Holder after the Distribution Compliance Period therefore has ended. The Holder of a Global Note may exchange an interest therein for an equivalent interest in a Global Note not bearing a Private Placement Legend (other than a Regulation S Global Note) upon transfer of such interest pursuant to any of clauses (i) through (iv) of this Section 2.9(d) .

(e) Consolidation of Global Notes . Nothing in this Indenture shall provide for the consolidation of any Notes with any other Notes unless they constitute, as determined pursuant to an Opinion of Counsel, the same classes of securities for U.S. federal income tax purposes.

(f) Retention of Documents . The Registrar shall retain copies of all letters, notices and other written communications received pursuant to this Article II . The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

(g) Execution, Authentication of Notes, etc.

(i) Subject to the other provisions of this Section 2.9 when Notes are presented to the Registrar or a co-Registrar with a request to register the transfer of such Notes or to exchange such Notes for an equal principal amount of Notes of other authorized denominations, the Registrar or co-Registrar shall register the transfer or make the exchange as requested if its requirements for such transaction are met; *provided* that any Notes presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Company and to the Registrar or co-Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing. To permit registrations of transfers and exchanges and subject to the other terms and conditions of this Article II , the Company shall execute and upon Company Order the Trustee shall authenticate Certificated Notes and Global Notes at the Registrar's or co-Registrar's request.

(ii) No service charge shall be made to a Holder for any registration of transfer or exchange, but the Company, the Registrar, or the Trustee may require payment of a sum sufficient to cover any transfer tax, assessment, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charges payable upon exchange or transfer pursuant to Section 3.7) .

(iii) The Registrar or co-Registrar shall not be required to register the transfer of or exchange of any Note for a period beginning: (1) 15 days before the mailing

of a notice of an offer to repurchase or redeem Notes and ending at the close of business on the day of such mailing; or (2) 15 days before an Interest Payment Date and ending on such Interest Payment Date.

(iv) Prior to the due presentation for registration of transfer of any Note, the Company, the Trustee, the Paying Agent, the Registrar or any co-Registrar may deem and treat the person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Company, the Trustee, the Paying Agent, the Registrar or any co-Registrar shall be affected by notice to the contrary.

(v) All Notes issued upon any registration of transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Notes surrendered upon such registration of transfer or exchange.

(vi) The Registrar shall be entitled to request such evidence reasonably satisfactory to it documenting the identity and/or signatures of the transferor and the transferee.

(h) No Obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of an interest in a Global Note, a member of, or a participant in, DTC or other Person with respect to the accuracy of the records of DTC or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than DTC) of any notice (including any notice of redemption) or the payment of any amount or delivery of any Notes (or other security or property) under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders in respect of the Notes shall be given or made only to or upon the order of the registered Holders (which shall be DTC or its nominee in the case of a Global Note). The rights of beneficial owners in any Global Note shall be exercised only through DTC subject to the applicable rules and procedures of DTC. The Trustee may conclusively rely and shall be fully protected in conclusively relying upon information furnished by DTC with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer or exchange imposed under this Indenture or under applicable law with respect to any transfer or exchange of any interest in any Note (including any transfers between or among DTC participants, members or beneficial owners in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the express terms of this Indenture, to examine the same to determine if it substantially complies on its face as to form with the express requirements hereof, and to notify the party delivering the same if the certificate does not so comply.

Section 2.10 Mutilated, Destroyed, Lost or Stolen Notes .

(a) If a mutilated Note is surrendered to the Registrar or if the Holder of a Note claims that the Note has been lost, destroyed or wrongfully taken and if the requirements of Section 8-405 of the Uniform Commercial Code of the State of New York are met, the Company shall execute and upon Company Order the Trustee shall authenticate a replacement Note if the Holder satisfies any other reasonable requirements of the Trustee. If required by the Trustee or the Company, such Holder shall furnish an affidavit of loss and indemnity bond sufficient in the judgment of the Company and the Trustee to protect the Company, the Trustee, the Paying Agent, the Registrar and any co-Registrar from any loss that any of them may suffer if a Note is replaced, and, in the absence of notice to the Company or a Trust Officer of the Trustee that such Note has been acquired by a protected purchaser (as defined in Section 8-303 of the Uniform Commercial Code of the State of New York), the Company shall execute and upon Company Order the Trustee shall authenticate and make available for delivery, in exchange for any such mutilated Note or in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount, bearing a number not contemporaneously Outstanding.

(b) Upon the issuance of any new Note under this Section 2.10 , the Company, the Trustee and the Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Company's counsel, the Trustee and its counsel) in connection therewith.

(c) In case any mutilated, destroyed or wrongfully taken Note has become or is about to become due and payable, the Company may, in its discretion, pay such Notes instead of issuing a new Note in replacement thereof.

(d) Every new Note issued pursuant to this Section 2.10 in exchange for any mutilated Note, or in lieu of any destroyed, lost or stolen Note, shall constitute an original additional contractual obligation of the Company and any other obligor upon the Notes, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

(e) The provisions of this Section 2.10 shall be exclusive and shall be in lieu of, to the fullest extent permitted by applicable law, all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.11 Temporary Notes . Until definitive Notes are ready for delivery, the Company may execute and upon Company Order the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare and execute and upon Company Order the Trustee shall authenticate definitive Notes. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at any office or agency

maintained by the Company for that purpose and such exchange shall be without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes, the Company shall execute and upon Company Order the Trustee shall authenticate and make available for delivery in exchange therefor one or more definitive Notes representing an equal principal amount of Notes. Until so exchanged, the Holder of temporary Notes shall in all respects be entitled to the same benefits under this Indenture as a Holder of definitive Notes.

Section 2.12 Cancellation. The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel and dispose of cancelled Notes in accordance with its customary procedures or return to the Company all Notes surrendered for registration of transfer, exchange, payment or cancellation. Subject to Section 2.10, the Company may not issue new Notes to replace Notes it has paid or delivered to the Trustee for cancellation for any reason other than in connection with a transfer or exchange upon Company Order.

Section 2.13 Defaulted Interest. When any installment of interest becomes Defaulted Interest, such installment shall forthwith cease to be payable to the Holders in whose names the Notes were registered on the Record Date applicable to such installment of interest. Defaulted Interest (including any interest on such Defaulted Interest) may be paid by the Company, at its election, as provided in Section 2.13(a) or Section 2.13(b).

(a) The Company may elect to make payment of any Defaulted Interest (including any interest on such Defaulted Interest) to the Holders in whose names the Notes are registered at the close of business on a special record date for the payment of such Defaulted Interest (a "Special Record Date"), which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Holders entitled to such Defaulted Interest as provided in this Section 2.13(a). Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest, which shall be not more than 15 calendar days and not less than ten calendar days prior to the date of the proposed payment and not less than ten calendar days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be sent, first-class mail, postage prepaid, to each Holder at such Holder's address as it appears in the registration books of the Registrar, not less than ten calendar days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Holders in whose names the Notes are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to Section 2.13(b).

(b) Alternatively, the Company may make payment of any Defaulted Interest (including any interest on such Defaulted Interest) in any other lawful manner not inconsistent

with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Section 2.13(b) such manner of payment shall be deemed practicable by the Trustee.

Section 2.14 Additional Notes . The Company may, from time to time, subject to compliance with any other applicable provisions of this Indenture, without the consent of the Holders, create and issue pursuant to this Indenture Additional Notes having terms and conditions set forth in Exhibit A identical to those of the Initial Notes, except that Additional Notes:

(a) may have a different issue price, issue date and, if applicable, date from which the interest shall accrue from the Initial Notes;

(b) may have a different amount of interest payable on the first Interest Payment Date after issuance than is payable on the Initial Notes; and

(c) may have terms specified in the Additional Note Board Resolution or Additional Note Supplemental Indenture for such Additional Notes making appropriate adjustments to this Article II and Exhibit A (and related definitions) applicable to such Additional Notes in order to conform to and ensure compliance with the Securities Act (or other applicable securities laws). Unless such Additional Notes are fungible with the Initial Notes for U.S. federal income tax purposes, such Additional Notes shall be issued with a separate CUSIP number.

ARTICLE III
COVENANTS

Section 3.1 Payment of Notes .

(a) The Company shall pay the principal of and interest (including Defaulted Interest) on the Notes in U.S. Dollars on the dates and in the manner provided in the Notes and in this Indenture. Prior to 11:00 a.m. (New York City time) on the Business Day prior to each Interest Payment Date and the Maturity Date, the Company shall deposit with the Paying Agent in immediately available funds U.S. Dollars sufficient to make cash payments due on such Interest Payment Date or Maturity Date, as the case may be. If the Company or an Affiliate of the Company is acting as Paying Agent, the Company or such Affiliate shall, prior to 11:00 a.m. (New York City time) on each Interest Payment Date and the Maturity Date, segregate and hold in trust U.S. Dollars sufficient to make cash payments due on such Interest Payment Date or Maturity Date, as the case may be. Principal and interest shall be considered paid on the date due if on such date the Trustee or the Paying Agent (other than the Company or an Affiliate of the Company) holds in accordance with this Indenture U.S. Dollars designated for and sufficient to pay all principal and interest then due and the Trustee or the Paying Agent, as the case may be, is not prohibited from paying such money to the Holders on that date pursuant to the terms of

this Indenture. Notwithstanding the foregoing, the Company may elect to make the payments of interest by check mailed to the registered Holders at their registered addresses.

(b) If a Holder of Certificated Notes in an aggregate principal amount of at least U.S.$1,000,000 has given wire transfer instructions to the Company and the Trustee, the Trustee, as Paying Agent, shall make all principal and interest payments on those Notes in accordance with such instructions.

(c) Notwithstanding anything to the contrary contained in this Indenture, the Company may, to the extent it is required to do so by law, deduct or withhold income or other similar taxes imposed by the United States of America from principal or interest payments hereunder.

Section 3.2 Maintenance of Office or Agency .

(a) The Company shall maintain each office or agency required under Section 2.3 where Notes may be presented or surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of any such office or agency.

(b) The Company may also from time to time designate one or more other offices or agencies (in or outside of The City of New York) where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind any such designation; *provided, however* , that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in The City of New York. The Company shall give prompt written notice to the Trustee of any such designation or rescission and any change in the location of any such other office or agency.

Section 3.3 Corporate Existence . Subject to Article IV , the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and good standing under the BVI Business Companies Act, 2004.

Section 3.4 Payment of Taxes . The Company shall pay or discharge or cause to be paid or discharged, before the same shall become delinquent, all taxes, assessments and governmental charges (including stamp or other issuance or transfer taxes) or duties levied or imposed upon the Company or any Restricted Subsidiary or for which it or any of them are otherwise liable, or upon the income, profits or property of the Company or any Restricted Subsidiary, and the Company shall reimburse the Trustee and Holders for any fines, penalties or other fees they are required to pay as a result of the failure by the Company or any Restricted Subsidiary to pay or discharge any of the abovementioned taxes, assessments and government charges; *provided, however* , that, other than with respect to any taxes or duties described herein that would become payable by the Trustee or the Holders in the event the Company or any Restricted Subsidiary fails to pay such taxes or duties, the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment or charge whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which appropriate reserves, if necessary (in the good faith judgment of management of the

Company), are being maintained in accordance with GAAP or where the failure to effect such payment shall not have a material adverse effect upon the financial condition of the Company and its Subsidiaries, taken as a whole, or on the performance of the Company's obligations hereunder.

Section 3.5 Further Instruments and Acts . The Company and each Subsidiary Guarantor shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper or as may be required by applicable law to carry out more effectively the purpose of this Indenture.

Section 3.6 Waiver of Stay, Extension or Usury Laws . The Company and each Subsidiary Guarantor covenants (to the fullest extent permitted by applicable law) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Company or such Subsidiary Guarantor from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture. The Company and each Subsidiary Guarantor hereby expressly waives (to the fullest extent permitted by applicable law) all benefit or advantage of any such law, and covenants that it shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

Section 3.7 Change of Control .

(a) Upon the occurrence of a Change of Control Repurchase Event, the Company shall provide a Change of Control Notice and make an offer to purchase Notes (the " Change of Control Offer "), pursuant to which the Company shall be required, if requested by any Holder, to purchase all or a portion (in integral multiples of U.S.$1,000, *provided* that the principal amount of such Holder's Note shall not be less than U.S.$100,000) of such Holder's Notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon through the purchase date (the " Change of Control Payment ").

(b) On the Business Day immediately preceding the Change of Control Payment Date, the Company will, to the extent lawful, deposit with the Paying Agent funds in an amount equal to the Change of Control Payment, in respect of all Notes or portions thereof so tendered.

(c) On the Change of Control Payment Date, the Company shall, to the extent lawful:

(i) accept for payment all Notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer; and

(ii) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

(d) If only a portion of a Note is purchased pursuant to a Change of Control Offer, a new Note in a principal amount equal to the portion thereof not purchased shall be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note shall be made, as appropriate). Notes (or portions thereof) purchased pursuant to a Change of Control Offer shall be cancelled and cannot be reissued.

(e) The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations thereunder in connection with the purchase of Notes in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with this Section 3.7 , the Company shall comply with such securities laws and regulations and shall not be deemed to have breached its obligations under this Indenture by doing so.

(f) The Company shall not be required to make a Change of Control Offer upon a Change of Control Repurchase Event if (i) a third party makes the Change of Control Offer in compliance with the conditions and requirements of this Indenture and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (ii) prior to the date the Change of Control Offer is required to be made, the Company has given notice of redemption in respect of all of the Outstanding Notes in accordance with this Indenture.

(g) The provisions of this Section 3.7 shall be applicable whether or not any other provisions of this Indenture are applicable. The obligation of the Company to make an offer to purchase the Notes as a result of the occurrence of a Change of Control Repurchase Event may be waived or modified at any time prior to the occurrence of such Change of Control Repurchase Event with the written consent of Holders of a majority in principal amount of the Notes.

Section 3.8 Limitation on Liens .

The Company shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, to secure any Indebtedness, unless contemporaneously therewith effective provision is made to secure the Notes, the Subsidiary Guarantees and all other amounts due under this Indenture equally and ratably with such Indebtedness (or, in the event that such Indebtedness is subordinated in right of payment to the Notes or the Subsidiary Guarantees prior to such Indebtedness) with a Lien on the same properties and assets securing such Indebtedness for so long as such Indebtedness is secured by such Lien.

Section 3.9 Limitation on Incurrence of Additional Indebtedness .

(a) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) except that the Company and its Restricted Subsidiaries may Incur Indebtedness if, at the time of

and immediately after giving *pro forma* effect to the Incurrence thereof and the application of the net proceeds therefrom, the Net Debt to EBITDA Ratio shall not exceed 3.5 to 1.0.

(b) Notwithstanding clause (a) above, the Company and its Restricted Subsidiaries, as applicable, may, at any time, Incur the following Indebtedness (" Permitted Indebtedness "):

(i) Indebtedness in respect of the Notes (excluding Additional Notes) and the Subsidiary Guarantees (including any Additional Notes);

(ii) other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date, other than Indebtedness otherwise specified under any clause of this definition of Permitted Indebtedness;

(iii) Hedging Obligations entered into by the Company and its Restricted Subsidiaries for bona fide hedging purposes and not for speculative purposes;

(iv) intercompany Indebtedness between the Company and any Restricted Subsidiaries or between any Restricted Subsidiaries; *provided* that:

(1) in the event that at any time any such Indebtedness ceases to be held by the Company or a Restricted Subsidiary, such Indebtedness will be deemed to be Incurred by the Company or the relevant Restricted Subsidiary, as the case may be, and not permitted by this clause (iv) at the time such event occurs;

(v) [Reserved];

(vi) Indebtedness of the Company or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of Incurrence;

(vii) Indebtedness of the Company or any of its Restricted Subsidiaries represented by letters of credit for the account of the Company or any Restricted Subsidiary, as the case may be, in order to provide security for workers' compensation claims, payment obligations in connection with self-insurance or similar requirements in the ordinary course of business;

(viii) Indebtedness consisting of letters of credit, banker's acceptances, performance bonds, appeal bonds, surety bonds, customs bonds and other similar bonds and reimbursement obligations Incurred by the Company or any Restricted Subsidiary in the ordinary course of business securing the performance of contractual, franchise or license obligations of the Company or any Restricted Subsidiary (in each case, other than for an obligation for borrowed money);

(ix) Indebtedness of the Company or any of its Restricted Subsidiaries to the extent the net proceeds thereof are promptly used to redeem the Notes in full or deposited to defease or discharge the Notes, in each case in accordance with the Indenture;

(x) Refinancing Indebtedness in respect of:

(1) Indebtedness (other than Indebtedness owed to the Company or any Subsidiary of the Company) Incurred pursuant to clause (a) above (it being understood that no Indebtedness outstanding on the Issue Date is Incurred pursuant to such Section 3.9(a)); or

(2) Indebtedness Incurred pursuant to Section 3.9(b)(i) , Section 3.9(b)(ii) , Section 3.9(b)(x) , Section 3.9(b)(xiii) and Section 3.9(b)(xiv) (excluding Indebtedness owed to the Company or a Subsidiary of the Company);

(xi) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred in connection with the disposition of any business, assets or Subsidiary, other than Guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness will at no time exceed the gross proceeds actually received by the Company and the Restricted Subsidiary in connection with such disposition;

(xii) Indebtedness incurred pursuant to the Franchise Documents and the L/C Documents as in effect from time to time;

(xiii) the Guarantee by the Company or any Subsidiary Guarantor of Indebtedness of the Company or a Restricted Subsidiary of the Company that was permitted to be incurred by another provision of this covenant;

(xiv) Acquired Indebtedness, *provided* that after giving effect to the Incurrence thereof, (1) the Company could incur at least U.S.$1.00 of Indebtedness under the Net Debt to EBITDA Ratio pursuant to Section 3.9(a) , or (2) the Net Debt to EBITDA Ratio would be no worse than such ratio immediately prior to such Incurrence;

(xv) the Incurrence by the Company or any Subsidiary Guarantor of any Indebtedness with a maturity less than 365 days and Incurred in the ordinary course of business for working capital purposes not to exceed the greater of U.S.$80,000,000 and 5% of Total Assets of the Company at any one time;

(xvi) in addition to Indebtedness referred to in Section 3.9(b)(i) through Section 3.9(b)(xv) , Indebtedness of the Company or any Subsidiary Guarantor in an aggregate principal amount at any one time outstanding not to exceed the greater of U.S.$160,000,000 and 11% of Total Assets of the Company (or the equivalent in other currencies).

(c) [Reserved]

(d) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this covenant:

(i) the outstanding principal amount of any item of Indebtedness will be counted only once;

(ii) in the event that an item of Indebtedness meets the criteria of Section 3.9(a) or more than one of the categories of Permitted Indebtedness described in clauses Section 3.9(b)(i) through Section 3.9(b)(xvi) , the Company may, in its sole discretion, divide and classify (or at any time reclassify) such item of Indebtedness in any manner that complies with this covenant;

(iii) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness, but may be permitted in part by such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(iv) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP;

(v) Guarantees of, or obligations in respect of letters of credit or similar instruments relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness will not be included; and

(vi) the accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; *provided* that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of clause (b) above will be counted as Indebtedness outstanding thereunder for purposes of any future Incurrence under such provision.

(e) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a non-U.S. currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred or, in the case of revolving credit Indebtedness, first committed; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a non-U.S. currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such

Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Section 3.10 Limitation on Restricted Payments .

(a) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a " Restricted Payment "):

(i) declare or pay any dividend or return of capital or make any distribution on or in respect of shares of Capital Stock of the Company or any Restricted Subsidiary to holders of such Capital Stock, other than:

(1) dividends or distributions payable in Qualified Capital Stock of the Company;

(2) dividends or distributions payable to the Company and/or a Restricted Subsidiary; or

(3) dividends, distributions or returns of capital made on a *pro rata* basis to the Company and its Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand (or on a less than *pro rata* basis to any minority holder);

(ii) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company held by Persons other than the Company or any of its Restricted Subsidiaries;

(iii) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness; or

(iv) make any Investment (other than Permitted Investments);

if at the time of the Restricted Payment and immediately after giving *pro forma* effect thereto:

(A) a Default or an Event of Default has occurred and is continuing;

(B) the Company is not able to Incur at least U.S.$1.00 of additional Indebtedness pursuant to Section 3.9(a) ; or

(C) the aggregate amount (the amount expended for these purposes, if other than in cash, being the Fair Market Value of the relevant property) of the proposed Restricted Payment and all other Restricted Payments made subsequent to the Issue Date up to the date thereof will exceed the sum of:

(1) 100% of Consolidated Adjusted EBITDA of the Company from January 1, 2017 to the end of the most recent fiscal quarter for which consolidated financial information for the Company is available; *less*

(2) 150% of Consolidated Interest Expense of the Company from January 1, 2017 to the end of the most recent fiscal quarter for which consolidated financial information for the Company is available.

(b) Notwithstanding Section 3.10(a) , this Section 3.10 does not prohibit:

(i) the payment of any dividend within 60 days after the date of declaration of such dividend if the dividend would have been permitted on the date of declaration pursuant to Section 3.10(a) ;

(ii) the acquisition of any shares of Capital Stock of the Company,

(1) in exchange for Qualified Capital Stock of the Company; or

(2) through the application of the net cash proceeds received by the Company from a substantially concurrent sale of Qualified Capital Stock of the Company or a contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock, in each case not received from a Subsidiary of the Company;

(iii) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net cash proceeds of a substantially concurrent sale, other than to a Subsidiary of the Company, of:

(1) Qualified Capital Stock of the Company; or

(2) Refinancing Indebtedness for such Subordinated Indebtedness;

(iv) repurchases by the Company of Capital Stock of the Company or options, warrants or other securities exercisable or convertible into Capital Stock of the Company from employees or directors of the Company or any of its Subsidiaries or their authorized representatives upon the death, disability or termination of employment or directorship of the employees or directors;

(v) the repurchase of any Subordinated Indebtedness at a purchase price not greater than 101% of the principal amount thereof in the event of a change of control pursuant to a provision no more favorable to the holders thereof than Section 3.7 hereof; *provided* that, prior to the repurchase the Company has made an Offer to Purchase and repurchased all Notes issued under this Indenture that were validly tendered for payment in connection with such offer to purchase;

(vi) repurchases of Capital Stock deemed to occur upon the exercise of stock options if the Capital Stock represent all or a portion of the exercise price thereof (or related withholding taxes), and Restricted Payments by the Company to allow the payment of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Capital Stock of the Company;

(vii) if no Default or Event of Default has occurred and is continuing, the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Company or any Restricted Subsidiary or Preferred Stock of any Restricted Subsidiary issued in accordance with Section 3.9 to the extent such payment of any redemption price or liquidation value of any such Disqualified Stock or Preferred Stock is made when due in accordance with its terms;

(viii) [Reserved]

(ix) if no Default or Event of Default has occurred and is continuing or would exist after giving *pro forma* effect thereto, Restricted Payments in an amount which, when taken together with all Restricted Payments made pursuant to this clause (ix), does not exceed U.S.$35,000,000 (or the equivalent in other currencies); and

(x) if no Default or Event of Default has occurred and is continuing or would exist after giving *pro forma* effect thereto, any other Restricted Payment, *provided* that the Net Debt to EBITDA Ratio is less than 2.5 to 1.0 at the time such Restricted Payment is made and after giving *pro forma* effect thereto.

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to Section 3.10(b)(i) (without duplication for the declaration of the relevant dividend) and Section 3.10(b)(iv) will be included in such calculation and amounts expended pursuant to Section 3.10(b)(ii) , Section 3.10(b)(iii) , Section 3.10(b)(v) , Section 3.10(b)(vi) , Section 3.10(b)(vii) , Section 3.10(b)(ix) and Section 3.10(b)(x) will not be included in such calculation.

The amount of any Restricted Payments not in cash will be the Fair Market Value on the date of such Restricted Payment of the property, assets or securities proposed to be paid, transferred or issued by the Company or the relevant Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment.

Section 3.11 Limitation on Designation of Unrestricted Subsidiaries .

(a) The Company may designate after the Issue Date any Subsidiary of the Company as an "Unrestricted Subsidiary" under this Indenture (a " Designation ") only if:

(i) no Default or Event of Default has occurred and is continuing at the time of or after giving effect to such Designation; and

(ii) the Company would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation and treating such Designation as an Investment at the time of Designation) as a Restricted Payment

pursuant to Section 3.10(a) in an amount (the " Designation Amount ") equal to the amount of the Company's Investment in such Subsidiary on such date.

(b) Neither the Company nor any Restricted Subsidiary will at any time, except as permitted by Section 3.9 and Section 3.10 :

(i) provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, or Guarantee, any Indebtedness of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness);

(ii) be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary; or

(iii) be directly or indirectly liable for any Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity upon the occurrence of a default with respect to any Indebtedness of any Unrestricted Subsidiary, except for any non-recourse Guarantee given solely to support the pledge by the Company or any Restricted Subsidiary of the Capital Stock of any Unrestricted Subsidiary.

(c) The Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a " Revocation ") only if:

(i) no Default or Event of Default has occurred and is continuing at the time of and after giving effect to such Revocation; and

(ii) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred for all purposes of the Indenture.

(d) Upon a Restricted Subsidiary becoming an Unrestricted Subsidiary,

(i) all existing Investments of the Company and the Restricted Subsidiaries therein (valued at the Company's proportional share of the fair market value of its assets less liabilities) will be deemed made at that time;

(ii) all existing Capital Stock or Indebtedness of the Company or a Restricted Subsidiary held by it will be deemed Incurred at that time, and all Liens on property of the Company or a Restricted Subsidiary held by it will be deemed incurred at that time;

(iii) all existing transactions between it and the Company or any Restricted Subsidiary will be deemed entered into at that time;

(iv) it is released at that time from its Subsidiary Guarantee, if any; and

(v) it will cease to be subject to the provisions of this Indenture as a Restricted Subsidiary.

(e) Upon an Unrestricted Subsidiary becoming, or being deemed to become, a Restricted Subsidiary,

(i) all of its Indebtedness and Disqualified or Preferred Stock will be deemed Incurred at that time for purposes of Section 3.9 ;

(ii) Investments therein previously charged under Section 3.10 will be credited thereunder;

(iii) it may be required to issue a Subsidiary Guarantee; and

(iv) it will thenceforward be subject to the provisions of this Indenture as a Restricted Subsidiary (and, if applicable, a Non-Guarantor Restricted Subsidiary).

(f) The Designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by Board Resolutions of the Company's Board of Directors, delivered to the Trustee certifying compliance with the preceding provisions.

Section 3.12 Limitation on Sale and Lease-Back Transactions .

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, enter into any Sale and Lease-Back Transaction with respect to any property of such Person, unless either:

(i) the Company or that Restricted Subsidiary would be entitled pursuant to Section 3.8 of this Indenture (including any exception to the restrictions set forth therein) to issue, assume or guarantee Indebtedness secured by a Lien on any such property at least equal in amount to the Attributable Debt with respect to such Sale and Lease-Back Transaction, without equally and ratably securing the Notes, or

(ii) the Company or that Restricted Subsidiary shall apply or cause to be applied, in the case of a sale or transfer for cash, an amount equal to the net proceeds thereof and, in the case of a sale or transfer otherwise than for cash, an amount equal to the fair market value of the property so leased, to (1) the retirement, within 12 months after the effective date of the Sale and Lease-Back Transaction, of any of the Company's Indebtedness ranking at least *pari passu* with the Notes or Indebtedness of any Restricted Subsidiary, in each case owing to a Person other than the Company or any of its Restricted Subsidiaries or (2) to the acquisition, purchase, construction or improvement of real property or personal property used or to be used by the Company or any of its Restricted Subsidiaries in the ordinary course of business.

(b) These restrictions will not apply to:

(i) transactions providing for a lease term, including any renewal, of not more than three years; and

(ii) transactions between the Company and any of its Restricted Subsidiaries or between the Company's Restricted Subsidiaries.

Section 3.13 Reports to Holders .

(a) If at any point the Company is no longer subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will furnish to the Holders of the Notes and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(b) If at any point the Company is no longer subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will furnish or cause to be furnished to the Trustee in English (for distribution only to the Holders of Notes upon their request):

(i) within 90 days after the end of the first, second and third quarters of the Company's fiscal year (commencing with the quarter ending immediately following the Company no longer being subject to such reporting requirements), quarterly unaudited financial statements (consolidated) prepared in accordance with GAAP of the Company for such period; and

(ii) within 120 days after the end of the fiscal year of the Company (commencing with the first fiscal year ending immediately following the Company no longer being subject to such reporting requirements), annual audited financial statements (consolidated) prepared in accordance with GAAP of the Company for such fiscal year and a report on such annual financial statements by the Auditors.

(c) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 3.14 Payment of Additional Amounts .

(a) The Company, and each Subsidiary Guarantor, shall, subject to the exceptions set forth below, pay to Holders of the Notes additional amounts (" Additional Amounts ") as may be necessary so that every net payment of interest, premium upon redemption of the Notes or principal to the Holders shall not be less than the amount provided for in the Notes. The term "net payment" means the amount that the Company, any Subsidiary Guarantor or a Paying Agent pays any Holder after deducting or withholding an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed with respect to that payment by the British Virgin Islands or any jurisdiction where the Company or

any Subsidiary Guarantor is incorporated, resident or doing business for tax purp oses or from or through which any payment in respect of the Notes is made by the paying agent or the Company, or any political subdivision thereof (a " Relevant Jurisdiction "), or by any taxing authority of a Relevant Jurisdiction.

(b) The Company, and each Subsidiary Guarantor, shall not pay Additional Amounts to any Holder for or solely on account of any of the following:

(i) any present or future taxes, duties, assessments or other governmental charges that would not have been imposed but for any present or former connection between the Holder (or a fiduciary, settlor, beneficiary, member or shareholder of the Holder) and the Relevant Jurisdiction (other than the mere receipt of a payment or the ownership or holding of a Note);

(ii) any estate, inheritance, capital gains, excise, personal property tax, sales, transfer, gift or similar tax, assessment or other governmental charge imposed with respect to the Notes;

(iii) any taxes, duties, assessments or other governmental charges that would not have been imposed but for the failure of the Holder or any other Person to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction, for tax purposes, of the Holder or any beneficial owner of the Note if compliance is required by law, regulation or by an applicable income tax treaty to which the Relevant Jurisdiction is a party, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge (including withholding taxes payable on interest payments under the Notes) and the Company has given the Holders at least 30 days' notice that Holders will be required to provide such certification, identification or information;

(iv) any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on or in respect of the Notes;

(v) any present or future taxes, duties, assessments or other governmental charges with respect to a Note presented for payment, where presentation is required, more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the Holder of such Note would have been entitled to such Additional Amounts on presenting such Note for payment on any date during such 30-day period;

(vi) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of the principal of, or premium or interest on any Note, if such tax, assessment or other governmental charge results from the presentation of any Note for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment by at least one other reasonably available paying agent of the Company;

(vii) any payment on the Note to a Holder that is a fiduciary, a partnership, a limited liability company or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership, an interestholder in such a limited liability company or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the Note; or

(viii) in the case of any combination of the items listed above.

(c) The Company shall provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of taxes in respect of which the Company has paid any Additional Amount. Copies of such documentation shall be reasonably available to the Holders of the Notes or the relevant paying agent upon request.

(d) Any reference in this Indenture or the Notes to principal, premium, interest or any other amount payable in respect of the Notes by us will be deemed also to refer to any Additional Amount that may be payable with respect to that amount under the obligations referred to in this section.

(e) In the event of any merger or other transaction described and permitted under Section 4.1 , all references to the British Virgin Islands, the laws or regulations of the British Virgin Islands, and the political subdivisions or taxing authorities of the British Virgin Islands under this Section 3.14 and under Article IV and Section 5(d) of Exhibit A will be deemed to also include the jurisdiction of incorporation or tax residence of the Surviving Entity, if different from the British Virgin Islands, and any political subdivision therein or thereof, law or regulations, and any taxing authority of such other jurisdiction or any political subdivision therein or thereof, respectively.

Section 3.15 Compliance Certificates .

(a) Upon the formation, creation or acquisition of any new Restricted Subsidiary that is also a Non-Guarantor Restricted Subsidiary after the Issue Date, the Company shall deliver to the Trustee promptly an Officers' Certificate certifying that such Subsidiary is prevented by local law or the existence of minority shareholders from guaranteeing the Notes.

(b) The Trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, the Company's or any other Person's compliance with the covenants described above or with respect to any reports or other documents filed under this Indenture; *provided, however* , that nothing herein shall relieve the Trustee of any obligations to monitor the Company's timely delivery of the reports and certificates described in Section 3.13 .

Section 3.16 Covenant Suspension .

(a) If on any date following the Issue Date (i) the Notes have an Investment Grade Rating from any Rating Agency, (ii) the Notes have a rating of at least Ba1 from Moody's, BB+ from Standard & Poor's or BB+ from Fitch and (iii) no Default has occurred and is continuing under this Indenture (the occurrence of the events described in the foregoing

clauses (i), (ii) and (iii) being collectively referred to as a " Covenant Suspension Event "), the Company and its Restricted Subsidiaries shall not be subject to the following covenants (collectively, the " Suspended Covenants "):

(i) Section 3.9 ;

(ii) Section 3.10 ; and

(iii) Section 3.11 .

(b) In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants under this Indenture for any period of time as a result of the foregoing, and on any subsequent date (the " Reversion Date ") at least one of Fitch, Moody's or S&P no longer rate the Notes Investment Grade, then the Company and its Restricted Subsidiaries shall thereafter again be subject to the Suspended Covenants under this Indenture.

(c) The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to in this Indenture as the " Suspension Period ." In the event of any such reinstatement, no action taken or omitted to be taken by the Company or any of its Restricted Subsidiaries prior to such reinstatement shall give rise to a Default or Event of Default under this Indenture with respect to Notes; *provided* that (i) with respect to Restricted Payments made after any such reinstatement, the amount of Restricted Payments made shall be calculated as though Section 3.10 had been in effect prior to, but not during, the Suspension Period, *provided further* that any Subsidiaries designated as Unrestricted Subsidiaries during the Suspension Period shall automatically become Restricted Subsidiaries on the Reversion Date (subject to the Company's right to subsequently designate them as Unrestricted Subsidiaries pursuant to Section 3.11), and (ii) all Indebtedness Incurred, or Disqualified Capital Stock or Preferred Stock issued, during the Suspension Period shall be classified to have been Incurred or issued pursuant to Section 3.9(b)(ii) .

ARTICLE IV
LIMITATION ON MERGER, CONSOLIDATION AND SALE OF ASSETS

Section 4.1 Merger, Consolidation and Sale of Assets .

(a) The Company shall not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries), to any Person unless:

(i) either:

(1) the Company is the surviving or continuing Person; or

(2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the " Surviving Entity "):

(A) is a corporation or company organized or incorporated and validly existing under the laws of the British Virgin Islands or the United States of America, any State thereof or the District of Columbia; and

(B) expressly assumes, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance and observance of the covenants of the Notes and the Indenture on the part of the Company to be performed or observed;

(ii) immediately before and immediately after giving effect to such transaction, no Default or Event of Default has occurred or is continuing;

(iii) if the surviving or Continuing Person is not the Company, each Subsidiary Guarantor has confirmed by supplemental indenture that its Subsidiary Guarantee will apply to the obligations of the Surviving Entity in respect of the Indenture and the Notes; and

(iv) the Company or the Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture(s), if any, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction have been satisfied.

(b) For purposes of this Section 4.1 , the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company (determined on a consolidated basis for the Company and its Restricted Subsidiaries), shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

(c) The provisions of Section 4.1(a)(ii) above shall not apply to any merger or consolidation of the Company into an Affiliate of the Company incorporated solely for the purpose of reincorporating the Company in another jurisdiction so long as the Indebtedness of the Company and its Restricted Subsidiaries taken as a whole is not increased thereby.

(d) Section 4.1(a), Section 4.1(b) and Section 4.1(c) shall not apply to (i) any transfer of assets by the Company to any Subsidiary Guarantor, (ii) any transfer of assets among Subsidiary Guarantors or (iii) any transfer of assets by a Non-Guarantor Restricted Subsidiary to (x) another Non-Guarantor Restricted Subsidiary or (y) the Company or any Subsidiary Guarantor.

(e) Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries in accordance with this covenant, in which the Company is not the continuing Person, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture and the Notes with the same effect as if such Surviving Entity had been named as such and the Company shall be relieved of its obligations under this Indenture and the Notes. For the avoidance of doubt, compliance with this Section 4.1(e) will not affect the obligations of the Company (including a Surviving Entity, if applicable) under Section 3.7 if applicable.

(f) No Subsidiary Guarantor shall consolidate with or merge with or into any Person, or sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or permit any Person to merge with or into the Subsidiary Guarantor unless:

(i) the other Person is the Company or any Restricted Subsidiary that is a Subsidiary Guarantor or becomes a Subsidiary Guarantor concurrently with the transaction; or

(ii) (1) either (x) the Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes by supplemental indenture all of the obligations of the Subsidiary Guarantor under its Subsidiary Guarantee; and (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(iii) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by this Indenture.

ARTICLE V
REDEMPTION OF NOTES

Section 5.1 Redemption. The Company may or shall redeem the Notes, as a whole or from time to time in part, subject to the conditions and at the redemption prices specified in the form of Notes in Exhibit A.

Section 5.2 Election to Redeem . In the case of an optional redemption, the Company shall evidence its election to redeem any Notes pursuant to Section 5.1 by a Board Resolution.

Section 5.3 Notice of Redemption .

(a) The Company shall give or cause the Trustee to give notice of redemption, in the manner provided for in Section 11.1 , not less than 30 nor more than 60 days prior to the Redemption Date to each Holder of Notes to be redeemed. If the Company itself gives the notice, it shall also deliver a copy to the Trustee.

(b) If the Company elects to have the Trustee give notice of redemption, then the Company shall deliver to the Trustee, at least 35 days but not more than 60 days prior to the Redemption Date (unless the Trustee is satisfied with a shorter period), an Officers' Certificate requesting that the Trustee request that DTC (in the case of Global Notes) give notice of redemption and setting forth the information required by Section 5.3(c) . If the Company elects to have the Trustee give notice of redemption, the Trustee shall give the notice in the name of the Company and at the Company's expense.

(c) All notices of redemption shall state:

(i) the Redemption Date;

(ii) the redemption price and the amount of any accrued interest payable as provided in Section 5.6 ;

(iii) whether or not the Company is redeeming all Outstanding Notes;

(iv) if the Company is not redeeming all Outstanding Notes, the aggregate principal amount of Notes that the Company is redeeming and the aggregate principal amount of Notes that shall be Outstanding after the partial redemption, as well as the identification of the particular Notes, or portions of the particular Notes, that the Company is redeeming;

(v) if the Company is redeeming only part of a Note, the notice that relates to that Note shall state that on and after the Redemption Date, upon surrender of that Note, the Holder shall receive, without charge, a new Note or Notes of authorized denominations for the principal amount of the Note remaining unredeemed;

(vi) that on the Redemption Date the redemption price and any accrued interest payable to but not including the Redemption Date as provided in Section 5.6 shall become due and payable in respect of each Note, or the portion of each Note, to be redeemed, and, unless the Company defaults in making the redemption payment, that interest on each Note, or the portion of each Note, to be redeemed shall cease to accrue on and after the Redemption Date;

(vii) the place or places where a Holder must surrender the Holder's Notes for payment of the redemption price; and

(viii) the CUSIP or ISIN number, if any, listed in the notice or printed on the Notes, and that no representation is made as to the accuracy or correctness of such CUSIP or ISIN number.

Section 5.4 Selection of Notes to Be Redeemed in Part .

(a) If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected as follows: (1) if the Notes are listed on an exchange, in compliance with the requirements of such exchange, (2) if the Notes are not so listed but are Global Notes, then by lot or otherwise in accordance with the procedures of DTC or the applicable depositary or (3) if the Notes are not so listed and are not Global Notes, on a pro rata basis to the extent practicable, or, if the pro rata basis is not practicable for any reason, by lot or by such other method as the Trustee in its sole discretion shall deem fair and appropriate. In the event of partial redemption or purchase by lot, the particular Notes to be redeemed or purchased shall be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption date by the Trustee from the then outstanding Notes not previously called for redemption or purchase. The Trustee shall promptly notify the Company in writing of the Notes selected for redemption or purchase. Notes and portions of Notes selected shall be in amounts of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof; no Notes of U.S.$100,000 or less shall be redeemed in part, except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not U.S.$100,000 or a multiple of U.S.$1,000 in excess thereof, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase. After the redemption date, upon surrender of a Note to be redeemed in part only, a new Note or Notes in principal amount equal to the unredeemed portion of the original Note, representing the same Indebtedness to the extent not redeemed, shall be issued in the name of the Holder of the Notes upon cancellation of the original Note (or appropriate book entries shall be made to reflect such partial redemption).

(b) For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of that Note which has been or is to be redeemed.

Section 5.5 Deposit of Redemption Price . Prior to 11:00 a.m. New York City time on the Business Day prior to the relevant Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as Paying Agent, segregate and hold in trust as provided in Section 2.4) an amount of money in immediately available funds sufficient to pay the redemption price and accrued interest on all the Notes that the Company is redeeming on that date.

Section 5.6 Notes Payable on Redemption Date . If the Company, or the Trustee on behalf of the Company, gives notice of redemption in accordance with this Article V , the Notes, or the portion of Notes, called for redemption shall, on the Redemption Date, become due and payable at the redemption price specified in the notice (together with accrued interest, if any, to

the Redemption Date) and from and after the Redemption Date (unless the Company shall default in the payment of the redemption price and accrued interest) the Notes, or the portion of Notes, shall cease to bear interest. Upon surrender of any Note for redemption in accordance with the notice, the Company shall pay the Notes at the redemption price, together with accrued interest, if any, to the Redemption Date. If the Company shall fail to pay any Note called for redemption upon its surrender for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Notes. Upon redemption of any Notes by the Company, the redeemed Notes shall be cancelled and cannot be reissued.

Section 5.7 Unredeemed Portions of Partially Redeemed Note . Upon surrender of a Note that is to be redeemed in part, the Company shall execute, and the Trustee shall authenticate and make available for delivery to the Holder of the Note at the expense of the Company, a new Note or Notes, of any authorized denomination as requested by the Holder, in an aggregate principal amount equal to, and in exchange for, the unredeemed portion of the principal of the Note surrendered; *provided* that each new Note shall be in a principal amount of U.S.$100,000 or integral multiples of U.S.$1,000 excess thereof.

ARTICLE VI
DEFAULTS AND REMEDIES

Section 6.1 Events of Default .

(a) Each of the following is an " Event of Default " with respect to the Notes:

(i) default in the payment when due of the principal of or premium, if any, on (including, in each case, any related Additional Amounts) any Notes, including the failure to make a required payment to purchase Notes tendered pursuant to an optional redemption, mandatory redemption or a Change of Control Offer;

(ii) default for 30 days or more in the payment when due of interest (including any related Additional Amounts) on any Notes;

(iii) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained herein or in the Notes for 60 days or more after written notice to the Company from the Trustee or the Holders of at least 25% in aggregate principal amount of the Outstanding Notes;

(iv) default by the Company or any Significant Subsidiary under any indebtedness for borrowed money which:

(1) is caused by a failure to pay principal of or premium, if any, or interest on such indebtedness for borrowed money prior to the expiration of any applicable grace period provided in such indebtedness for borrowed money on the date of such default; or

(2) results in the acceleration of such indebtedness for borrowed money prior to its Stated Maturity;

and the principal or accreted amount of indebtedness for borrowed money covered by subclauses (1) or (2) at the relevant time, (i) in the case of any or all Venezuelan Subsidiaries aggregates U.S.$50,000,000 (or the equivalent in other currencies) or (ii) in the case of the Company and all other Significant Subsidiaries (other than any and all Venezuelan Subsidiaries, aggregates U.S.$40,000,000 (or the equivalent in other currencies) or more;

(v) failure by the Company or any of its Significant Subsidiaries to pay one or more final judgments against any of them, (i) in the case of any and all Venezuelan Subsidiaries aggregating U.S.$50,000,000 (or the equivalent in other currencies) or (ii) in the case of the Company and all other Significant Subsidiaries (other than any and all Venezuelan Subsidiaries), aggregating U.S.$40,000,000 (or the equivalent in other currencies) or more, which are not paid, discharged or stayed for a period of 60 days or more (to the extent not covered by a reputable and creditworthy insurance company);

(vi) either Master Franchise Agreement shall, for any reason, be terminated; *provided* that no Call Option Redemption Event shall have occurred;

(vii) the occurrence of a Bankruptcy Law Event of Default; or

(viii) except as permitted herein, any Subsidiary Guarantee is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect or any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee; *provided* that the Subsidiary Guarantee of a Subsidiary Guarantor becoming unenforceable or invalid as a result of a change in law shall not constitute an Event of Default hereunder if the Company reclassifies such Subsidiary as a Non-Guarantor Restricted Subsidiary within 30 days of the announcement of such change in law; and *provided further* that it shall not be an Event of Default hereunder if a Subsidiary Guarantee of a Venezuelan Subsidiary is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect as a result of a change in law in Venezuela after the Issue Date.

(b) Upon becoming aware of any Default or Event of Default, the Company shall deliver to the Trustee written notice of events which would constitute such Default or Event of Default, the status thereof and what action the Company is taking or proposes to take in respect thereof.

Section 6.2 Acceleration .

(a) If an Event of Default (other than an Event of Default specified in Section 6.1(a)(vi) or Section 6.1(a)(vii) with respect to the Company) has occurred and is continuing, the Trustee or the Holders of at least 25% in principal amount of Outstanding Notes may declare the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Notes to be immediately due and payable by notice in writing to the Company (if given by the Trustee or the

Holders) and the Trustee (if given by the Holders) specifying the Event of Default and that it is a "notice of acceleration." If an Event of Default specified in Section 6.1(a)(vi) or Section 6.1(a)(vii) occurs with respect to the Company, then the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Notes shall become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

(b) At any time after a declaration of acceleration with respect to the Notes as described in Section 6.2(a) , the Holders of a majority in aggregate principal amount of the then Outstanding Notes may rescind and cancel such declaration and its consequences:

(i) if the rescission would not conflict with any judgment or decree;

(ii) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;

(iii) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and

(iv) if the Company has paid the Trustee its compensation and reimbursed the Trustee for its expenses, disbursements and advances outstanding at that time.

No rescission shall affect any subsequent Default or impair any rights relating thereto.

Section 6.3 Other Remedies .

(a) If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

(b) The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative to the extent permitted by law.

Section 6.4 Waiver of Past Defaults . Subject to Section 6.2 , the Holders of a majority in aggregate principal amount of the then Outstanding Notes may waive any existing Default or Event of Default hereunder, and its consequences, except a Default in the payment of the principal of, premium, if any, or interest on any Notes.

Section 6.5 Control by Majority . Subject to the provisions of this Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then Outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

Section 6.6 Limitation on Suits .

(a) No Holder of any Notes shall have any right to institute any proceeding with respect hereto or for any remedy hereunder, unless:

(i) such Holder gives to the Trustee written notice of a continuing Event of Default;

(ii) Holders of at least 25% in aggregate principal amount of the then Outstanding Notes make a written request to pursue the remedy;

(iii) such Holders of the Notes provide to the Trustee satisfactory indemnity;

(iv) the Trustee does not comply within 60 days; and

(v) during such 60 day period the Holders of a majority in aggregate principal amount of the then Outstanding Notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

provided that a Holder of a Note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such Note on or after the respective due dates expressed in such Note. Notwithstanding any provision of this Indenture to the contrary, no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb, or prejudice the rights of any other of such Holders (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders).

Section 6.7 Rights of Holders to Receive Payment . Notwithstanding any other provision hereof (including, without limitation, Section 6.6), the right of any Holder to receive payment of principal of or interest on the Notes held by such Holder, on or after the respective due dates, Redemption Dates or repurchase date expressed herein or the Notes, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.8 Collection Suit by Trustee . If an Event of Default specified in Section 6.1(a)(i) and Section 6.1(a)(ii) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount then due and owing (together with applicable interest on any overdue principal and, to the extent lawful, interest on overdue interest) and the amounts provided for in Section 7.7 .

Section 6.9 Trustee May File Proofs of Claim, etc.

(a) In case of any judicial proceeding relative to the Company (or any other obligor upon the Notes), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under applicable law in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee may (irrespective of whether the principal of the Notes is then due):

(i) file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders under this Indenture and the Notes allowed in any bankruptcy, insolvency, liquidation or other judicial proceedings relative to the Company, any Subsidiary Guarantor or any Subsidiary of the Company or their respective creditors or properties; and

(ii) collect and receive any moneys or other property payable or deliverable in respect of any such claims and distribute them in accordance with this Indenture.

Any receiver, trustee, liquidator, sequestrator (or other similar official) in any such proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, taxes, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due to the Trustee pursuant to Section 7.7 .

(b) Nothing in this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 Priorities . If the Trustee collects any money or property pursuant to this Article VI , it shall pay out the money or property in the following order:

FIRST: to the Trustee for amounts due under Section 7.7 ;

SECOND: to Holders for amounts due and unpaid on the Notes for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, respectively; and

THIRD: to the Company or, to the extent the Trustee collects any amount pursuant to any Subsidiary Guarantee from any Subsidiary Guarantor, to such Subsidiary Guarantor.

The Trustee may, upon notice to the Company, fix a record date and payment date for any payment to Holders pursuant to this Section 6.10 .

Section 6.11 Undertaking for Costs . All parties agree, and each Holder by its acceptance of its Notes shall be deemed to have agreed, that in any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys’ fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party

litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by the Company, a suit by a Holder pursuant to Section 6.7 or a suit by Holders of more than 10% in principal amount of Outstanding Notes.

ARTICLE VII
TRUSTEE

Section 7.1 Duties of Trustee .

(a) If a Default or an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of a Default or an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions, which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall examine such certificates and opinions to determine whether or not they conform to the requirements of this Indenture (it being understood that the Trustee need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this Section 7.1(c) does not limit the effect of Section 7.1(b) ;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.2 , Section 6.5 or Section 6.8 or any other provision of this Indenture.

(d) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company.

(e) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(f) No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VII .

(h) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(i) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders unless such Holders shall have offered to the Trustee indemnity and/or security reasonably satisfactory to it against the costs, expenses (including reasonable attorneys' fees and expenses) and liabilities that might be incurred by it in compliance with such request or direction.

Section 7.2 Rights of Trustee .

Subject to Section 7.1 :

(a) The Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any document, instrument, opinion, direction, order, notice or request reasonably believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in such document, instrument, opinion, direction, order, notice or request.

(b) Before the Trustee acts or refrains from acting at the direction of the Company, it may require an Officers' Certificate, advice of counsel and/or an Opinion of Counsel, and such Officers' Certificate, advice and/or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted to be taken by it hereunder. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Officers' Certificate, advice of counsel and/or Opinion of Counsel.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; *provided* , *however* , that the Trustee's conduct does not constitute willful misconduct or negligence.

(e) The Trustee may consult with counsel of its selection, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled, upon notice to the Company, to examine the books, records and premises of the Company, personally or by agent or attorney at the sole cost of the Company and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(g) The Trustee shall not be deemed to have notice of any Default or Event of Default (other than payment default under Section 6.1(a)(i) or Section 6.1(a)(ii)) unless a Trust Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a Default or Event of Default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture. For purposes of determining the Trustee's responsibility and liability hereunder, whenever reference is made in this Indenture to a Default or Event of Default, such reference shall be construed to refer only to such Default or Event of Default for which the Trustee is deemed to have notice pursuant to this Section 7.2(g) .

(h) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder.

(i) In no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, without limitation, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(j) The Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

(k) The permissive rights of the Trustee enumerated herein shall not be construed as duties.

(l) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly,

by circumstances beyond its reasonable control, including without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service, accidents; labor disputes; acts of civil or military authority or governmental actions (it being understood that the Trustee shall use its best efforts to resume performance as soon as practicable under the circumstances).

(m) The Trustee or its Affiliates are permitted to receive additional compensation that could be deemed to be in the Trustee's economic self-interest for (i) serving as investment adviser, administrator, shareholder, servicing agent, custodian or subcustodian with respect to certain of the Cash Equivalents, (ii) using Affiliates to effect transactions in certain Cash Equivalents and (iii) effecting transactions in certain Cash Equivalents. Such compensation is not payable or reimbursable under Section 7.7 of this Indenture.

(n) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys.

(o) To the extent permitted by applicable law, the Trustee shall not be required to give any bond or surety in respect of the execution of this Indenture or otherwise.

(p) To help fight the funding of terrorism and money laundering activities, the Trustee will obtain, verify, and record information that identifies individuals or entities that establish a relationship or open an account with the Trustee. The Trustee will ask for the name, address, tax identification number and other information that will allow the Trustee to identify the individual or entity who is establishing the relationship or opening the account. The Trustee may also ask for formation documents such as articles of incorporation, an offering memorandum, or other identifying documents to be provided.

(q) Notwithstanding anything to the contrary herein, any and all communications (both text and attachments) by or from the Trustee that the Trustee in its sole discretion deems to contain confidential, proprietary, and/or sensitive information and sent by electronic mail will be encrypted. The recipient of the email communication will be required to complete a one-time registration process. Information and assistance on registering and using the email encryption technology can be found at the Trustee's secure website http://www.citi.com/citi/citizen/privacy/email.htm or by calling (866) 535-2504 (in the U.S.) or (904) 954-6181 at any time.

Section 7.3 Individual Rights of Trustee . The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar or co-Registrar may do the same with like rights. However, the Trustee must comply with Section 7.10 .

Section 7.4 Trustee’s Disclaimer . The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company’s use of the proceeds from the Notes, and it shall not be

responsible for any statement of the Company in this Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Trustee's certificate of authentication, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Notes and perform its obligations hereunder.

Section 7.5 Notice of Defaults . If a Default occurs hereunder with respect to the Notes, the Trustee shall promptly give the Holders of the Notes notice of such Default. In addition, if a Default or Event of Default occurs and is continuing and if it is a payment default or a Trust Officer has actual knowledge thereof, or has received written notice thereof pursuant to Section 7.2(g) the Trustee shall mail to each Holder, with a copy to the Company, notice of the Default or Event of Default within 45 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of the Holders.

Section 7.6 Reports by Trustee to Holders . The Trustee shall notify Holders of any Defaults under this Indenture pursuant to Section 7.5 . The Company agrees to promptly notify the Trustee whenever the Notes become listed on any stock exchange and of any delisting thereof.

Section 7.7 Compensation and Indemnity .

(a) The Company shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder as the Company and the Trustee shall from time to time agree in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred or made by it in connection with the performance of its duties under this Indenture, except for any such expense as may arise from the Trustee's negligence, willful misconduct or bad faith. Such expenses shall include the reasonable fees and expenses of the Trustee's agents and counsel.

(b) The Company shall indemnify the Trustee and its officers, directors, employees and agents against any and all loss, damage, claim, liability or expense or any actions in respect thereof (including reasonable attorneys' fees and expenses) incurred by it without negligence, willful misconduct or bad faith on its part in connection with the acceptance or administration of this trust and the performance of its duties hereunder, including the costs and expenses of defending themselves (including reasonable attorney's fees and costs) against any claim or liability related to the exercise or performance of any of their powers or duties hereunder and under any other agreement or instrument related thereto. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel; *provided* that the Company shall not be required to pay such fees and expenses if it assumes the Trustee's defense, and, in the reasonable judgment of outside counsel to the Trustee, there is no conflict of interest between the Company and the Trustee in connection with such defense. The Company need not pay for any settlement made without its written consent.

(c) To secure the Company's payment obligations in this Section 7.7 , the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest on particular Notes. The Trustee's right to receive payment of any amounts due under this Section 7.7 shall not be subordinate to any other liability or Indebtedness of the Company.

(d) The Company's payment obligations pursuant to this Section 7.7 shall survive the discharge of this Indenture and the resignation or removal of the Trustee. When the Trustee incurs expenses after the occurrence of a Bankruptcy Law Event of Default, the expenses are intended to constitute expenses of administration under any Bankruptcy Law; *provided, however* , that this shall not affect the Trustee's rights as set forth in this Section 7.7 or Section 6.10 .

Section 7.8 Replacement of Trustee .

(a) The Trustee may resign at any time by so notifying the Company. In addition, the Holders of a majority in aggregate principal amount of the then Outstanding Notes may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee. Moreover, if the Trustee is no longer eligible pursuant to Section 7.10 to act as such, or does not have a combined capital and surplus of at least U.S.$50,000,000 as set forth in its most recent published annual report or does not have its corporate trust office in the City of New York, New York, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. The Company shall remove the Trustee if:

(i) the Trustee fails to comply with Section 7.10 ;

(ii) the Trustee is adjudged bankrupt or insolvent;

(iii) a receiver or other public officer takes charge of the Trustee or its property; or

(iv) the Trustee otherwise becomes incapable of acting.

(b) If the Trustee resigns or is removed by the Company or by the Holders of a majority in principal amount of the then Outstanding Notes and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of the Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Company shall promptly appoint a successor Trustee.

(c) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.7 .

(d) If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Holders of 10% in principal amount of the Outstanding Notes may petition, at the Company's expense, any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee fails to comply with Section 7.10 , any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) Notwithstanding the replacement of the Trustee pursuant to this Section 7.8 , the Company's obligations under Section 7.7 shall continue for the benefit of the retiring Trustee.

Section 7.9 Successor Trustee by Merger .

(a) If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or national banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee; *provided* that such Persons shall be otherwise qualified and eligible under this Article VII .

(b) In case at the time such successor or successors to the Trustee shall succeed to the trusts created by this Indenture, any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have.

Section 7.10 Eligibility .

The Trustee shall have a combined capital and surplus of at least U.S.$50,000,000 as set forth in its most recent published annual report of condition.

Section 7.11 Paying Agent and Registrar . The rights, protections and immunities granted to the Trustee under this Article VII shall apply *mutatis mutandis* to the Paying Agent, Registrar, any Authenticating Agent.

ARTICLE VIII
DEFEASANCE; DISCHARGE OF INDENTURE

Section 8.1 Legal Defeasance and Covenant Defeasance .

(a) The Company may, at its option, at any time, upon compliance with the conditions set forth in Section 8.2 , elect to have either Section 8.1(b) or Section 8.1(c) be applied to its obligations with respect to all Outstanding Notes and all obligations of the Subsidiary Guarantors under the Subsidiary Guarantees.

(b) Upon the Company's exercise under Section 8.1(a) of the option applicable to this Section 8.1(b) , the Company shall, subject to the satisfaction of the conditions set forth in Section 8.2 , be deemed to have paid and discharged the entire indebtedness represented by the Outstanding Notes and Subsidiary Guarantees on the 91 st day after the deposit specified in Section 8.2(a) (hereinafter, " Legal Defeasance "). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the Outstanding Notes, which shall thereafter be deemed to be Outstanding only for the purposes of the sections of this Indenture referred to in clause (i) or (ii) of this Section 8.1(b) , and the Company shall have been deemed to have satisfied all their other obligations under such Notes, and hereunder (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions, which shall survive until otherwise terminated or discharged hereunder:

(i) the rights of Holders to receive solely from the trust described in Section 8.2(a) below, as more fully set forth in such section, payments in respect of the principal of, premium, if any, and interest on the Notes when such payments are due,

(ii) the Company's obligations with respect to such Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payments,

(iii) the rights, powers, trusts, duties and immunities of the Trustee as described in Article VII and hereunder and the Company's obligations in connection therewith, and

(iv) this Article VIII .

Subject to compliance with this Article VIII , the Company may exercise its option under this Section 8.1(b) notwithstanding the prior exercise of its option under Section 8.1(c) .

(c) Upon the Company's exercise under Section 8.1(a) of the option applicable to this Section 8.1(c) , the Company and its Restricted Subsidiaries shall be, subject to the satisfaction of the applicable conditions set forth in Section 8.2 , released and discharged from their obligations under the covenants (including, without limitation, the obligations contained in Section 3.4 , Section 3.7 , Section 3.8 , Section 3.9 , Section 3.10 , Section 3.11 , Section 3.12 , Section 3.13 and Section 3.15 with respect to the Outstanding Notes and the operation of Sections 6.1(a)(iii) , (iv) , (v) , (vi) , (vii) but only as it applies to any Restricted Subsidiary, and (viii) shall terminate on and after the date the conditions set forth below are satisfied (hereinafter, " Covenant Defeasance "), and the Notes shall thereafter be deemed not Outstanding for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be Outstanding for all other purposes hereunder (it being understood that such Notes shall not be deemed Outstanding for accounting purposes). For this purpose, such Covenant Defeasance means that, with respect to the Outstanding Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event or Default with respect to the Notes or the Subsidiary Guarantees under Section 6.1 , but, except as specified above, the remainder hereof and such Notes shall be unaffected thereby.

Section 8.2 Conditions to Defeasance. The Company may exercise its Legal Defeasance option or its Covenant Defeasance option only if:

(a) the Company has irrevocably deposited with the Trustee, in trust, for the benefit of the Holders cash in U.S. Dollars, certain direct non-callable obligations of, or guaranteed by, the United States, or a combination thereof, in such amounts as shall be sufficient without reinvestment, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, and premium, if any, and interest on the Notes (including Additional Amounts) on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(b) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from a nationally recognized law firm in the U.S. reasonably acceptable to the Trustee and independent of the Company to the effect that:

(i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

(ii) since the Issue Date, there has been a change in the applicable U.S. federal income tax law;

in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the beneficial owners of the Notes shall not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and shall be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from a nationally recognized law firm in the U.S. reasonably acceptable to the Trustee and independent of the Company to the effect that the beneficial owners of the Notes shall not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and shall be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default has occurred and is continuing on the date of the deposit pursuant to Section 8.2(a) ;

(e) the Company has delivered to the Trustee an Officers' Certificate stating that such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under this Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(f) the Company has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

(g) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee and independent of the Company, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(h) the Company has delivered to the Trustee an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee and independent of the Company to the effect that the trust funds shall not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally.

Section 8.3 Application of Trust Money . The Trustee shall hold in trust U.S. Dollars or U.S. Government Obligations deposited with it pursuant to this Article VIII . It shall apply the deposited money and the U.S. Dollars from U.S. Government Obligations, together with earnings thereon, through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Notes.

Section 8.4 Repayment to Company.

(a) The Trustee and the Paying Agent shall promptly turn over to the Company upon request any excess money or securities held by them upon payment of all the obligations under this Indenture.

(b) Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal of or interest on the Notes that remains unclaimed for two years, and, thereafter, Holders entitled to the money must look to the Company for payment as general creditors.

Section 8.5 Indemnity for U.S. Government Obligations . The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations deposited with the Trustee pursuant to this Article VIII .

Section 8.6 Reinstatement . If the Trustee or Paying Agent is unable to apply any U.S. Dollars or U.S. Government Obligations in accordance with this Article VIII by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to this Article VIII until such time as the Trustee or Paying Agent is permitted to apply all such U.S. Dollars or U.S. Government Obligations in accordance with this Article VIII ; *provided, however* , that, if the Company has made any payment of principal of or interest on any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the U.S. Dollars or U.S. Government Obligations held by the Trustee or Paying Agent.

Section 8.7 Satisfaction and Discharge . This Indenture shall be discharged and shall cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes, as expressly provided for herein) as to all Outstanding Notes, and the Trustee, on written demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

(a) either:

(i) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(ii) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable and the Company has irrevocably deposited or caused to be deposited with the Trustee funds or U.S. Government Obligations sufficient without reinvestment to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and accrued and unpaid interest on the Notes to the date of deposit (in the case of Notes that have become due and payable) or to the maturity or Redemption Date, as the case may be, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment;

(b) the Company has paid all other sums payable under this Indenture and the Notes by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent under this Indenture relating to the satisfaction and discharge of this Indenture have been complied with.

ARTICLE IX
AMENDMENTS

Section 9.1 Without Consent of Holders .

(a) The Company, the Subsidiary Guarantors and the Trustee may amend, modify or supplement this Indenture and the Notes without notice to or consent of any Holder:

(i) to cure any ambiguity, omission, defect or inconsistency contained in this Indenture or the Notes;

(ii) to provide for the assumption by a Surviving Entity of the obligations of the Company or a Subsidiary Guarantor under this Indenture;

(iii) to add Subsidiary Guarantees or additional guarantees with respect to the Notes or release the Subsidiary Guarantee in accordance with the terms of this Indenture;

(iv) to secure the Notes;

(v) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company;

(vi) to provide for the issuance of Additional Notes in accordance with the terms hereof;

(vii) to conform the terms of this Indenture, the Subsidiary Guarantees or the Notes with the description thereof set forth in the "Description of Notes" section of the Offering Memorandum;

(viii) to evidence the replacement of the Trustee as provided for under this Indenture;

(ix) if necessary, in connection with any release of any security permitted under this Indenture;

(x) to provide for uncertificated Notes in addition to or in place of certificated Notes; or

(xi) to make any other changes which do not adversely affect the rights of any Holder in any material respect.

(b) In formulating its opinion on the foregoing, the Trustee shall be entitled to rely on such evidence as it deems appropriate, including, without limitation, solely on an Opinion of Counsel and an Officers' Certificate.

(c) After an amendment under this Section 9.1 becomes effective, the Company shall mail to Holders a notice briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of an amendment under this Section 9.1 .

Section 9.2 With Consent of Holders .

(a) Modifications to, amendments of, and supplements to, this Indenture or the Notes not set forth under Section 9.1 may be made with the consent of the Holders of a majority in principal amount of the then Outstanding Notes issued under this Indenture, except that, without the consent of each Holder affected thereby, no amendment may:

(i) reduce the percentage of the principal amount of the Notes whose Holders must consent to an amendment, supplement or waiver;

(ii) reduce the rate of or change or have the effect of changing the time for payment of interest on any Notes;

(iii) change any place of payment where the principal of or interest on the Notes is payable;

(iv) reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption, or reduce the redemption price therefor;

(v) make any Notes payable in money other than that stated in the Notes;

(vi) make any change in the provisions of this Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on such Notes on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of Notes to waive Defaults or Events of Default;

(vii) amend, change or modify in any material respect any obligation of the Company to make and consummate a Change of Control Offer in respect of a Change of Control Repurchase Event that has occurred;

(viii) eliminate or modify in any manner the obligations of a Subsidiary Guarantor with respect to its Subsidiary Guarantee which adversely affects Holders in any material respect, except as contemplated in this Indenture;

(ix) make any change to Section 3.14 that adversely affects the rights of any Holder or amend the terms of the Notes in a way that would result in a loss of exemption from any applicable taxes; or

(x) make any change to the provisions of this Indenture or the Notes that adversely affects the ranking of the Notes (for the avoidance of doubt, a change to the covenants described in Section 3.8 and Section 3.12 does not adversely affect the ranking of the Notes).

Section 9.3 Revocation and Effect of Consents and Waivers .

(a) A consent to an amendment, supplement or waiver by a Holder of a Note shall bind the Holder and every subsequent Holder of that Note or portion of the Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent or waiver is not made on the Note. However, any such Holder or subsequent Holder may revoke the consent or waiver as to such Holder's Note or portion of the Note if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective. After an amendment, supplement or waiver becomes effective, it shall bind every Holder, except as otherwise provided in this Article IX . An amendment, supplement or waiver under Section 9.2 shall become effective upon receipt by the Trustee of the requisite number of written consents under Section 9.2 .

(b) The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

Section 9.4 Notation on or Exchange of Notes . If an amendment or supplement changes the terms of a Note, the Trustee may require the Holder of the Note to deliver it to the Trustee. The Trustee may place an appropriate notation on the Note regarding the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Note shall execute and upon Company Order the Trustee shall authenticate a new Note that reflects the changed terms. Failure to make the appropriate notation or to issue a new Note shall not affect the validity of such amendment or supplement.

Section 9.5 Trustee to Sign Amendments and Supplements . The Trustee shall sign any amendment or supplement authorized pursuant to this Article IX if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may but need not sign it. In signing such amendment or supplement the Trustee shall be entitled to receive indemnity reasonably satisfactory to it and to receive, and (subject to Section 7.1 and Section 7.2) shall be fully protected in conclusively relying upon, such evidence as it deems appropriate, including, without limitation, the documents required by Section 11.2 and solely on an Opinion of Counsel and Officers' Certificate, each stating that such amendment or supplement is authorized or permitted hereby.

ARTICLE X

SUBSIDIARY GUARANTEES

Section 10.1 Subsidiary Guarantees.

(a) Each Subsidiary Guarantor hereby fully and unconditionally guarantees on a general unsecured senior basis, as primary obligor and not merely as surety, jointly and severally with each other Subsidiary Guarantor, to each Holder and to the Trustee the full and punctual payment when due, whether at maturity, by acceleration, by redemption or otherwise, of the principal, interest, premium, Additional Amounts, penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the Notes, Subsidiary Guarantees and the Indenture (such guaranteed obligations, the " Guaranteed Obligations "). Each Subsidiary Guarantor further agrees (to the extent permitted by law) that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from it, and that it will remain bound under this Article X notwithstanding any extension or renewal of any Guaranteed Obligation. Each Subsidiary Guarantor hereby agrees to pay, in addition to the amounts stated above, any and all expenses (including reasonable counsel fees and expenses) incurred by the Trustee or the Holders in enforcing any rights under any Subsidiary Guarantee.

(b) Each Subsidiary Guarantor waives presentment to, demand of payment from and protest to the Company of any of the Guaranteed Obligations and also waives notice of protest for nonpayment. Each Subsidiary Guarantor waives notice of any default under the Notes or the Guaranteed Obligations. The obligations of each Subsidiary Guarantor hereunder shall not be affected by (i) the failure of any Holder to assert any claim or demand or to enforce any right or remedy against the Company or any other Person under this Indenture, the Notes or any other agreement or otherwise; (ii) any extension or renewal of any thereof; (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Notes or any other agreement; (iv) the release of any security held by any Holder or the Trustee for the Guaranteed Obligations or any of them; (v) the failure of any Holder to exercise any right or remedy against any other Subsidiary Guarantor; or (vi) any change in the ownership of the Company.

(c) Each Subsidiary Guarantor further agrees that its Subsidiary Guarantee herein constitutes a guarantee of payment when due (and not a guarantee of collection) and waives any right to require that any resort be had by any Holder to any security held for payment of the Guaranteed Obligations.

(d) Each of the Subsidiary Guarantors further expressly waives irrevocably and unconditionally:

(i) Any right it may have to first require any Holder to proceed against, initiate any actions before a court of law or any other judge or authority, or enforce any other rights or security or claim payment from the Company or any other Person (including any Subsidiary Guarantor or any other guarantor) before claiming from it under this Indenture;

(ii) Any rights to the benefits of *orden* , *excusión* , *división* , *quita* and *espera* arising from Articles 2814, 2815, 2817, 2818, 2819, 2820, 2821, 2822, 2823, 2826, 2837, 2839, 2840, 2845, 2846, 2847 and any other related or applicable Articles that are not explicitly set forth herein because of the Subsidiary Guarantor's knowledge thereof, of the *Código Civil Federal* of Mexico and the *Código Civil* of each State of the Mexican Republic and for the Federal District of Mexico;

(iii) Any right to which it may be entitled to have the assets of the Company or any other Person (including any Subsidiary Guarantor or any other guarantor) first be used, applied or depleted as payment of the Company's or the Subsidiary Guarantors' obligations hereunder, prior to any amount being claimed from or paid by any of the Subsidiary Guarantors hereunder; and

(iv) Any right to which it may be entitled to have claims hereunder divided between the Subsidiary Guarantors.

(e) The obligations of each Subsidiary Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than payment of the Guaranteed Obligations in full), including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff,

counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Subsidiary Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder to assert any claim or demand or to enforce any remedy under this Indenture, the Notes or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the Guaranteed Obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of such Subsidiary Guarantor or would otherwise operate as a discharge of such Subsidiary Guarantor as a matter of law or equity.

(f) Each Subsidiary Guarantor further agrees that its Subsidiary Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any of the Guaranteed Obligations is rescinded or must otherwise be restored by any Holder upon the bankruptcy, or reorganization of the Company or otherwise.

(g) In furtherance of the foregoing and not in limitation of any other right which any Holder has at law or in equity against each Subsidiary Guarantor by virtue hereof, upon the failure of the Company to pay any of the Guaranteed Obligations when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, each Subsidiary Guarantor hereby promises to and will, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash, to the Holders an amount equal to the sum of:

(i) the unpaid amount of such Guaranteed Obligations then due and owing; and

(ii) accrued and unpaid interest on such Guaranteed Obligations then due and owing (but only to the extent not prohibited by law).

(h) Each Subsidiary Guarantor further agrees that, as between such Subsidiary Guarantor, on the one hand, and the Holders, on the other hand:

(i) the maturity of the Guaranteed Obligations guaranteed hereby may be accelerated as provided in this Indenture for the purposes of its Subsidiary Guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Guaranteed Obligations guaranteed hereby; and

(ii) in the event of any such declaration of acceleration of such Guaranteed Obligations, such Guaranteed Obligations (whether or not due and payable) shall forthwith become due and payable by such Subsidiary Guarantor for the purposes of its Subsidiary Guarantee.

Section 10.2 Limitation on Liability; Termination, Release and Discharge.

(a) The obligations of each Subsidiary Guarantor hereunder shall be limited to the maximum amount as shall, after giving effect to all other contingent and fixed liabilities of

such Subsidiary Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Subsidiary Guarantee or pursuant to its contribution obligations under this Indenture, result in the Guaranteed Obligations not constituting a fraudulent conveyance, fraudulent transfer or similar illegal transfer under applicable law.

(b) Each Subsidiary Guarantor shall be released and relieved of its obligations under its Subsidiary Guarantee in the event that:

(i) there is a Legal Defeasance or a Covenant Defeasance of the Notes Pursuant to Article VIII ;

(ii) there is a sale or other disposition (including through a consolidation or merger) of Capital Stock of such Subsidiary Guarantor following which such Subsidiary Guarantor is no longer a direct or indirect Subsidiary of the Company;

(iii) there is a sale of all or substantially all of the assets of such Subsidiary Guarantor (including by way of merger, stock purchase, asset sale or otherwise) to a Person that is not (either before or after giving effect to such transaction) the Company or a Subsidiary Guarantor;

(iv) such Subsidiary Guarantor is designated as an Unrestricted Subsidiary in accordance with Section 3.11 ;

(v) the Subsidiary Guarantor shall become prevented from guaranteeing the Notes by local law; or

(vi) there is a satisfaction and discharge of this Indenture pursuant to Section 8.7 ;

provided , in each case, such transactions are carried out pursuant to and in accordance with all applicable covenants and provisions hereof.

Section 10.1 Right of Contribution. Section 10.2 Each Subsidiary Guarantor that makes a payment or distribution under a Subsidiary Guarantee will be entitled to a contribution from each other Subsidiary Guarantor in a pro rata amount, based on the net assets of each Subsidiary Guarantor determined in accordance with GAAP. The provisions of this Section 10.3 shall in no respect limit the obligations and liabilities of each Subsidiary Guarantor to the Trustee and the Holders and each Subsidiary Guarantor shall remain liable to the Trustee and the Holders for the full amount guaranteed by such Subsidiary Guarantor hereunder.

Section 10.3 No Subrogation. Section 10.4 Each Subsidiary Guarantor agrees that it shall not be entitled to any right of subrogation in respect of any Guaranteed Obligations until payment in full in cash or Cash Equivalents of all Guaranteed Obligations. If any amount shall be paid to any Subsidiary Guarantor on account of such subrogation rights at any time when all of the Guaranteed Obligations shall not have been paid in full in cash or Cash Equivalents, such amount shall be held by such Subsidiary Guarantor in trust for the Trustee and the Holders, segregated from other funds of such Subsidiary Guarantor, and shall, forthwith upon receipt by

such Subsidiary Guarantor, be turned over to the Trustee in the exact form received by such Subsidiary Guarantor (duly endorsed by such Subsidiary Guarantor to the Trustee, if required), to be applied against the Guaranteed Obligations.

Section 10.5 Additional Subsidiary Guarantees.

(a) The Company covenants and agrees that, if at any time after the date hereof (i) any Subsidiary of the Company is incorporated, formed or acquired under the laws of Argentina, Brazil, Mexico Puerto Rico or Venezuela (provided such Venezuelan Subsidiary represents greater than 10% of Consolidated Adjusted EBITDA of the Company), other than an Unlevered Subsidiary, or (ii) any Venezuelan Subsidiary represents greater than 10% of Consolidated Adjusted EBITDA of the Company, and in respect to any such Subsidiary in clauses (i) and (ii), such Subsidiary is not prevented from becoming a Subsidiary Guarantor because of local laws or the existence of minority shareholders (a " Non-Guarantor Restricted Subsidiary "), the Company shall, after becoming aware of such event, (i) promptly notify the Trustee in writing of such event and (ii) cause such Subsidiary (an " Additional Subsidiary Guarantor ") concurrently to become a Subsidiary Guarantor on a general unsecured senior basis (promptly following the determination in accordance with the terms of this Indenture that such Subsidiary is a Subsidiary Guarantor) by executing a supplemental indenture substantially in the form of Exhibit E hereto and providing the Trustee with an Officers' Certificate and to comply in all respects with the provisions of this Indenture and the Notes, as applicable; *provided* , *however* , that each Additional Subsidiary Guarantor will be automatically and unconditionally released and discharged from its obligations under such additional note guarantee (" Additional Note Guarantee ") only in accordance with Section 10.2 ; and *provided further* that no Officers' Certificate shall be required solely pursuant to this Section 10.5(a) on the Issue Date.

(b) The Company shall notify, in accordance with Section 11.1 , the Holders of any execution of a supplemental indenture pursuant to and in accordance with Section 10.5(a) ; *provided* that no notice shall be required solely pursuant to this Section 10.5(b) as a result of the execution of any supplemental indenture pursuant to and in accordance with Section 10.5(a) on the Issue Date.

(c) To the extent otherwise permitted under this Indenture, the Company may form, create or acquire new Subsidiaries under the laws of Argentina, Brazil, Mexico, Puerto Rico or Venezuela that may also be Non-Guarantor Restricted Subsidiaries, to the extent they are prevented by local law or the existence of minority shareholders from guaranteeing the Notes; *provided* that the Company provides the Trustee with an Officers' Certificate certifying that such subsidiary is prevented by local law or the existence of minority shareholders from guaranteeing the Notes. If a Non-Guarantor Restricted Subsidiary is no longer prevented from guaranteeing the Notes, the Company shall promptly cause such Non-Guarantor Restricted Subsidiary to become a Subsidiary Guarantor by executing a supplemental indenture. Further, to the extent a Subsidiary Guarantor is no longer able to guarantee the Notes because of local law, the Company shall be permitted to designate such Subsidiary Guarantor as a Non-Guarantor Restricted Subsidiary in accordance with the terms hereof.

ARTICLE XI
MISCELLANEOUS

Section 11.1 Notices .

(a) Any notice or communication shall be in writing and delivered in Person, by telecopy or mailed by first-class mail, postage prepaid, addressed as follows:

if to the Company or any Subsidiary Guarantor:

Arcos Dorados Holdings Inc.
Dr. Luis Bonavita 1294, Office 501
WTC Free Zone
Montevideo, Uruguay (CP 11300)
Attention: Mariano Tannenbaum, Chief Financial Officer

if to the Trustee:

Citibank, N.A.
388 Greenwich Street, 14 th Floor, New York, NY 10013
Attention: Agency & Trust – Arcos Dorados Holdings Inc.
Email: john.hannon@citi.com or call (888) 855-9695 to obtain Citibank, N.A. account manager's email address

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

(b) [Reserved]

(c) Notices to Holders of non-Global Notes shall be mailed to them by first- class mail by the Company or, at the Company's request, by the Trustee. Notices to Holders of Global Notes shall be given to DTC in accordance with its applicable procedures.

(d) Notices shall be deemed to have been given on the date of delivery to DTC or mailing, as applicable. In addition, notices shall be delivered to Holders of Notes at their registered addresses.

(e) Any notice or communication mailed to a registered Holder shall be mailed to the Holder at the Holder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

(f) Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Section 11.2 Certificate and Opinion as to Conditions Precedent . Upon any request or application by the Company to the Trustee to take or refrain from taking any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 11.3 Statements Required in Officers' Certificate or Opinion of Counsel . Each certificate or opinion, including each Officers' Certificate or Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(a) a statement that the individual making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such individual, such covenant or condition has been complied with.

In giving an Opinion of Counsel, counsel may rely as to factual matters on an Officers' Certificate or on certificates of public officials.

Section 11.4 Rules by Trustee, Paying Agent and Registrar . The Trustee may make reasonable rules for action by, or a meeting of, Holders. The Registrar and the Paying Agent may make reasonable rules for their functions.

Section 11.5 Legal Holidays . A " Legal Holiday " is a Saturday, a Sunday or other day on which commercial banks and foreign exchange markets are authorized or obligated to be closed in New York City, United States. If a payment date is a Legal Holiday, payment shall be made on the next succeeding Business Day, and no interest shall accrue for the intervening period. If a regular record date is a Legal Holiday, the record date shall not be affected.

Section 11.6 Governing Law, etc.

(a) THIS INDENTURE, THE NOTES AND THE SUBSIDIARY GUARANTEES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) EACH OF PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AS BETWEEN THE COMPANY AND THE TRUSTEE (BUT NOT THE HOLDERS OF THE NOTES) ARISING OUT OF OR RELATING TO THIS INDENTURE OR THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(c) Each of the parties hereto:

(i) agrees that any suit, action or proceeding against it arising out of or relating to this Indenture or the Notes, as the case may be, may be instituted in any U.S. federal or New York state court sitting in The City of New York, New York,

(ii) irrevocably submits to the jurisdiction of such courts in any suit, action or proceeding,

(iii) waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding, any claim that any suit, action or proceeding in such a court has been brought in an inconvenient forum and any right to the jurisdiction of any other courts to which it may be entitled on account of place of residence or domicile, and

(iv) agrees that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding may be enforced in the courts of the jurisdiction of which it is subject by a suit upon judgment.

(d) The Company and each of the Subsidiary Guarantors has appointed CCS Global Solutions, Inc., 530 Seventh Avenue, Suite 909, New York, New York, 10018, as its authorized agent (the " Authorized Agent ") upon whom all writs, process and summonses may be served in any suit, action or proceeding arising out of or based upon this Indenture or the Notes which may be instituted in any New York state or U.S. federal court in The City of New York, New York. The Company and each of the Subsidiary Guarantors represents and warrants that the Authorized Agent has accepted such appointment and has agreed to act as said agent for service of process, and the Company and each Subsidiary Guarantor agree to take any and all action, including the filing of any and all documents, that may be necessary to continue each such appointment in full force and effect as aforesaid so long as the Notes remain outstanding. The Company and each Subsidiary Guarantor agree that the appointment of the Authorized Agent shall be irrevocable so long as any of the Notes remain outstanding or until the irrevocable appointment by the Company and each Subsidiary Guarantor of a successor agent in The City of New York, New York as their authorized agent for such purpose and the acceptance of such appointment by such successor. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Company and any Subsidiary Guarantor.

(e) To the extent that the Company or any Subsidiary Guarantor has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (whether service or notice, attachment in aid or otherwise) with respect to itself or any of its property, the

Company and each of the Subsidiary Guarantors hereby irrevocably waives and agrees not to plead or claim such immunity in respect of its obligations under this Indenture or the Notes.

(f) Nothing in this Section 11.6 shall affect the right of the Trustee or any Holder of the Notes to serve process in any other manner permitted by law.

Section 11.7 No Recourse Against Others. No past, present or future incorporator, director, officer, employee, shareholder or controlling person, as such, of the Company or any Subsidiary Guarantor shall have any liability for any obligations of the Company under the Notes, this Indenture or any Subsidiary Guarantee or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for issuance of the Notes.

Section 11.8 Successors. All agreements of the Company or any Subsidiary Guarantor in this Indenture and the Notes shall bind its respective successors. All agreements of the Trustee in this Indenture shall bind its successors.

Section 11.9 Duplicate and Counterpart Originals. The parties may sign any number of copies of this Indenture. One signed copy is enough to prove this Indenture. This Indenture may be executed in any number of counterparts, each of which so executed shall be an original, but all of them together represent the same agreement. This Indenture may also be executed in Argentina via the exchange of an offer letter and an acceptance letter, and delivery of such letters shall be effective as delivery of an executed counterpart of this Indenture.

Section 11.10 Severability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.11 Currency Indemnity.

(a) U.S. Dollars is the sole currency of account and payment for all sums payable by the Company and any Subsidiary Guarantor, under or in connection with the Notes, this Indenture or any Subsidiary Guarantee. Any amount received or recovered in currency other than U.S. Dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company, any Subsidiary or otherwise) by any payee in respect of any sum expressed to be due to it from the Company and any Subsidiary Guarantor shall only constitute a discharge of it under the Notes, this Indenture and such Subsidiary Guarantee to the extent of the U.S. Dollar amount which such payee is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which such payee is able to do so). If that U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to the recipient under the Notes, this Indenture, or the Subsidiary Guarantee, the Company and any Subsidiary Guarantor shall indemnify the recipient against any loss sustained by it in making any such purchase. In any event, the Company and the Subsidiary Guarantors shall indemnify each payee, to the greatest extent permitted under applicable law, against the cost of making any purchase of U.S. Dollars. For the purposes of this Section 11.11,

it shall be sufficient for a payee to certify in a satisfactory manner that it would have suffered a loss had an actual purchase of U.S. Dollars been made with the amount received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. Dollars on such date had not been practicable, on the first date on which it would have been practicable) and that the change of the purchase date was needed.

(b) The indemnities of the Company and any Subsidiary Guarantor contained in this Section 11.11 , to the extent permitted by law: (i) constitute a separate and independent obligation from the other obligations of the Company and the Subsidiary Guarantors under this Indenture and the Notes; (ii) shall give rise to a separate and independent cause of action against the Company; (iii) shall apply irrespective of any indulgence granted by any Holder of the Notes or the Trustee from time to time; (iv) shall continue in full force and effect notwithstanding any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Indenture, the Notes or any Subsidiary Guarantee; and (v) shall survive the termination of this Indenture.

Section 11.12 Table of Contents; Headings . The table of contents and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

ARCOS DORADOS HOLDINGS INC.

By: /s/ Maximo Ayerza
Name: Maximo Ayerza
Title: Authorized Signatory

[Signature Page to Indenture]

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 4 th day of April, 2017, before me, a notary public within and for said county, personally appeared Maximo Ayerza to me personally known who being duly sworn, did say that he is the Authorized Signatory of Arcos Dorados Holdings Inc., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: **/s/ Rhonda Cherisse Hart**
Title: **Notary Public, State of New York**
No. 01HA6188267
Qualified in New York County
Commission Expires June 11, 2019

ARCOS DORADOS B.V.

By: /s/ Maximo Ayerza
Name: Maximo Ayerza
Title: Authorized Signatory

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 4 th day of April, 2017, before me, a notary public within and for said county, personally appeared Maximo Ayerza to me personally known who being duly sworn, did say that he is the Authorized Signatory of Arcos Dorados Holdings Inc., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: **/s/ Rhonda Cherisse Hart**
Title: **Notary Public, State of New York**
No. 01HA6188267
Qualified in New York County
Commission Expires June 11, 2019

ARCOS DOURADOS COMÉRCIO DE
ALIMENTOS LTDA.

By: /s/ Maximo Ayerza
Name: Maximo Ayerza
Title: Authorized Signatory

[Signature Page to Indenture]

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 4 th day of April, 2017, before me, a notary public within and for said county, personally appeared Maximo Ayerza to me personally known who being duly sworn, did say that he is the Authorized Signatory of Arcos Dorados Holdings Inc., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: **/s/ Rhonda Cherisse Hart**
Title: **Notary Public, State of New York**
No. 01HA6188267
Qualified in New York County
Commission Expires June 11, 2019

[Signature Page to Indenture]

ARCOS DOURADOS RESTAURANTES LTDA.

By: /s/ Maximo Ayerza

Name: Maximo Ayerza

Title: Authorized Signatory

[Signature Page to Indenture]

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 4 th day of April, 2017, before me, a notary public within and for said county, personally appeared Maximo Ayerza to me personally known who being duly sworn, did say that he is the Authorized Signatory of Arcos Dorados Holdings Inc., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: **/s/ Rhonda Cherisse Hart**
Title: **Notary Public, State of New York**
No. 01HA6188267
Qualified in New York County
Commission Expires June 11, 2019

ARCOS SERCAL INMOBILIARIA, S. DE R.L. DE C.V.

By: /s/ Maximo Ayerza
Name: Maximo Ayerza
Title: Authorized Signatory

[Signature Page to Indenture]

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 4 th day of April, 2017, before me, a notary public within and for said county, personally appeared Maximo Ayerza to me personally known who being duly sworn, did say that he is the Authorized Signatory of Arcos Dorados Holdings Inc., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: **/s/ Rhonda Cherisse Hart**
Title: **Notary Public, State of New York**
No. 01HA6188267
Qualified in New York County
Commission Expires June 11, 2019

[Signature Page to Indenture]

ADMX, S. DE R.L. DE C.V.

By: /s/ Maximo Ayerza
Name: Maximo Ayerza
Title: Authorized Signatory

[Signature Page to Indenture]

STATE OF NEW YORK	)
	)
COUNTY OF NEW YORK	)

On this 4 th day of April, 2017, before me, a notary public within and for said county, personally appeared Maximo Ayerza to me personally known who being duly sworn, did say that he is the Authorized Signatory of Arcos Dorados Holdings Inc., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: **/s/ Rhonda Cherisse Hart**
Title: **Notary Public, State of New York**
No. 01HA6188267
Qualified in New York County
Commission Expires June 11, 2019

[Signature Page to Indenture]

ARCOS DORADOS PUERTO RICO, LLC

By: /s/ Maximo Ayerza
Name: Maximo Ayerza
Title: Authorized Signatory

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 4 th day of April, 2017, before me, a notary public within and for said county, personally appeared Maximo Ayerza to me personally known who being duly sworn, did say that he is the Authorized Signatory of Arcos Dorados Holdings Inc., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: **/s/ Rhonda Cherisse Hart**
Title: **Notary Public, State of New York**
No. 01HA6188267
Qualified in New York County
Commission Expires June 11, 2019

[Signature Page to Indenture]

GOLDEN ARCH DEVELOPMENT, LLC

By: /s/ Maximo Ayerza
Name: Maximo Ayerza
Title: Authorized Signatory

[Signature Page to Indenture]

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 4 th day of April, 2017, before me, a notary public within and for said county, personally appeared Maximo Ayerza to me personally known who being duly sworn, did say that he is the Authorized Signatory of Arcos Dorados Holdings Inc., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: **/s/ Rhonda Cherisse Hart**
Title: **Notary Public, State of New York**
No. 01HA6188267
Qualified in New York County
Commission Expires June 11, 2019

[Signature Page to Indenture]

CITIBANK, N.A.,
As Trustee, Registrar, Paying Agent and
Transfer Agent

By: /s/ John Hannon
Name: John Hannon
Title: Vice President

[Signature Page to Indenture]

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 4 th day of April, 2017, before me, a notary public within and for said county, personally appeared John Hannon to me personally known who being duly sworn, did say that s/he is the Vice President of Citibank, N.A., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: **/s/ Noreen Santos**
Title: **Notary Public, State of New York**
No. #01SA6228750
Qualified in Nassau County
Certificate Filed in New York County
Commission Expires September 27, 2018

SCHEDULE I

MCDONALD'S FOREIGN PLEDGE AGREEMENTS

1. Stock Pledge Agreement (*Contrato de Prenda de Acciones y Cesion Fiduciaria con Fines de Garantia*), dated as of August 3, 2007, among the lenders party to the Credit Agreement, LatAm LLC ("LatAm") and Woods White Staton Welten, as pledgors, Arcos Dorados S.A., McDonald's Latin America, LLC ("McDonald's") and Deutsche Bank Trust Company Americas, as amended, supplemented or otherwise modified to date;

2. Stock Pledge Agreement (*Contrato de Prenda de Acciones y Cesion Fiduciaria con Fines de Garantia*), dated as of August 3, 2007, among the lenders party to the Credit Agreement, LatAm, Arcos Dorados Caribbean Development Corp. ("ADCDC"), Compañia de Inversiones Inmobiliarias (C.I.I.) S.A. and Deutsche Bank Trust Company Americas, as amended, supplemented or otherwise modified to date;

3. Second Lien Brazilian Quota Pledge Agreement, dated as of August 3, 2007, among McDonald's, as the pledgee, and LatAm, ADCDC and Arcos Dorados B.V.;

4. Ratification to Pledge Agreement, dated as of August 3, 2008, made by Arcos Dorados B.V., LatAm and ADCDC in favor of McDonald's (the "McDonald's U.S. Stock Pledge Agreement"), dated on or about August 3, 2007, among LatAm, McDonald's and the other parties to the McDonald's U.S. Stock Pledge Agreement;

5. Venezuela Share Pledge Agreement, dated as of January 24, 2013, among McDonald's Latin America, LLC, LatAm, Management Operations Company and Administrative Development Company, as amended, supplemented or otherwise modified to date;

6. McDonald's Aruba Deed of Pledge of Shares, dated on or about August 3, 2007, among McDonald's, LatAm, McDonald's Aruba N.V.;

7. McDonald's *Contrato de Prenda Abierta sobre Cuotas en Colombia* , dated on or about August 3, 2007, among LatAm, ADCDC and McDonald's;

8. McDonald's *Contrato de Prenda Abierta sobre Acciones en Colombia* , dated on or about August 3, 2007, among LatAm, ADCDC and McDonald's;

9. McDonald's Netherlands Antilles Deed of Pledge of Shares, dated on or about August 3, 2007, among McDonald's, LatAm and McDonald's St. Maarten and Curaçao N.V.;

10. Second Lien Ecuadorian Stock Pledge Agreement, dated on or about August 3, 2007, between LatAm and McDonald's;

11. McDonald's Panamanian Stock Pledge Agreement, dated on or about August 3, 2007, between LatAm and Eduardo de Alba, as pledgors, and McDonald's, as pledgee;

12. *Constitución y Preconstitución de Garantía Mobiliaria de Segundo Rango sobre Acciones* , dated on or about August 3, 2007, among LatAm, McDonald’s and Operaciones Arcos Dorados de Perú S.A.;

13. McDonald’s Uruguay Stock Pledge Agreement, dated on or about August 3, 2007, among McDonald’s, LatAm and Gauchito de Oro S.A.;

14. McDonald’s Uruguay Social Quotas Pledge Agreement, dated on or about August 3, 2007, among McDonald’s, LatAm, ADCDC and Arcos del Sur S.R.L.;

15. Costa Rican Trust Agreement (*Contrato de Fideicomiso Irrevocable, Translativo de Dominio, de Garantía y Administración*), dated as of August 3, 2007, among Deutsche Bank Trust Company Americas, McDonald's, LatAm and Banco Improsa, S.A., as amended, supplemented or otherwise modified to date;

16. Mexican Trust Agreement (*Contrato de Fideicomiso Irrevocable, Translativo de Dominio, de Garantía y Administración número 15469-3*), dated as of August 3, 2007, among Deutsche Bank Trust Company Americas, ADCDC and Banco Nacional de Mexico, S.A., integrante del Grupo Financiero Banamex, División Fiduciaria, as amended, supplemented or otherwise modified to date; and

17. Mexican Trust Agreement (*Contrato de Fideicomiso Irrevocable, Translativo de Dominio, de Garantía y Administración número 15468-5*), dated as of August 3, 2007, among Deutsche Bank Trust Company Americas, McDonald’s, LatAm and Banco Nacional de Mexico, S.A., integrante del Grupo Financiero Banamex, Division Fiduciaria, as amended, supplemented or otherwise modified to date.

SCHEDULE II

SECURED RESTRICTED REAL ESTATE

Country Code	Property Number	Name	City	Province	Address	Parcel Size (sq. m.)	Building Size (sq. m)	Property Type
MEX	15	Insurgentes Parque	Ciudad de México		Av. Insurgentes Sur No.1122 Col. Del Valle C.P. 03100 Ciudad de México	6,122	542	Free Standing
MEX	32	Polanco	Ciudad de México		Blvd. Manuel Ávila Camacho No. 137 Col. Los Morales Polanco 11510 Ciudad de México	5,944	1,331	Free Standing
ARG	51	Nuñez	Buenos Aires	Capital	Libertador 7112	2,955	676	Stand Alone
MEX	16	Insurgentes Tlalpan	Ciudad de México		Av. Insurgentes Sur No. 4222 Col. La Joya C.P. 14000 Ciudad de México	4,377	889	Free Standing
CHILE	5	KENNEDY	Santiago		Kennedy 5055	5,002	862	Stand Alone
VZ	31	La Castellana	Caracas		Av Eugenio Mendoza con 2da Transversal, frente a la Plaza La Castellana	2,449	1,096	Stand Alone
MEX	23	Municipio Libre	Ciudad de México		Municipio Libre No. 320 Col. Sta. Cruz Atoyac C.P. 03310 Ciudad de México	5,016	750	Free Standing
ARG	32	Florida	Buenos Aires	Capital	Florida 568	886	2,207	Street Retail
MEX	26	Pedregal	Ciudad de México		Periférico Sur No. 4090 Col. Jardines del Pedregal Del. Álvaro Obregón C.P. 01900 Ciudad de México	4,250	870	Free Standing

BRZ	9	ASA NORTE EIXINHO	-		SHC/N ENTREQUADRA, 208/209	6,800	242	Stand Alone
MEX	3	Aeropuerto	Ciudad de México		Nte. 25 No 302 Esq. Blvd. Puerto Aéreo Col. Moctezuma 1ª. Sección C.P. 15500 Ciudad de México	5,015	750	Free Standing
COL	6	CIUDAD SALITRE	BOGOTA		Carrera 68B No. 40A-30	4,127	551	Stand Alone
MEX	43	Garza Sada (Mty)	Monterrey		Av. Eugenio Garza Sada No. 3276 Sur Col. Altavista 64840 Monterrey, N.L.	5,225	624	Free Standing
BRZ	57	HENRIQUE SCHAUMANN	Cerqueira Cesar		AV. HENRIQUE SCHAUMANN, 80/124	1,500	700	Stand Alone
BRZ	91	Rio Branco 4	Centro		AV. RIO BRANCO, 4	1,970	358	Street Retail
COL	1	ANDINO	BOGOTA		Carrera 11 No. 82-02 L 355	N/A	424	Shopping Mall
MEX	4	Arboledas	Ciudad de México		Autopista México –Qtro. No. 3150 Col. Fracc. Ind. Tlaxcoapan Valle Dorado C.P. 54030 Tlalnepantla, Edo. De Méx.	5,395	720	Free Standing
ARG	20	Cabildo y F. Lacroze	Buenos Aires	Capital	Av. Cabildo 756	1,546	447	Stand Alone
ARG	31	Florida	Buenos Aires	Capital	Florida 281	445	1,107	Street Retail
MEX	68	Mariano Otero	Guadalajara		Av. Mariano Otero No. 2691 Col. Residencial, Victoria C.P. 45050 Zapopan, Jal.	4,353	1,241	Free Standing

MEX	93	Cancún Nichupte	Cancún		Av. Nichupte lote 5 Mza 3 SM 17 Col. Las Luciérnagas Zona Centro C.P. 77500 Cancún, Q. Roo	3,511	510	Free Standing
MEX	140	Cancún Nicupte +	Cancún Nichupte		Av. Nichupte lote 5 Mza 3 SM 17 Col. Las Luciérnagas Zona Centro C.P. 77500 Cancún, Q. Roo	7,329		Vacant Land
BRZ	111	SHOPPING CENTER MORUMBI	Vila Gertrudes		AV. ROQUE PETRONI JR., 1089	1,217	594	Shopping Center
BRZ	55	GUARULHOS	Macedo		AV. PAULO FACCINI, 1070	6,840	657	Street Retail

EXHIBIT A

FORM OF NOTE

THIS IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

Include the following Private Placement Legend on all Restricted Notes:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF ARCOS DORADOS HOLDINGS INC. (THE "COMPANY") THAT THIS NOTE OR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES THAT IT SHALL NOTIFY ANY

PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY AT THE OPTION OF THE COMPANY."

Include the following Private Placement Legend on all Regulation S Global Notes:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY OTHER APPLICABLE JURISDICTION.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE AFTER 40 DAYS BEGINNING ON AND INCLUDING THE LATER OF THE DATE ON WHICH THE NOTES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND (B) THE ISSUE DATE OF THE NOTES."

FORM OF FACE OF NOTE

ARCOS DORADOS HOLDINGS INC.

5.875% NOTES DUE 2027

No. [___] Principal Amount U.S.$[__________]

[If the Note is a Global Note include the following two lines:
as revised by the Schedule of Increases and
Decreases in Global Note attached hereto]

[*If the Note is a Global*
Rule 144A Note, insert :
CUSIP NO. 03965U AC4
ISIN US03965UAC45]

[*If the Note is a Global*
Regulation S Note, insert :
CUSIP NO. G0457F AC1
ISIN USG0457FAC17]

Arcos Dorados Holdings Inc., a British Virgin Islands business company, promises to pay to Cede & Co., the nominee for The Depository Trust Company, or registered assigns, the principal sum of [_________________] U.S. Dollars [*If the Note is a Global Note, add the following* : as revised by the Schedule of Increases and Decreases in Global Note attached hereto], on April 4, 2027.

Interest Rate:	5.875%
Interest Payment Dates:	April 4 and October 4 of each year, commencing on October 4, 2017
Record Dates:	March 15 and September 15

Additional provisions of this Note are set forth on the other side of this Note.

ARCOS DORADOS HOLDINGS INC.

By: ______________________________

Name:

Title:

Date: ______________________________

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Citibank, N.A., not in its individual capacity, but solely as Trustee, certifies that this is one of the Notes referred to in the Indenture.

By: ______________________________
Authorized Signatory

FORM OF REVERSE SIDE OF NOTE

1. Interest

Arcos Dorados Holdings Inc., a British Virgin Islands business company (and its successors and assigns under the Indenture hereinafter referred to, the " Company "), promises to pay interest on the principal amount of this Note at the rate per annum shown above.

The Company shall pay interest semi-annually in arrears on each Interest Payment Date of each year, commencing on October 4, 2017. Interest on the Notes shall accrue from the most recent date to which interest has been paid on the Notes or, if no interest has been paid, from April 4, 2017. The Company shall pay interest on overdue principal (plus interest on such interest to the extent lawful), at the rate borne by the Notes to the extent lawful. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and, to the extent such payments are lawful, interest on overdue installments of interest (" Defaulted Interest ") without regard to any applicable grace periods at the interest rate shown on this Note, as provided in the Indenture.

All payments made by the Company in respect of the Notes shall be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments or other governmental charges imposed or levied by or on behalf of the British Virgin Islands or any jurisdiction where the Company or any Subsidiary Guarantor is incorporated, resident or doing business for tax purposes or from or through which any payment in respect of the Notes is made by the paying agent or the Company, or any political subdivision thereof (a " Relevant Jurisdiction "), or by any taxing authority of a Relevant Jurisdiction, unless such withholding or deduction is required by law or by the interpretation or administration thereof. In that event, the Company shall pay to each Holder of the Notes Additional Amounts as provided in the Indenture subject to the limitations set forth in the Indenture.

2. Method of Payment

Prior to 11:00 a.m. (New York City time) on the Business Day prior to the date on which any principal of or interest on any Note is due and payable, the Company shall irrevocably deposit with the Trustee or the Paying Agent immediately available funds in U.S. Dollars sufficient to pay such principal and/or interest. The Company shall pay interest (except Defaulted Interest) to the Persons who are registered Holders of Notes at the close of business on the Record Date preceding the Interest Payment Date even if Notes are canceled, repurchased or redeemed after the Record Date and on or before the relevant Interest Payment Date. Holders must surrender Notes to a Paying Agent to collect principal payments. The Company shall pay principal and interest in U.S. Dollars.

Payments in respect of Notes represented by a Global Note (including principal and interest) shall be made by the transfer of immediately available funds to the accounts specified by DTC. The Company shall make all payments in respect of a Certificated Note (including principal and interest) by mailing a check to the registered address of each Holder thereof; *provided* , *however* , that if a Holder of Certified Notes in an aggregate principal amount

of at least U.S.$1,000,000 has given wire transfer instructions to the Company and the Trustee, the Trustee, as Paying Agent, shall make all principal and interest payments on those Notes in accordance with such instructions.

3. Paying Agent and Registrar

Initially, Citibank, N.A. (the " Trustee "), shall act as Trustee, Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-Registrar without notice to any Holder. The Company may act as Paying Agent, Registrar or co-Registrar.

4. Indenture

The Company originally issued the Notes under an Indenture, dated as of April 4, 2017 (as it may be amended or supplemented from time to time in accordance with the terms thereof, the " Indenture "), between the Company, the Subsidiary Guarantors named therein and the Trustee. The terms of the Notes include those stated in the Indenture. Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of those terms. Each Holder by accepting a Note, agrees to be bound by all of the terms and provisions of the Indenture, as amended or supplemented from time to time.

The Notes are senior unsecured obligations of the Company. Subject to the conditions set forth in the Indenture and without the consent of the Holders, the Company may issue Additional Notes. All Notes shall be treated as a single class of securities under the Indenture.

The Indenture imposes certain limitations, subject to certain exceptions, on, among other things, the ability of the Company and its Subsidiaries to Incur Additional Indebtedness, make Restricted Payments, incur Liens, enter into Sale and Lease-Back Transactions, or consolidate or merge or transfer or convey all or substantially all of the Company's and its Subsidiaries' assets.

5. Optional Redemption

(a) *Optional Redemption with a Make-Whole Premium* . The Company shall have the right, at its option, to redeem any of the Notes, in whole or in part, at any time prior to April 4, 2022 at a redemption price equal to the greater of (1) 100% of the principal amount of such Notes and (2) the sum of the present value (as determined by the Independent Investment Banker) at such redemption date of (i) the redemption price of the Notes at April 4, 2022 (such redemption price being set forth in the table below in 5(b) plus (ii) all required interest payments thereon through April 4, 2022 (excluding accrued but unpaid interest to the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360- day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus in each case any accrued and unpaid interest on the principal amount of the Notes to the date of redemption.

" *Comparable Treasury Issue* " means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated

maturity that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of April 4, 2022.

" *Comparable Treasury Price* " means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

" *Independent Investment Banker* " means one of the Reference Treasury Dealers appointed by the Company.

" *Reference Treasury Dealer* " means Citigroup Global Markets Inc. and J.P. Morgan Securities LLC or their respective affiliates which are primary United States government securities dealers and not less than one other leading primary United States government securities dealer in New York City reasonably designated by the Company; *provided* that if any of the foregoing cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), the Company will substitute therefor another Primary Treasury Dealer.

" *Reference Treasury Dealer Quotation* " means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 pm New York City time on the third Business Day preceding such redemption date.

" *Treasury Rate* " means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

(b) *Optional Redemption Without a Make-Whole Premium* . At any time and from time to time on or after April 4, 2022, the Company may, at its option, redeem all or part of the Notes upon not less than 30 nor more than 60 days' prior notice to the Holders of the Notes, at the redemption prices, expressed as percentages of principal amount, set forth below, plus accrued and unpaid interest thereon, if any, to the applicable redemption date, if redeemed during the 12 month period beginning on April 4 of the years indicated below:

Year	**Percentage**
2022	102.938% %
2023	101.958 %
2024	100.979 %
2025 and after	100.000 %

(c) *Optional Redemption With Proceeds of Equity Offerings* . At any time prior to April 4, 2022, the Company may, at its option, on one or more occasions, redeem up to 35% of the aggregate principal amount of Notes (including any Additional Notes) at a redemption price of 105.875% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more Equity Offerings; *provided* that:

(1) Notes in an aggregate principal amount equal to at least 65% of the aggregate principal amount of Notes issued on the first Issue Date remain outstanding immediately after the occurrence of such redemption; and

(2) the redemption must occur within 90 days of the date of the closing of such Equity Offering.

(d) *Optional Redemption Upon Tax Event.* If the Company determines that, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of any Relevant Jurisdiction, any taxing authority thereof or therein affecting taxation, or any amendment to, or change in an official interpretation or application of such laws, rules or regulations, which amendment to, or change in such laws, rules or regulations is legislated or promulgated or, in the case of a change in official interpretation or application, is announced or otherwise made available on or after the date of the Offering Memorandum (or on or after the date a Surviving Entity assumes the obligations under the Notes, in the case of a Surviving Entity with a different Relevant Jurisdiction than the Company), the Company (or a Subsidiary Guarantor) would be obligated, to pay any Additional Amounts, *provided* that the Company, in its business judgment, determines that such obligation cannot be avoided by the Company taking reasonable measures available to it, including, without limitation, taking reasonable measures to change the Paying Agent, then, at the Company's option, all, but not less than all, of the Notes may be redeemed at any time at a redemption price equal to 100% of the outstanding principal amount, plus any accrued and unpaid interest to the redemption date due thereon up to but not including the date of redemption; *provided* that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which the Company (or a Subsidiary Guarantor) would be obligated to pay these Additional Amounts if a payment on the Notes were then due, and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

Prior to the giving of any notice of redemption pursuant to this provision, the Company will deliver to the Trustee:

(i) an Officers' Certificate stating that the Company is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to the Company's right to redeem have occurred; and

(ii) an Opinion of Counsel from legal counsel in a Relevant Jurisdiction (which may be the Company's counsel) of recognized standing to the effect that the Company has or will become obligated to pay such Additional Amounts as a result of such change or amendment.

Notice of the redemption, once delivered by the Company to the Trustee, will be irrevocable.

(e) *Optional Redemption Procedures.* If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected as follows: (1) if the Notes are listed on an exchange, in compliance with the requirements of such exchange, (2) if the Notes are not so listed but are Global Notes, then by lot or otherwise in accordance with the procedures of DTC or the applicable depositary or (3) if the Notes are not so listed and are not in global form, on a pro rata basis to the extent practicable, or, if the pro rata basis is not practicable for any reason, by lot or by such other method as the Trustee in its sole discretion shall deem fair and appropriate. In the event of partial redemption or purchase by lot, the particular Notes to be redeemed or purchased shall be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption date by the Trustee from the then outstanding Notes not previously called for redemption or purchase. The Trustee shall promptly notify the Company in writing of the Notes selected for redemption or purchase. Notes and portions of Notes selected shall be in amounts of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof; no Notes of U.S.$100,000 or less shall be redeemed in part, except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not U.S.$100,000 or a multiple of U.S.$1,000 in excess thereof, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of the Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase. After the redemption date, upon surrender of a Note to be redeemed in part only, a new Note or Notes in principal amount equal to the unredeemed portion of the original Note, representing the same Indebtedness to the extent not redeemed, shall be issued in the name of the Holder of the Notes upon cancellation of the original Note (or appropriate book entries shall be made to reflect such partial redemption). Once notice of redemption is sent to the Holders, Notes called for redemption become due and payable at the redemption price on the redemption date, and, commencing on the redemption date, Notes redeemed will cease to accrue interest (unless the company defaults in the payment of the redemption price).

Notice of any redemption shall be sent in the manner provided for in Section 11.1 of the Indenture at least 30 but not more than 60 days before the redemption date to Holders of Notes to be redeemed. If Notes are to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed. A new Note in a principal amount equal to the unredeemed portion thereof, if any, shall be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note shall be made, as appropriate).

Notes called for redemption shall become due on the date fixed for redemption. The Company shall pay the redemption price for any Note together with accrued and unpaid interest thereon through but not including the date of redemption. On and after the redemption date, interest shall cease to accrue on Notes or portions thereof called for redemption as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture. Upon redemption of any Notes by the Company, such redeemed Notes shall be cancelled and cannot be reissued.

6. Mandatory Repurchase Provisions

(a) *Mandatory Redemption upon Exercise of Call Option* . No later than five (5) Business Days following the date upon which the Call Option Redemption Event occurs, the Company will provide the Trustee with a notice to redeem all of the Notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon through the date of redemption (the " Call Option Exercise Payment "). For the avoidance of doubt, a Call Option Redemption Event will only occur in connection with the exercise by McDonald's of the McDonald's Call Option under the Master Franchise Agreements with respect to the Master Franchisee or the Brazilian Master Franchisee. An exercise by McDonald's of the McDonald's Call Option with respect to any other Subsidiary of the Company shall not be treated as a Call Option Redemption Event.

Notes subject to mandatory redemption following a Call Option Redemption Event will become due on the earlier of the date fixed for redemption or the 30th day following the Call Option Redemption Event. On and after the redemption date, interest will cease to accrue on the Notes as long as the Company has deposited with the Paying Agent funds in an amount equal to the Call Option Exercise Payment. Upon redemption of the Notes by the Company, the redeemed Notes will be cancelled.

(b) *Change Of Control Offer* . Upon the occurrence of a Change of Control Repurchase Event, each Holder of Notes shall have the right to require that the Company purchase all or a portion (in integral multiples of U.S.$1,000, *provided* that the principal amount of such Holder's Note will not be less than U.S.$100,000) of the Holder's Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest through the date of purchase.

Within 30 days following the date upon which the Change of Control Repurchase Event occurs, the Company must make a Change of Control Offer pursuant to a Change of Control Notice. As more fully described in the Indenture, the Change of Control Notice shall state, among other things, the Change of Control Payment Date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by applicable law.

7. Denominations; Transfer; Exchange

The Notes are in fully registered form without coupons, and only in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar shall be entitled to request such evidence reasonably satisfactory to it documenting the identity and/or signatures of the transferor and the transferee. The Registrar need not register the transfer of or exchange (i) any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) for a period beginning 15 days before the mailing of a notice of Notes to be redeemed and ending on the date of such mailing or (ii) any Notes for a period beginning 15 days before an interest payment date and ending on such interest payment date.

8. Persons Deemed Owners

The registered holder of this Note shall be treated as the owner of it for all purposes.

9. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

10. Discharge Prior to Redemption or Maturity

Subject to certain conditions set forth in the Indenture, the Company at any time may terminate some or all of its obligations under the Notes and the Indenture if the Company deposits with the Trustee U.S. Dollars or U.S. Government Obligations for the payment of principal of and interest on the Notes to redemption or maturity, as the case may be.

11. Amendment, Waiver

(a) Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company, the Subsidiary Guarantors and the Trustee may, among other things, amend or supplement the Indenture or the Notes to cure any ambiguity, omission, defect or inconsistency; to provide for the assumption by a Surviving Entity of the obligations of the Company or a Subsidiary Guarantor under the Indenture; to add Subsidiary Guarantees or additional guarantees with respect to the Notes or release a Subsidiary Guarantee in accordance with the terms of the Indenture; to secure the Notes; to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company; to provide for the issuance of Additional Notes; to conform the text of the Indenture, the Subsidiary Guarantees or the Notes to any provision of the Offering Memorandum; to evidence the replacement of the Trustee as provided for under the Indenture; if necessary, in connection with any release of any security permitted under the Indenture; to provide for uncertificated Notes in addition to or in place of certificated Notes; if necessary, in connection with any release of any security permitted under the Indenture; or to make any other changes which do not adversely affect the rights of any of the Holders in any material respect.

(b) Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Notes may be amended or supplemented with the written consent of the Holders of at least a majority in principal amount of the then Outstanding Notes and (ii) any Default or Event of Default under the Indenture (except a Default in the payment of the principal of, premium, if any, or interest on any Notes) may be waived with the written consent of the Holders of a majority in aggregate principal amount of the then Outstanding Notes. However, without the consent of each Holder affected thereby, no amendment may, among other things, reduce the percentage of the principal amount of the Notes whose Holders must consent to an amendment, supplement or waiver; reduce the rate of or change or have the effect of changing the time for payment of interest on any Notes; change any place of payment where the principal of or interest on the Notes is payable; reduce the principal of or change or have the effect of changing the

fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption, or reduce the redemption price therefor; make any Notes payable in money other than that stated in the Notes; make any change in the provisions of the Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on the Notes on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of Notes to waive Defaults or Events of Default; amend, change or modify in any material respect the obligation of the Company to make and consummate a Change of Control Offer in respect of a Change of Control Repurchase Event that has occurred; eliminate or modify in any manner a Subsidiary Guarantor's obligations with respect to its Subsidiary Guarantee which adversely affects Holders in any material respect, except as contemplated in the Indenture; make any change in the Additional Amounts provisions of the Indenture that adversely affects the rights of any Holder or amend the terms of the Notes in a way that would result in a loss of exemption from any applicable taxes; or make any change to the provisions of this Indenture or the Notes that adversely affects the ranking of the Notes (for the avoidance of doubt, a change to the covenants described in Section 3.8 and Section 3.12 of the Indenture does not adversely affect the ranking of the Notes).

12. Defaults and Remedies

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then Outstanding Notes may declare all the Notes to be due and payable immediately. Certain events of bankruptcy or insolvency are Events of Default, which shall result in the Notes being due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Notes unless it receives indemnity and/or security reasonably satisfactory to it. Subject to certain limitations, Holders of a majority in aggregate principal amount of the Outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default or Event of Default (except a Default or Event of Default in payment of principal or interest) if it determines that withholding notice is in their interest.

13. Trustee Dealings with the Company

Subject to certain limitations set forth in the Indenture, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

14. No Recourse Against Others

No past, present or future incorporator, director, officer, employee, shareholder or controlling person, as such, of the Company or any Subsidiary Guarantor, shall have any liability for any obligations of the Company under the Notes, the Indenture or a Subsidiary Guarantee or for any claims based on, in respect of or by reason of such obligations or their creation. By

accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

15. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the certificate of authentication on the other side of this Note.

16. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entirety), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian) and U/G/M/A (=Uniform Gift to Minors Act).

17. CUSIP or ISIN Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP or ISIN numbers to be printed on the Notes and has directed the Trustee to use CUSIP or ISIN numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

18. Governing Law

This Note shall be governed by, and construed in accordance with, the laws of the State of New York.

19. Currency of Account; Conversion of Currency .

U.S. Dollars is the sole currency of account and payment for all sums payable by the Company or any Subsidiary Guarantor under or in connection with the Notes, any Subsidiary Guarantee or the Indenture. The Company and any Subsidiary Guarantor shall indemnify the Holders as provided in respect of the conversion of currency relating to the Notes, any Subsidiary Guarantee and the Indenture.

20. Agent for Service; Submission to Jurisdiction; Waiver of Immunities .

The parties hereto have agreed that any suit, action or proceeding arising out of or based upon the Indenture or the Notes may be instituted in any New York state or U.S. federal court in The City of New York, New York. The parties hereto have irrevocably submitted to the jurisdiction of such courts for such purpose and waived, to the fullest extent permitted by law, trial by jury, any objection they may now or hereafter have to the laying of venue of any such proceeding, and any claim they may now or hereafter have that any proceeding in any such court is brought in an inconvenient forum and any right to the jurisdiction of any other courts to which any of them may be entitled, on account of place of residence or domicile. The Company has appointed CCS Global Solutions, Inc., 530 Seventh Avenue, Suite 909, New York, New York,

10018, as its authorized agent upon whom all writs, process and summonses may be served in any suit, action or proceeding arising out of or based upon the Indenture or the Notes which may be instituted in any New York state or U.S. federal court in The City of New York, New York. To the extent that the Company has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (whether service or notice, attachment in aid or otherwise) with respect to it or any of their property, the Company has irrevocably waived and agreed not to plead or claim such immunity in respect of its obligations under the Indenture or the Notes.

Nothing in the preceding paragraph shall affect the right of the Trustee or any Holder of the Notes to serve process in any other manner permitted by law.

The Company shall furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture which has in it the text of this Note in larger type. Requests may be made to:

Arcos Dorados Holdings Inc.
Dr. Luis Bonavita 1294, Office 501
WTC Free Zone
Montevideo, Uruguay (CP 11300)
Attention: Mariano Tannenbaum, Chief Financial Officer

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to:

(Print or type assignee's name, address and zip code)

(Insert assignee's Social Security or Tax I.D. Number)

and irrevocably appoint __________________ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: ___________ Your Signature ______________________________

(Sign exactly as your name appears on the other side of this Note.)

Signature Guarantee:______________________________

(Signature must be guaranteed)

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to Exchange Act Rule 17Ad-15.

[To be attached to Global Notes only]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee or Note Custodian

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have part of this Note purchased by the Company pursuant to Section 3.7 of the Indenture, state the principal amount (which must be an integral multiple of U.S.$1,000, *provided* that the principal amount is not less than U.S.$100,000) that you want to have purchased by the Company:

U.S.$____________

Date:_________________ Your Signature: ______________________________

(Sign exactly as your name appears on the other side of the Note)

Tax Identification No.: ______________________________

Signature Guarantee: ______________________________

(Signature must be guaranteed)

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to Exchange Act Rule 17Ad-15.

EXHIBIT B

FORM OF CERTIFICATE FOR TRANSFER TO QIB

[Date]

Citibank, N.A.

480 Washington Boulevard, 30 th Floor

Jersey City, New Jersey 07310

Attention: Agency & Trust – Arcos Dorados Holdings Inc.

Re: 5.875% Notes due 2027 (the " Notes ")
of Arcos Dorados Holdings Inc. (the " Company ")

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of April 4, 2017 (as amended and supplemented from time to time, the " Indenture "), among the Company, the Subsidiary Guarantors named therein and Citibank, N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This letter relates to U.S.$___________ aggregate principal amount of Notes [*in the case of a transfer of an interest in a Regulation S Global Note:* which represents an interest in a Regulation S Global Note] beneficially owned by the undersigned (the " Transferor ") to effect the transfer of such Notes in exchange for an equivalent beneficial interest in the Rule 144A Global Note.

In connection with such request, and with respect to such Notes, the Transferor does hereby certify that such Notes are being transferred in accordance with Rule 144A under the U.S. Securities Act of 1933, as amended (" Rule 144A "), to a transferee that the Transferor reasonably believes is purchasing the Notes for its own account or an account with respect to which the transferee exercises sole investment discretion, and the transferee, as well as any such account, is a "qualified institutional buyer" within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with applicable securities laws of any state of the United States or any other jurisdiction.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

[Name of Transferor]

By: ______________________________

____
Authorized Signature

EXHIBIT C

FORM OF CERTIFICATE FOR TRANSFER
PURSUANT TO REGULATION S

[Date]

Citibank, N.A.

480 Washington Boulevard, 30 th Floor

Jersey City, New Jersey 07310

Attention: Agency & Trust – Arcos Dorados Holdings Inc.

Re: 5.875% Notes due 2027 (the " Notes ")
of Arcos Dorados Holdings Inc. (the " Company ")

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of April 4, 2017 (as amended and supplemented from time to time, the " Indenture "), among the Company, the Subsidiary Guarantors named therein and Citibank, N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

In connection with our proposed sale of U.S.$________ aggregate principal amount of the Notes [*in the case of a transfer of an interest in a 144A Global Note:* , which represent an interest in a 144A Global Note] beneficially owned by the undersigned (" Transferor "), we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the U.S. Securities Act of 1933, as amended (the " Securities Act "), and, accordingly, we represent that:

(a) the offer of the Notes was not made to a person in the United States;

(b) either (i) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States or (ii) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(c) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable;

(d) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(e) we are the beneficial owner of the principal amount of Notes being transferred.

In addition, if the sale is made during a Distribution Compliance Period and the provisions of Rule 904(b)(1) or Rule 904(b)(2) of Regulation S are applicable thereto, we confirm that such sale has been made in accordance with the applicable provisions of Rule 904(b)(1) or Rule 904(b)(2), as the case may be.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this letter have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]
By: ______________________________

____
Authorized Signature

EXHIBIT D

FORM OF CERTIFICATE FOR TRANSFER
PURSUANT TO RULE 144

[Date]

Citibank, N.A.

480 Washington Boulevard, 30th Floor

Jersey City, New Jersey 07310

Attention: Agency & Trust – Arcos Dorados Holdings Inc.

Re: 5.875% Notes due 2027 (the " Notes ")
of Arcos Dorados Holdings Inc. (the " Company ")

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of April 4, 2017 (as amended and supplemented from time to time, the " Indenture "), among the Company, the Subsidiary Guarantors named therein and Citibank, N.A., as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

In connection with our proposed sale of U.S.$________ aggregate principal amount of the Notes [*in the case of a transfer of an interest in a 144A Global Note:* , which represent an interest in a 144A Global Note] beneficially owned by the undersigned (" Transferor "), we confirm that such sale has been effected pursuant to and in accordance with Rule 144 under the Securities Act.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

[Name of Transferor]
By: ______________________________

____
Authorized Signature

EXHIBIT E

FORM OF SUPPLEMENTAL INDENTURE
FOR SUBSIDIARY GUARANTEE

This Supplemental Indenture, dated as of [__________] (this " Supplemental Indenture "), among [*name of Subsidiary*], a [________] [corporation][limited liability company] (the " Additional Subsidiary Guarantor "), Arcos Dorados Holdings Inc., a British Virgin Islands business company (together with its successors and assigns, the " Company ") and Citibank, N.A., as Trustee under the Indenture referred to below.

W I T N E S S E T H:

WHEREAS, the Company, the Trustee and the Subsidiary Guarantors named therein (each a " Subsidiary Guarantor " and together the " Subsidiary Guarantors ") have heretofore executed and delivered an Indenture, dated as of [ ], 2017 (as amended, supplemented, waived or otherwise modified, the " Indenture "), providing for the issuance of [ ]% Notes due 2027 of the Company (the " Notes "); and

WHEREAS, pursuant to Section 9.1 of the Indenture, the Trustee and the Company are authorized to execute and deliver this Supplemental Indenture to supplement the Indenture, without the consent of any Holder;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Additional Subsidiary Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Defined Terms . Unless otherwise defined in this Supplemental Indenture, terms defined in the Indenture are used herein as therein defined.

ARTICLE II
AGREEMENT TO BE BOUND; GUARANTEE

Section 2.1. Agreement to be Bound . The Additional Subsidiary Guarantor hereby becomes a party to the Indenture as a Subsidiary Guarantor and as such shall have all of the rights and be subject to all of the obligations and agreements of a Subsidiary Guarantor under the Indenture. The Additional Subsidiary Guarantor hereby agrees to be bound by all of the provisions of the Indenture applicable to a Subsidiary Guarantor and to perform all of the obligations and agreements of a Subsidiary Guarantor under the Indenture.

Section 2.2. Subsidiary Guarantees .

(a) The Additional Subsidiary Guarantor hereby fully and unconditionally guarantees on a general unsecured senior basis, as primary obligor and not merely as surety,

jointly and severally with each other Subsidiary Guarantor, to each Holder and to the Trustee the full and punctual payment when due, whether at maturity, by acceleration, by redemption or otherwise, of the principal, interest, premium, Additional Amounts, penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the Notes, Subsidiary Guarantees and the Indenture (such guaranteed obligations, the " Guaranteed Obligations "). The Additional Subsidiary Guarantor further agrees (to the extent permitted by law) that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from it, and that it will remain bound under this Agreement notwithstanding any extension or renewal of any Guaranteed Obligation. The Additional Subsidiary Guarantor hereby agrees to pay, in addition to the amounts stated above, any and all expenses (including reasonable counsel fees and expenses) incurred by the Trustee or the Holders in enforcing any rights under any Subsidiary Guarantee.

(b) The Additional Subsidiary Guarantor waives presentment to, demand of payment from and protest to the Company of any of the Guaranteed Obligations and also waives notice of protest for nonpayment. The Additional Subsidiary Guarantor waives notice of any default under the Notes or the Guaranteed Obligations. The obligations of the Additional Subsidiary Guarantor hereunder shall not be affected by (i) the failure of any Holder to assert any claim or demand or to enforce any right or remedy against the Company or any other Person under the Indenture, the Notes or any other agreement or otherwise; (ii) any extension or renewal of any thereof; (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of the Indenture, the Notes or any other agreement; (iv) the release of any security held by any Holder or the Trustee for the Guaranteed Obligations or any of them; (v) the failure of any Holder to exercise any right or remedy against any other Subsidiary Guarantor; or (vi) any change in the ownership of the Company.

(c) The Additional Subsidiary Guarantor further agrees that its Subsidiary Guarantee herein constitutes a guarantee of payment when due (and not a guarantee of collection) and waives any right to require that any resort be had by any Holder to any security held for payment of the Guaranteed Obligations.

(d) The Additional Subsidiary Guarantors further expressly waives irrevocably and unconditionally:

(i) Any right it may have to first require any Holder to proceed against, initiate any actions before a court of law or any other judge or authority, or enforce any other rights or security or claim payment from the Company or any other Person (including any Subsidiary Guarantor or any other guarantor) before claiming from it under this Indenture;

(ii) Any rights and benefits set forth in the following provisions of Argentine law: Articles 480, 481 and 482 of the Argentine Commercial Code and Articles 1990, 2020 and 2021 (other than with respect to defenses or motions based on documented payment (*pago*), reduction (*quita*), extension (*espera*) or release or remission (*remisión*), 2012, 2013 and 2024 (*beneficios de excusión y división*), 2025, 2026, 2029, 2043, 2046 and 2050 of the Argentine Civil Code;

(iii) Any rights to the benefits of *orden* , *excusión* , *división* , *quita* and *espera* arising from Articles 2814, 2815, 2817, 2818, 2819, 2820, 2821, 2822, 2823, 2826, 2837, 2839, 2840, 2845, 2846, 2847 and any other related or applicable Articles that are not explicitly set forth herein because of the Additional Subsidiary Guarantor's knowledge thereof, of the *Código Civil Federal* of Mexico and the *Código Civil* of each State of the Mexican Republic and for the Federal District of Mexico;

(iv) (1) the collection benefit (beneficio de excusión) granted by articles 1812, 1815, 1816, 1818 of the Venezuelan Civil Code; (2) the division benefit (beneficio de división) granted in articles 1819 and 1820 of the Venezuelan Civil Code;

(v) Any right to which it may be entitled to have the assets of the Company or any other Person (including any Subsidiary Guarantor or any other guarantor) first be used, applied or depleted as payment of the Company's or the Additional Subsidiary Guarantors' obligations hereunder, prior to any amount being claimed from or paid by the Additional Subsidiary Guarantors hereunder; and

(vi) Any right to which it may be entitled to have claims hereunder divided among the Subsidiary Guarantors and the Additional Subsidiary Guarantor.

(e) The obligations of the Additional Subsidiary Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than payment of the Guaranteed Obligations in full), including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Additional Subsidiary Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder to assert any claim or demand or to enforce any remedy under the Indenture, the Notes or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the Guaranteed Obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of the Additional Subsidiary Guarantor or would otherwise operate as a discharge of the Additional Subsidiary Guarantor as a matter of law or equity.

(f) The Additional Subsidiary Guarantor further agrees that its Subsidiary Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any of the Guaranteed Obligations is rescinded or must otherwise be restored by any Holder upon the bankruptcy, or reorganization of the Company or otherwise.

(g) In furtherance of the foregoing and not in limitation of any other right which any Holder has at law or in equity against the Additional Subsidiary Guarantor by virtue hereof, upon the failure of the Company to pay any of the Guaranteed Obligations when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, the Additional Subsidiary Guarantor hereby promises to and will, upon receipt of written demand by

the Trustee, forthwith pay, or cause to be paid, in cash, to the Holders an amount equal to the sum of:

(i) the unpaid amount of such Guaranteed Obligations then due and owing in U.S. Dollars; and

(ii) accrued and unpaid interest on such Guaranteed Obligations then due and owing (but only to the extent not prohibited by law).

(h) The Additional Subsidiary Guarantor further agrees that, as between the Additional Subsidiary Guarantor, on the one hand, and the Holders, on the other hand:

(i) the maturity of the Guaranteed Obligations guaranteed hereby may be accelerated as provided in the Indenture for the purposes of its Subsidiary Guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Guaranteed Obligations guaranteed hereby; and

(ii) in the event of any such declaration of acceleration of such Guaranteed Obligations, such Guaranteed Obligations (whether or not due and payable) shall forthwith become due and payable by the Additional Subsidiary Guarantor for the purposes of its Subsidiary Guarantee.

Section 2.3 Limitation on Liability; Termination, Release and Discharge .

(a) The obligations of the Additional Subsidiary Guarantor hereunder shall be limited to the maximum amount as shall, after giving effect to all other contingent and fixed liabilities of the Additional Subsidiary Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Subsidiary Guarantee or pursuant to its contribution obligations under the Indenture, result in the Guaranteed Obligations not constituting a fraudulent conveyance, fraudulent transfer or similar illegal transfer under applicable law.

(b) The Additional Subsidiary Guarantor shall be released and relieved of its obligations under its Subsidiary Guarantee (except with respect to Guaranteed Obligations that by their terms survive) in the event that:

(i) there is a Legal Defeasance or Covenant Defeasance of the Notes pursuant to the Indenture;

(ii) there is a sale or other disposition (including through a consolidation or merger) of Capital Stock of the Additional Subsidiary Guarantor following which the Additional Subsidiary Guarantor is no longer a direct or indirect Subsidiary of the Company;

(iii) there is a sale of all or substantially all of the assets of the Additional Subsidiary Guarantor (including by way of merger, stock purchase, asset sale or otherwise) to a Person that is not (either before or after giving effect to such transaction) the Company or a Subsidiary Guarantor; or

(iv) there is a satisfaction and discharge of the Indenture pursuant to Section 8.7 of the Indenture;

provided , in each case, such transactions are carried out pursuant to and in accordance with all applicable covenants and provisions thereof.

Section 2.4 Right of Contribution . If the Additional Subsidiary Guarantor makes a payment or distribution under its Subsidiary Guarantee, it will be entitled to a contribution from each other Subsidiary Guarantor in a pro rata amount, based on the net assets of each Subsidiary Guarantor and the Additional Subsidiary Guarantor determined in accordance with GAAP. The provisions of this Section 2.4 and Section 10.3 of the Indenture shall in no respect limit the obligations and liabilities of the Additional Subsidiary Guarantor to the Trustee and the Holders and the Additional Subsidiary Guarantor shall remain liable to the Trustee and the Holders for the full amount guaranteed by the Additional Subsidiary Guarantor hereunder.

Section 2.5 No Subrogation . The Additional Subsidiary Guarantor agrees that it shall not be entitled to any right of subrogation in respect of any Guaranteed Obligations until payment in full in cash or Cash Equivalents of all Guaranteed Obligations. If any amount shall be paid to the Additional Subsidiary Guarantor on account of such subrogation rights at any time when all of the Guaranteed Obligations shall not have been paid in full in cash or Cash Equivalents, such amount shall be held by the Additional Subsidiary Guarantor in trust for the Trustee and the Holders, segregated from other funds of the Additional Subsidiary Guarantor, and shall, forthwith upon receipt by the Additional Subsidiary Guarantor, be turned over to the Trustee in the exact form received by the Additional Subsidiary Guarantor (duly endorsed by the Additional Subsidiary Guarantor to the Trustee, if required), to be applied against the Guaranteed Obligations.

ARTICLE III
MISCELLANEOUS

Section 3.1. Notices . Any notice or communication delivered to the Company under the provisions of the Indenture shall constitute notice to the Additional Subsidiary Guarantor.

Section 3.2. Parties . Nothing expressed or mentioned herein is intended or shall be construed to give any Person, firm or corporation, other than the Holders and the Trustee, any legal or equitable right, remedy or claim under or in respect of this Supplemental Indenture or the Indenture or any provision herein or therein contained.

Section 3.3. Governing Law, etc . This Supplemental Indenture shall be governed by the provisions set forth in Section 11.6 of the Indenture.

Section 3.4. Severability . In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability.

Section 3.5. Ratification of Indenture; Supplemental Indenture Part of Indenture . Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby. The Trustee makes no representation or warranty as to the validity or sufficiency of this Supplemental Indenture.

Section 3.6. Duplicate and Counterpart Originals . The parties may sign any number of copies of this Supplemental Indenture. One signed copy is enough to prove this Supplemental Indenture. This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be an original, but all of them together represent the same agreement.

Section 3.7. Headings . The headings of the Articles and Sections in this Supplemental Indenture have been inserted for convenience of reference only, are not intended to be considered as a part hereof and shall not modify or restrict any of the terms or provisions hereof.

Section 3.8. The Trustee . The recitals in this Supplemental Indenture are made by the Company and the Additional Subsidiary Guarantor only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of this Supplemental Indenture as fully and with like effect as if set forth herein in full. The Trustee makes no representations or warranties as to the correctness of the recitals contained herein, which shall be taken as statements of the Company, or the validity or sufficiency of this Supplemental Indenture and the Trustee shall not be accountable or responsible for or with respect to nor shall the Trustee have any responsibility for provisions thereof. The Trustee represents that it is duly authorized to execute and deliver this Supplemental Indenture and perform its obligations hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

ARCOS DORADOS HOLDINGS INC.

By: ______________________________
Name:
Title:

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this day of before me, a notary public within and for said county, personally appeared to me personally known who being duly sworn, did say that he/she is the of Arcos Dorados Holdings Inc., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: ________________________________
Title: Notary Public, State of New York
No.
Qualified in
Commission Expires

[*NAME OF SUBSIDIARY GUARANTOR*],
as Additional Subsidiary Guarantor

By: ______________________________
Name:
Title:

STATE OF NEW YORK)

)

COUNTY OF NEW YORK)

On this day of , before me, a notary public within and for said county, personally appeared to me personally known who being duly sworn, did say that he/she is the of [*Name of Additional Subsidiary Guarantor*], one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: ________________________________
Title: Notary Public, State of New York
No.
Qualified in
Commission Expires

CITIBANK, N.A.,
as Trustee

By: ______________________________
Name:
Title:

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this day of , before me, a notary public within and for said county, personally appeared to me personally known who being duly sworn, did say that he/she is the of Citibank, N.A., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: ________________________________
Title: Notary Public, State of New York
No.
Qualified in
Commission Expires

EXHIBIT 4.27

**SIXTH AMENDMENT TO
CREDIT AGREEMENT**

THIS SIXTH AMENDMENT TO CREDIT AGREEMENT is made and dated as of August 1, 2016 (the " Amendment ") among ARCOS DORADOS B.V., a private company with limited liability (*besloten venootschap met beperkte aansprakelijkheid*) organized under the laws of The Netherlands with seat in Amsterdam (the " Borrower "), certain subsidiaries of the Borrower as guarantors (the " Guarantors "), and BANK OF AMERICA, N.A., as lender (the " Lender ") and amends that certain Credit Agreement dated as of August 3, 2011 (as the same has been amended prior to the date hereof and may be further amended or modified from time to time, the " Credit Agreement ").

R E C I T A L S

WHEREAS, the Lender has agreed, subject to the terms and conditions hereinafter set forth, to amend the Credit Agreement in certain respects as set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

1. Terms . All terms used herein shall have the same meanings as in the Credit Agreement unless otherwise defined herein.

2. Amendment . Upon the occurrence of the Amendment Effective Date (defined below)

2.1 Section 1.1 of the Credit Agreement is hereby amended by amending the definitions therein of "Applicable Margin" and "Maturity Date" in their entireties as follows:

"Applicable Margin" means a rate per annum equal to 2.50%.

"Maturity Date" means August 3, 2017.

2.2 Section 6.6 of the Credit Agreement is hereby replaced in its entirety with the following paragraph:

"Section 6.6 Consolidated Net Indebtedness to EBITDA Ratio . Permit the Consolidated Net Indebtedness to EBITDA Ratio, as of the last day of any fiscal quarter of the Borrower, to equal or exceed the levels set forth below:

(A) 3.5 to 1.0, as of the last day of the fiscal quarters ended March 31, and June 30, 2016;

(B) 3.25 to 1.0, as of the last day of the fiscal quarter ended September 30, 2016; and

(C) 3.0 to 1.0, as of the last day of the fiscal quarter ended December 31, 2016 and the last day of each fiscal quarter thereafter."

3. Representations and Warranties . As of the date hereof, the Borrower, and as of the Amendment Effective Date, the Borrower and each Guarantor, hereby represents and warrants to the Lender that after giving effect to this Amendment:

3.1 Authorization; Enforceable Obligations; No Contravention . The execution, delivery and performance of this Amendment by the Loan Parties have been duly authorized by all necessary action, and this Amendment is a legal, valid and binding obligation of the Loan Parties party hereto, enforceable

in accordance with its terms, except as enforceability may be limited by applicable Debtor Relief Laws. The execution, delivery and performance of this Amendment (i) are not in contravention of law or of the terms of any Loan Party's organizational documents, and (ii) will not result in the breach of or constitute a default under, or result in the creation of a Lien or require a payment to be made under any indenture, agreement or undertaking to which the Borrower or any Guarantor is a party or by which it or its property may be bound or affected, except in the case referred to in this clause (ii), to the extent that such breach, default, Lien or payment would not reasonably be expected to have a Material Adverse Effect.

3.2 Governmental Authorization; Other Consents . No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority, including the Central Bank of Brazil, or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Borrower or any Guarantor of this Amendment, which has not been duly obtained, except for the filing of the Minutes of the Quotaholders' Meeting (*Ata de Reunião de Quotistas*) authorizing the Amendment with the Commercial Registry of the State of São Paulo (*Junta Comercial do Estado de São Paulo*).

3.3 Incorporation of Certain Representations . After giving effect to the terms of this Amendment, the representations and warranties of the Borrower and the Guarantors set forth in Article III of the Credit Agreement (except as to such representations and warranties made as of an earlier specified date which are true and correct as of the date made) are true and correct as of the date hereof, (A) if any such representation and warranty is qualified as to materiality or by reference to the existence of a Material Adverse Effect, in all respects (as so qualified), or (B) if any such representation and warranty is not so qualified, in all material respects; *provided* , that for purposes of this 3.3Section 3.3, the representations and warranties of the Borrower contemplated in Section 3.1 of the Credit Agreement shall be deemed to refer to the last day of the period covered by the most recent financial statements furnished to the Lender under the Credit Agreement; *provided further* that the representation and warranty set forth in Section 3.16 of the Credit Agreement is made hereby with respect to the period of four (4) fiscal quarters ended on March 31, 2016.

3.4 Default . Both before and after giving effect to this Amendment, no Default or Event of Default under the Credit Agreement has occurred and is continuing.

4. Conditions, Effectiveness . This Amendment shall become effective as of the date (the " Amendment Effective Date ") on which each of the following conditions shall have been satisfied:

(a) The Lender shall have received this Amendment duly executed and delivered on behalf of the Borrower and each Guarantor.

(b) the Borrower and each Guarantor shall have delivered evidence that the process agent shall have accepted appointment to receive service of process on the Borrower and such Guarantor, in form and substance reasonably satisfactory to the Lender up to a date six months after the Maturity Date (as amended hereby).

(c) The Borrower shall have paid on or before the Amendment Effective Date all fees and other amounts due and payable by the Borrower to the Lender (including fees and expenses of counsel to lender) in accordance with the Credit Agreement (as amended hereby) to the extent invoiced to the Borrower prior to the Amendment Effective Date.

(d) All consents, licenses and approvals required in connection with the execution, delivery and performance by the Loan Parties of this Amendment shall have been received by the Loan Parties.

5. Miscellaneous .

5.1 Effectiveness of the Credit Agreement and other Loan Documents . Except as hereby expressly amended, the Credit Agreement, the Note, the Fee Letter and each Subsidiary Joinder Agreement (if any), shall each remain in full force and effect, are hereby ratified and confirmed in all respects on and as of the date hereof, and each Loan Party hereby reaffirms its obligations thereunder.

5.2 Post Amendment Effective Date Covenants .

(a) Within twenty-one calendar days after the Amendment Effective Date, Arcos Dourados Comércio de Alimentos Ltda. shall file the Minutes of the Quotaholders' Meeting (*Ata de Reunião de Quotistas*) authorizing the Amendment with the Commercial Registry of the State of São Paulo (*Junta Comercial do Estado de São Paulo*).

(b) The Loan Parties shall furnish the Lender with true and correct copies of such resolutions and powers of attorney authorizing the Amendment as the Lender may reasonably request within twenty-one calendar days of the Amendment Effective Date.

(c) Failure by any Loan Party to perform the covenants set forth in this Section 5.2 shall result in automatic termination of this Amendment and shall render this Amendment null and void and without any effect.

5.3 Loan Document . This Amendment is a Loan Document.

5.4 Counterparts . This Amendment may be executed in any number of counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

5.5 Governing Law . This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

5.6 Jurisdiction . Section 9.10 of the Credit Agreement shall apply *mutatis mutandis* to this Amendment.

[*Remainder of Page Intentionally Left Blank.*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

ARCOS DORADOS B.V.,
as Borrower

By: /s/ Máximo Ayerza
Name: Máximo Ayerza
Title: Attorney-in-Fact

ARCOS DOURADOS COMERCIO DE ALIMENTOS, LTDA.,
as a Guarantor

By: /s/ Máximo Ayerza
Name: Máximo Ayerza
Title: Attorney-in-Fact

ADCR INMOBILIARIA S.A.,
as a Guarantor

By: /s/ Máximo Ayerza
Name: Máximo Ayerza
Title: Attorney-in-Fact

ARCOS DORADOS COSTA RICA ADCR, S.A.,
as a Guarantor

By: /s/ Máximo Ayerza
Name: Máximo Ayerza
Title: Attorney-in-Fact

ARCOS DORADOS PANAMÁ, S.A.,
as a Guarantor

By: /s/ Máximo Ayerza
Name: Máximo Ayerza
Title: Attorney-in-Fact

SISTEMAS MCOPCO PANAMÁ, S.A.,
as a Guarantor

By: /s/ Máximo Ayerza
Name: Máximo Ayerza
Title: Attorney-in-Fact

ARCOS DORADOS HOLDINGS INC.,
as a Guarantor

By: /s/ Máximo Ayerza
Name: Máximo Ayerza
Title: Attorney-in-Fact

LENDER :

BANK OF AMERICA, N.A.,
as Lender

By: /s/ Gonzalo Isaacs
Name: Gonzalo Isaacs
Title: Managing Director

EXHIBIT 4.28

EXECUTION VERSION

U.S.$25,000,000

CREDIT AGREEMENT

dated as of November 10, 2016

among

ARCOS DORADOS B.V.,
as Borrower

CERTAIN SUBSIDIARIES OF THE BORROWER,
as Guarantors

and

JPMORGAN CHASE BANK, N.A.,
as Lender

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Exhibit E	Form of Subsidiary Joinder Agreement

CREDIT AGREEMENT, dated as of November 10, 2016 (the " Agreement "), among ARCOS DORADOS B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) registered with the Dutch trade register under number 34115939 and organized under the laws of The Netherlands with statutory seat in Amsterdam (the " Borrower "), (b) CERTAIN SUBSIDIARIES OF THE BORROWER, as Guarantors (as defined below), and JPMORGAN CHASE BANK, N.A., as lender (the " Lender ").

W I T N E S S E T H :

WHEREAS, the Lender has agreed to make available to the Borrower a revolving credit facility on the terms and subject to the conditions contained in this Agreement;

WHEREAS, each Guarantor will benefit from the extension of credit to the Borrower by the Lender;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows.

ARTICLE I

DEFINITIONS

Section 1.1 Defined Terms . As used in this Agreement, the following terms shall have the meanings specified below:

" Additional Guarantor " means each Subsidiary of the Borrower that becomes, at any time after the Closing Date, an additional Guarantor hereunder pursuant to Section 5.5 .

" Affiliate " of any Person, means any Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

" Aggregate Commitment Amount " means U.S.$25,000,000.

" Anti Corruption Laws " means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its Affiliates from time to time concerning or relating to bribery or corruption.

" Applicable Law " means, as to any Person, all applicable constitutions, treaties, laws, statutes, codes, ordinances, orders, decrees, rules and regulations of any Governmental Authority binding upon such Person or to which such a Person is subject.

" Applicable Margin " means a rate *per annum* equal to 2.50%.

" Availability Period " the period commencing on and including the Closing Date and ending on the Commitment Termination Date.

" Base Rate " means, for any day, a fluctuating rate *per annum* equal to the highest of (a) the rate of interest in effect for such day as publicly announced from time to time by the Lender as its "prime rate," (b) the Federal Funds Effective Rate, as in effect for such day, plus 0.5% and (c) the LIBO Rate for

an interest period of one month, plus 1.00%, as adjusted to conform to changes as of the opening of business on the date of any change of such LIBO Rate. Any change in such prime rate announced by the Lender shall take effect at the opening of business on the day specified in the public announcement of such change.

" Board " means the Board of Governors of the Federal Reserve System, together with any successor.

" Borrowing " means a borrowing of Loans made by the Lender pursuant to Section 2.1 .

" Borrowing Date " means a Business Day within the Availability Period specified in a Borrowing Notice as the date on which the Borrower shall make a Borrowing hereunder.

" Borrowing Notice " is defined in Section 2.2(a) .

" Brazilian Guarantor " means each Guarantor organized under the laws of the Federative Republic of Brazil.

" Brazilian Master Franchisee " means Arcos Douraqos Comercio de Alimentos Ltda., or any successor to its rights and obligations under the Second Amended and Restated Master Franchise Agreement, dated as of November 10, 2008 (as the same may be amended, restated, supplemented or otherwise modified from time to time), among McDonald's Latin America and Arcos Dourados Comércio de Alimentos Ltda.

" Breakage Costs " means any loss or expense incurred by· the Lender, which shall consist of losses or expenses incurred in liquidating or employing deposits from third parties (but excluding loss of margin for the remaining portion of any Interest Period after the date of the event that gave rise to such loss or expense) as a result of (a) any payment or prepayment of any Loan accruing interest at the LIBO Rate on a day other than the last day of the Interest Period therefor (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise) or (b) any failure by the Borrower to prepay or borrow any Loan accruing interest at the LIBO Rate on a date or in the amount notified by the Borrower. For purposes of calculating Breakage Costs, each Loan shall be deemed to have been funded at the LIBO Rate applicable to such Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Loan was in fact so funded. A certificate of the Lender setting forth in reasonable detail its calculation of such losses or expenses incurred shall be conclusive absent manifest error.

" Business Day " means any day, other than a Saturday or Sunday, on which (a) banking institutions in the State of New York are open for general business, and (b) when used in connection with the determination of the LIBO Rate, dealings in U.S. dollar deposits are carried out between banks in the London inter-bank market.

" Capital Lease Obligations " of any Person, means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

" Capital Stock " means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated and whether or not voting) of equity of such Person, including each class of Common Stock, Preferred Stock,

limited liability interests or partnership interests, but excluding any debt securities convertible into such equity.

" Change of Control " means the occurrence of one or more of the following events:

(a) the Permitted Holders cease to be the " beneficial owners " (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of 30.0% of the voting power of the Voting Stock of the Borrower, the Brazilian Master Franchisee or the Master Franchisee;

(b) individuals appointed by the Permitted Holders cease for any reason to constitute a majority of the members of the Board of Directors of the Borrower (*de directie*), the Brazilian Master Franchisee or the Master Franchisee;

(c) the sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the assets of the Borrower, the Brazilian Master Franchisee or the Master Franchisee, determined on a Consolidated basis, to any "person" (as defined in Sections 13d and 14d under the Exchange Act), whether or not otherwise in compliance with this Agreement, other than a Permitted Holder; or

(d) the approval by the holders of Capital Stock of the Borrower, the Brazilian Master Franchisee or the Master Franchisee of any plan or proposal for the liquidation or dissolution of any such Person, whether or not otherwise in compliance with this Agreement.

" Change in Law " means, with respect to the Lender, the adoption of, or change in, any law, rule, regulation, policy, guideline or directive (whether or not having the force of law) or any change in the interpretation or application thereof by any Governmental Authority having jurisdiction over the Lender, in each case after the date hereof; provided , that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

" Closing Date " is defined in Section 4.1 .

" Combined/Consolidated Basis " means, when used with respect to the determination of any amount, that such amount is to be determined by combining the relevant amount determined with respect to the Guarantors within a certain Territory and the Consolidated Subsidiaries of such Guarantors operating within the same Territory (but excluding in any event any NonGuarantor Subsidiary of any such Guarantor that does not have operations within the same Territory) on a Consolidated basis, all in accordance with GAAP.

" Commitment " means the Lender's obligation to make Loans to the Borrower in an aggregate principal amount not to exceed, at any time, the Aggregate Commitment Amount as in effect at such time.

" Commitment Fee " is defined in Section 2.7 .

" Commitment Termination Date " shall mean the earliest of (a) the date which is one Business Day prior to the Maturity Date and (b) the date on which the Commitments are terminated pursuant to the last paragraph of Section 7.1 .

" Common Stock " means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Closing Date or issued after the Closing Date, and includes, without limitation, all series and classes of such common equity interests.

" Consolidated " refers to the consolidation of accounts of a Person and its Subsidiaries in accordance with GAAP.

" Consolidated EBITDA " means, with respect to any Person for any period, Consolidated Net Income for such Person for such period, plus the following (without duplication) to the extent deducted or added in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense for such Person for such period;

(2) Consolidated Income Tax Expense for such Person for such period;

(3) Consolidated Non-cash Charges for such Person for such period;

(4) any non-operating and/or non-recurring charges, expenses or losses of such Person and its Subsidiaries for such period; and

(5) the amount of loss on any sale of accounts receivables and related assets to a Securitization Subsidiary in connection with a Permitted Receivables Financing;

less (x) all non-cash credits and gains increasing Consolidated Net Income for such Person for such period, (y) all cash payments made by such Person and its Subsidiaries during such period relating to non-cash charges that were added back in determining Consolidated EBITDA in any prior period and (z) non-operating and/or non-recurring income or gains (less all fees and expenses related thereto) increasing Consolidated Net Income of such Person and its Subsidiaries for such period.

Notwithstanding the foregoing, the items specified in clauses (1) and (3) above for any Subsidiary will be added to Consolidated Net Income in calculating Consolidated EBITDA for any period:

(a) in proportion to the percentage of the total Capital Stock of such Subsidiary held directly or indirectly by such Person at the date of determination; and

(b) to the extent that a corresponding amount would be permitted at the date of determination to be distributed to such Person by such Subsidiary pursuant to its charter and bylaws (*estatutos sociales*) and each law, regulation, agreement or judgment applicable to such distribution.

" Consolidated Income Tax Expense " means, with respect to any Person for any period, the provision for federal, state, local and any other income taxes payable by such Person and its Subsidiaries for such period as determined on a Consolidated basis in accordance with GAAP.

" Consolidated Indebtedness " means, as of any date of determination, all Indebtedness (including the Loans) of a Person and its Subsidiaries determined on a Consolidated basis.

" Consolidated Interest Expense " means, with respect to any Person for any period, the sum (without duplication) determined on a Consolidated basis in accordance with GAAP of:

(1) the aggregate of cash and non-cash interest expense of such Person and its Subsidiaries for such period determined on a Consolidated basis in accordance with GAAP, including, without limitation, the following (whether or not interest expense in accordance with GAAP):

(a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries in the form of additional Indebtedness;

(b) any amortization of deferred financing costs;

(c) the net costs under Hedging Obligations (including amortization of fees) in respect of Indebtedness or that are otherwise treated as interest expense or equivalent under GAAP; provided that if Hedging Obligations result in net benefits rather than costs, such benefits will be credited to reduce Consolidated Interest Expense unless, pursuant to GAAP, such net benefits are otherwise reflected in Consolidated Net Income;

(d) all capitalized interest;

(e) the interest portion of any deferred payment obligation;

(f) any premiums, fees, discounts, expenses and losses on the sale of accounts receivable (and any amortization thereof) payable by the Borrower or any Subsidiary in connection with a Permitted Receivables Financing;

(g) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances; and

(h) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries or secured by a Lien on the assets of such Person or one of its Subsidiaries, whether or not such Guarantee or Lien is called upon; and

(2) the interest component of Capital Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries during such period.

" Consolidated Net Income " means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a Consolidated basis, determined in accordance with GAAP; provided that there will be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) net after-tax gains or losses from asset sale transactions or abandonments or reserves relating thereto;

(2) net after-tax items classified as extraordinary, special (reflected as a separate line item on a consolidated income statement prepared in accordance with GAAP) gains or losses or income or expense or charge including, without limitation, any severance expense, and fees, expenses or charges related to any offering of Capital Stock of such Person, any Investment, asset acquisition or Indebtedness;

(3) the net income (or loss) of any other Person (other than such Person and any Subsidiary of such Person); except that such Person's equity in the net income of any such other Person will be included up to the aggregate amount of cash actually distributed by such other Person during such period to such Person or a Subsidiary of such Person as a dividend or other distribution; and except further that

such Person's equity in the net loss of any other Person will be included to the extent such loss has been funded with cash from such Person or a Subsidiary of such Person;

(4) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of Consolidated Net Income accrued at any time following the Closing Date;

(5) any gain (or loss) from foreign exchange translation or change in net monetary position;

(6) any net gain or loss (after any offset) resulting in such period from Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes; provided that the net effect on income or loss (including in any prior periods) will be included upon any termination or early extinguishment of such Hedging Obligations, other than any Hedging Obligations with respect to Indebtedness (that is not itself a Hedging Obligation) and that are extinguished concurrently with the termination or other prepayment of such Indebtedness; and

(7) the cumulative effect of changes in accounting principles.

" Consolidated Net Indebtedness " means, with respect to any Person as of any date of determination, an amount equal to Consolidated Indebtedness minus cash and cash equivalents and consolidated marketable securities recorded as current assets (except for any Capital Stock in any Person) in all cases determined in accordance with GAAP and as set forth in the most recent consolidated balance sheet of such Person and its Subsidiaries.

" Consolidated Net Indebtedness to EBITDA Ratio " means, at any date of determination, the ratio (expressed as a decimal) of: (a) Consolidated Net Indebtedness of the Borrower as at such date divided by (b) Consolidated EBITDA of the Borrower for the four (4) most recent fiscal quarters ending on or before such date.

" Consolidated Non-cash Charges " means, with respect to any Person for any period, the aggregate depreciation, amortization and other non-cash expenses or losses of such Person and its Subsidiaries for such period, determined on a Consolidated basis in accordance with GAAP (excluding any such charge which constitutes an accrual of or a reserve for cash charges for any future period or the amortization of a prepaid cash expense paid in a prior period).

" Consolidated Total Assets " means, as of any date of determination, the total assets shown on the Consolidated balance sheet of the Borrower and its Subsidiaries as of the most recent date for which such a balance sheet is available, determined on a Consolidated basis in accordance with GAAP, calculated on a *pro forma* basis to give effect to any acquisition or disposition of companies, divisions, lines of business or operations by the Borrower and its Subsidiaries subsequent to such date and on or prior to the date of determination.

" Consolidated Net Worth " means, for any period, for the Borrower and its Subsidiaries on a Consolidated basis, the total shareholder's equity (or total assets minus total liabilities) which would appear as such on the Consolidated balance sheet of the Borrower and its Subsidiaries on a Consolidated basis, as determined in accordance with GAAP.

" Contingent Obligation " means, as to any Person, (without duplication): (a) a guarantee, an indemnity obligation in respect of a guarantee or performance bond (including a *fianza*), an endorsement or an *aval* , (b) a contingent agreement to purchase or to furnish funds for the payment or maintenance of, or otherwise to be or become contingently liable under or with respect to, any Indebtedness, other

obligations, net worth, working capital or earnings of any Person, (c) an agreement to purchase, sell or lease (as lessee or lessor) Property or services, primarily in each case for the purpose of enabling a debtor to make payment of its obligations, or (d) an agreement to assure a creditor against loss; *in each case* including causing a bank or other Person to issue a letter of credit or other similar instrument for the benefit of any Person, but excluding endorsement for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation of any Person shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined in good faith.

" Contributing Subsidiary " is defined in Section 5.5(b) .

" CRR " means the Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

" CS L/C Documents " means the CS Letter of Credit, the CS Letter of Credit Agreement, the CS UC Security Documents and each other agreement, instrument or document delivered in connection with the foregoing, as the same may be amended, restated, supplemented or otherwise modified from time to time.

" CS UC Security Documents " means the security agreement dated as of August 3, 2007 made by the Subsidiaries of the Borrower party thereto and the pledge agreement dated as of August 3, 2007 made by the Subsidiaries of the Borrower party thereto, in each case to secure the obligations under the CS Letter of Credit Agreement.

" CS Letter of Credit " means the irrevocable standby letter of credit issued on August 3, 2007, for the account of the Borrower and the subsidiary guarantors identified thereto, for the benefit of McDonald's Latin America, pursuant to the CS Letter of Credit Agreement.

" CS Letter of Credit Agreement " means the Letter of Credit Reimbursement Agreement, dated as of August 3, 2007, between the Borrower and Credit Suisse, Cayman Islands Branch, as issuing bank.

" Costa Rican Guarantor " means each Guarantor organized under the laws of Costa Rica.

" Debtor Relief Laws " means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, *recuperação judicial* , *regime de administração especial temporária* , *concurso mercantil* , *quiebra* or similar debtor relief laws of the United States of America, The Netherlands, Mexico, Costa Rica, Panama, Brazil, and/or any other jurisdictions applicable to the Borrower or any Guarantor from time to time in effect affecting the rights of creditors generally.

" Default " means any event or condition that, with the giving of any notice, the passage of time, or both, would result in an Event of Default.

" Disqualified Capital Stock " means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof

" Dollars " and " U.S.$ " means the lawful currency of the United States.

" Environmental Laws " means any and all Brazilian, U.S., state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any Hazardous Materials into the environment.

" Environmental Liability " means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

" Event of Default " means any of the events specified in Article VII ; provided that any requirement set forth therein for the giving of notice, the lapse of time, or both, has been satisfied.

" Exchange Act " means the Securities Exchange Act of 1934.

" Excluded Subsidiary " means any Subsidiary of the Borrower that is prevented or prohibited from becoming a Guarantor under local laws or pursuant to its organizational documents or due the existence of minority shareholders.

" Excluded Taxes " means any of the following Taxes imposed on or with respect to the Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, or required to be withheld or deducted from any such payment: (a) Taxes imposed on or measured by its overall net income (however denominated), and branch profits and franchise taxes, in each case, (i) imposed by the jurisdiction (or any political subdivision thereof) under the Applicable Law of which such recipient is organized, is doing business, is considered a resident for tax purposes, or in which its principal office is located or, in which its applicable lending office is located; (ii) imposed as the result of any other present or former connection between the Lender and the jurisdiction imposing such Tax (other than connections arising from such Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document); or (iii) imposed by the Netherlands as a result of the Lender owning, directly or indirectly, 5% or more of the Capital Stock of the Borrower from a Dutch law perspective; (b) withholding Taxes to the extent attributable to the Lender's failure to provide to the Borrower, at the time or times required by Applicable Law such properly completed and executed documentation reasonably requested by the Borrower as the Lender is legally entitled to provide and will permit such payments to be made without withholding or at a reduced rate of withholding, as applicable; and (c) any U.S. federal withholding Taxes imposed under FATCA.

" Fair Market Value " means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided* that the Fair Market Value of any such asset or assets will be determined conclusively by the Board of Directors of the Borrower acting in good faith, and will be evidenced by a board resolution.

" FATCA " means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements

entered into pursuant to Section 1471(b)(1) of the Code and any intergovernmental agreements (together with any law implementing such agreements).

" Federal Funds Effective Rate " means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the U.S. Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Lender on such day on such transactions as determined by the Lender; provided further that if the Federal Funds Effective Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

" Fee Letter " means that certain fee letter dated as of the date hereof between the Borrower and the Lender.

" Financial Officer " of any Person means the chief financial officer, principal accounting officer, treasurer, assistant treasurer or controller of such Person.

" Franchise Documents " means the Master Franchise Agreements and any other documents pursuant to which the Borrower or any of its Subsidiaries has acquired the right to operate any franchised restaurant in Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curacao, Ecuador, French Guiana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Trinidad and Tobago, Uruguay, Venezuela and the U.S. Virgin Islands of St. Thomas and St. Croix, as the same may be amended, restated, supplemented or otherwise modified from time to time.

" GAAP " means the generally accepted accounting principles in the United States of America, as in effect from time to time, consistently applied throughout the periods involved.

" Governmental Authority " means, as applicable, the government of Brazil, Mexico, Costa Rica, Panama, The Netherlands, the United States, any other nation, or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

" Guarantor " means Arcos Dourados Comércio de Alimentos Ltda., ADCR Inmobiliaria S.A., Arcos Dorados Costa Rica ADCR, S.A., Arcos Dorados Panamá, S.A., Sisternas MCopco Panamá, S.A., Arcos Dorados Holdings, Inc. and each Additional Guarantor.

" Guaranty " means the guarantee by the Guarantors pursuant to Article VIII .

" Hazardous Materials " means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

" Hedging Obligations " means the obligations of any Person pursuant to (i) any interest rate protection agreement, including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements and/or other types of hedging agreements designed to hedge interest rate risk of such Person, (ii) any foreign exchange contract, currency swap agreement or other similar

agreement as to which such Person is a party designed to hedge foreign currency risk of such Person, or (iii) any commodity swap agreement, commodity cap agreement, commodity collar agreement, commodity or raw material futures contract or any other agreement as to which such Person is a party designed to manage commodity risk of such Person.

" Impacted Interest Period " is defined in the definition of "LIBO Rate."

" Indebtedness " means, for any Person (without duplication):

(a) the principal amount (or, if less, the accreted value) of all obligations for borrowed money,

(b) obligations evidenced by bonds, debentures, notes or similar instruments (other than rental obligations under operating leases, whether or not evidenced by notes),

(c) obligations of such Person issued or assumed as the deferred purchase price of Property or services and obligations under any title retention agreement (excluding trade accounts payable in the ordinary course of business),

(d) reimbursement obligations in respect of letters of credit, banker's acceptances or similar credit transactions (except to the extent they relate to trade payables in the ordinary course of business and such obligation is satisfied within twenty (20) Business Days of incurrence),

(e) indebtedness (excluding prepaid interest thereon) secured by any Lien on any Property of such Person, whether or not such liabilities have been assumed by such Person (the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such Property and the amount of the indebtedness so secured),

(f) Capital Lease Obligations,

(g) net obligations under Hedging Obligations of such Person (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time),

(h) all liabilities recorded on the balance sheet of such Person in connection with a sale or other disposition of accounts receivable and related assets;

(i) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any; *provided* that

(i) if the Disqualified Capital Stock does not have a fixed repurchase price, such maximum fixed repurchase price will be calculated in accordance with the terms of the Disqualified Capital Stock as if the Disqualified Capital Stock were purchased on any date on which Indebtedness will be required to be determined hereunder; and

(ii) if the maximum fixed repurchase price is based upon, or measured by, the fair market value of the Disqualified Capital Stock, the fair market value will be the Fair Market Value thereof;

(j) the amount of al1 Permitted Receivables Financings of such Person; and

(k) Contingent Obligations relating to any of the foregoing Indebtedness.

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingency obligations at such date.

" Indemnified Taxes " means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

" Interest Payment Date " means, for each Loan, the last day of each Interest Period applicable to such Loan.

" Interest Period " means, with respect to each Loan, initially the period commencing on (and including) the date such Loan is made and ending (but excluding, for purposes of calculating interest) on the numerically corresponding day three calendar months (or, solely for purposes of computing the Base Rate by reference to the LIBO Rate, one calendar month) thereafter, and thereafter, each period commencing on (and including) the last day of the immediately preceding Interest Period applicable to such Loan and ending (but excluding, for purposes of calculating interest) on the numerically corresponding day three calendar months (or, solely for purposes of computing the Base Rate by reference to the LIBO Rate, one calendar month) thereafter; provided that (a) if any Interest Period would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day, unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day; (b) any Interest Period that would otherwise extend beyond the Maturity Date shall end on the Maturity Date, respectively; and (c) any Interest Period that begins on the last day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

" Interpolated Rate " means, at any time, for any Interest Period, the rate *per annum* (rounded to the same number of decimal places as the LIBO Screen Rate) determined by the Lender (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the LIBO Screen Rate for the longest period for which the LIBO Screen Rate is available for Dollars) that is shorter than the Impacted Interest Period; and (b) the LIBO Screen Rate for the shortest period (for which that LIBO Screen Rate is available for Dollars) that exceeds the Impacted Interest Period, in each case, at such time.

" Investment " means, with respect to any Person, any: (1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Contingent Obligation) to any other Person (other than advances or extensions of credit to customers in the ordinary course of business); (2) capital contribution (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) to any other Person; or (3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

" LIBO Rate " means, with respect to any Interest Period, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate for Dollars) for a period equal in length to such Interest Period as displayed on pages LIBOR0l or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a

Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Lender in its reasonable discretion; in each case the " LIBO Screen Rate ") at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period; provided that if the LIBO Screen Rate shall be less than zero, such rate shall be deemed to, be zero for the purposes of this Agreement; provided further that if the Screen Rate shall not be available at such time for such Interest Period (an " Impacted Interest Period ") with respect to Dollars then the LIBO Rate shall be the Interpolated Rate; provided that if any Interpolated Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

" LIBO Screen Rate " is defined in the definition of "LIBO Rate."

" Lien " means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing); provided that in no event shall an operating lease be deemed to constitute a Lien.

" Loan " is defined in Section 2.1 .

" Loan Documents " means, collectively, this Agreement, the Note, the Fee Letter and each Subsidiary Joinder Agreement (if any).

" Loan Parties " means the Borrower and the Guarantors.

" Master Franchise Agreements " means the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008 (as the same may be amended, restated, supplemented or otherwise modified from time to time), among McDonald's Latin America, the Borrower and the other parties thereto, and the Second Amended and Restated Master Franchise Agreement, dated as of November 10, 2008 (as the same may be amended, restated, supplemented or otherwise modified from time to time), among McDonald's Latin America and Arcos Dourados Comércio de Alimentos Ltda.

" Master Franchisee " means LatAm, LLC, or any successor to its rights and obligations under the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008 (as the same may be amended, restated, supplemented or otherwise modified from time to time), among McDonald's Latin America, the Borrower and the other parties thereto.

" Material Adverse Effect " means a material adverse effect on (a) the business, properties, operations or financial condition of the Borrower and its Subsidiaries, taken as a whole, (b) the ability of the Loan Parties, taken as a whole, to pay or perform their respective obligations, liabilities and indebtedness under the Loan Documents as such payment or performance becomes due in accordance with the terms thereof, (c) the rights and remedies of the Lender under any Loan Document or the validity, legality, binding effect or enforceability thereof.

" Material Subsidiary " means, at any time, any Guarantor and any other Subsidiary of the Borrower that (a) represents 10% or more of Consolidated EBITDA of the Borrower for the four fiscal quarters most recently ended at the time of determination, or (b) holds assets representing 10% or more of Consolidated Tutal Assets. As of the Closing Date (determined based on the financial condition and results of operations as of and for the period of four (4) fiscal quarters ended on June 30, 2016), the Material Subsidiaries are as set forth on Schedule 1.1 .

" Maturity Date " means November 10, 2017.

" McDonald's Mortgage " means any mortgages granted in favor of McDonald's Latin America on Secured Restricted Real Estate, in each case securing obligations owing to McDonald's Latin America under the Master Franchise Agreement in an aggregate amount not to exceed the undrawn portion of the Letter of Credit on the date of termination thereof.

" McDonald's Security Documents " means the McDonald's U.S. Stock Pledge Agreement, dated as of August 3, 2008, made by the Borrower and the other parties thereto in favor of McDonald's Latin America, the McDonald's Foreign Pledge Agreements and the McDonald's Deposit Pledge Agreement and any other agreement, instrument or document under which any Lien is granted to secure obligations under the Franchise Documents, as the same may be amended, restated, supplemented or otherwise modified from time to time.

" Non-Guarantor Subsidiary " means, as of any time of determination, each Subsidiary of the Borrower that is not a Guarantor at such time.

" Non-Public Lender " means (i) prior to the publication of an interpretation of "public" as referred to in the CRR by the competent Government Authority or Government Authorities, an entity which (x) assumes existing rights and/or obligations vis-à-vis the Borrower, the value of which is at least EUR 100,000 (or its equivalent in another currency), (y) provides repayable funds for an initial amount of at least EUR 100,000 (or its equivalent in another currency) or (z) otherwise qualifies as not forming part of the public; and (ii) upon the interpretation of the term "public" as referred to in the CRR being published by the relevant Government Authority or Government Authorities, an entity which is not considered to form part of the public on the basis of such interpretation.

" Note " means each promissory note executed by the Borrower in favor of the Lender, substantially in the form of Exhibit B .

" Obligations " means all advances to, and debts, liabilities, obligations, covenants and duties of, the Borrower and the Guarantors arising under any Loan Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the Borrower, any Guarantor or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed or allowable claims in such proceeding.

" Other Taxes " means all present or future stamp, court or documentary, intangible, recording, filing or any other similar Taxes, charges or levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery, registration or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

" Panamanian Guarantor " means each Guarantor organized under the laws of Panama.

" Permitted Holders " means (a) any Person that is an Affiliate of the Borrower prior to an event giving rise to a Change of Control (and not established as an Affiliate in order to effect what would otherwise be a Change of Control), (b) Woods W. Staton and any Related Party of Woods W. Staton and (c) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned directly or indirectly 51% or more by Persons specified in clause (b).

“ Permitted Receivables Financing ” means any receivables financing facility or arrangement pursuant to which a Securitization Subsidiary purchases or otherwise acquires accounts receivable of the Borrower or any Subsidiary and enters into a third party financing thereof on terms that the Board of Directors of the Borrower or such Subsidiary has concluded are customary and market terms fair to such Person.

“ Person ” means an individual, partnership, corporation, business trust, joint stock company, limited liability company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“ Preferred Stock ” means, with respect to any Person, any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

“ Property ” shall mean any right or interest in or to property, assets, rights or revenues of any kind whatsoever, whether real, personal or mixed, whether existing or future and whether tangible or intangible, including intellectual property.

“ Regulation U ” means Regulation U (12 C.F.R. Part 221) of the Board, as the same may be modified and supplemented and in effect from time to time.

“ Regulation X ” means Regulation X (12 C.F.R. Part 224) of the Board, as the same may be modified and supplemented and in effect from time to time.

“ Related Party ” means, with respect to any Person, (1) any Subsidiary, spouse, descendant or other immediate family member (which includes any child, stepchild, parent, stepparent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law) (in the case of an individual), of such Person, (2) any estate, trust, corporation, partnership or other entity, the beneficiaries and stockholders, partners or owners of which consist solely of one or more Permitted Holders referred to in clause (1) of the definition thereof and /or such other Persons referred to in the immediately preceding clause (1), or (3) any executor, administrator, trustee, manager, director or other similar fiduciary of any Person referred to in the immediately preceding clause (2), acting solely in such capacity.

“ Sanctioned Person ” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, or by the United Nations Security Council, the European Union or The Netherlands, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned 50% or more any such Person or Persons described in the foregoing clause (a).

“ Sanctioned Country ” means, at any time, a country or territory which is itself the subject or target of any Sanctions (at the time of this Agreement, Cuba, Crimea, Iran, North Korea, Sudan and Syria).

“ Sanctions ” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (b) the United Nations Security Council, the European Union, The Netherlands or Her Majesty’s Treasury of the United Kingdom.

“ Securitization Subsidiary ” means (a) a Subsidiary that is designated a “Securitization Subsidiary” by the Board of Directors of the Borrower, (b) that does not engage in, and whose charter prohibits it from engaging in, any activities other than Permitted Receivables Financings and any activity

necessary, incidental or related thereto, (c) no portion of the Indebtedness or any other obligation, contingent or otherwise, of which is guaranteed by the Borrower or any Material Subsidiary, is recourse to or obligates the Borrower or any Material Subsidiary of the Borrower in any way, subjects any property or asset of the Borrower or any Material Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof and (d) with respect to which neither the Borrower nor any Material Subsidiary has any obligation to maintain or preserve its financial condition or cause it to achieve certain levels of operating results other than, in respect of clauses (c) and (d), pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Permitted Receivables Financing.

" Subsidiary " means, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock of each class or other interests having ordinary voting power (other than stock or other interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are, at the time owned, or the management of which is otherwise controlled by, such Person or by one or more Subsidiaries of such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower

" Subsidiary Joinder Agreement " means each agreement executed by an Additional Guarantor in the form of Exhibit E .

" Taxes " means any and all present or future taxes, duties, levies, imposts, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, whether computed on a separate, consolidated, unitary, combined or other basis and any and all liabilities (including interest, fines, penalties or additions to tax) with respect to the foregoing.

" Territory " means, with respect to any Guarantor and any Subsidiary of any Guarantor, the country in which such Subsidiary is organized and has its primary operations.

" United States " means the United States of America.

" Voting Stock " means Capital Stock in any Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or individuals performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

Section 1.2 Rules of Construction .

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof ' and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and

Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and Properties, including cash, securities, accounts and contract rights.

(b) In this Agreement and each other Loan Document, unless the context clearly requires otherwise (or such other Loan Document clearly provides otherwise), (i) “amend” shall mean “amend, restate, amend and restate, supplement or modify;” and “amended,” “amending” and “amendment” shall have meanings correlative to the foregoing; (ii) in the computation of periods of time from a specified date to a later specified date, “from” shall mean “from and including,” “to” and “until” shall mean “to but excluding,” and “through” shall mean “to and including;” (iii) “hereof,” “herein” and “hereunder” (and similar terms) in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document; and (iv) references to “the date hereof ‘ shall mean the date first set forth above.

(c) In this Agreement unless the context clearly requires otherwise, any reference to (i) an Exhibit or Schedule is to an Exhibit or Schedule, as the case may be, attached to this Agreement and constituting a part hereof, and (ii) a Section or other subsection is to a Section or such other subsection of this Agreement.

(d) Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP; provided that, if the Borrower notifies the Lender that the Borrower requests an amendment to my provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision, regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

(e) For purposes of Section 5.5(a) and Section 6.6 , the definitions of Consolidated Net Indebtedness, Consolidated EBITDA and Consolidated Net Indebtedness to EBITDA Ratio will be calculated after giving effect on a pro forma basis in good faith for the period of such calculation for the following:

(i) the incurrence, repayment or redemption of any Indebtedness (including acquired Indebtedness) of such Person or any of its Subsidiaries, and the application of the proceeds thereof, including the incurrence of any Indebtedness (including acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such four-quarter period or at any time subsequent to the last day of such four-quarter period and prior to or on such date of determination, to the extent, in the case of an incurrence, such Indebtedness is outstanding on the date of determination, as if such incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such four-quarter period; and

(ii) any asset sale transaction or asset acquisition by such Person or any of its Subsidiaries, including any asset sale or asset acquisition giving rise to the need to make such determination, occurring during the four-quarter period or at any time subsequent to the last day

of the four-quarter period and prior to or on such date of determination, as if such asset sale transaction or asset acquisition occurred on the first day of the fourquarter period.

For purposes of making such pro forma computation, the amount of Indebtedness under any revolving credit facility will be computed based on:

(A) the average daily balance of such Indebtedness during such four- quarter period; or

(B) if such facility was created after the end of such four-quarter period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation,

in each case giving pro forma effect to any borrowings related to any transaction referred to in clause (ii) of this Section 1.2(e) .

ARTICLE II

LOANS

Section 2.1 Loans . Subject to the terms and conditions set forth herein, the Lender agrees to make loans (each such loan, a " Loan ") to the Borrower from time to time, on any Business Day during the Availability Period, subject to Section 2.2 , in an aggregate amount not to exceed, at any time outstanding, the Aggregate Commitment Amount. Within the limits of the Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.1 , repay and reborrow under this Section 2.1 .

Section 2.2 Borrowing .

(a) To request a Borrowing, the Borrower shall give the Lender an irrevocable notice substantially in the form of Exhibit A (the " Borrowing Notice ") signed by the Borrower and appropriately completed, not later than by 11:00 a.m. (New York City time) three Business Days prior to the date the Borrowing is desired. The initial borrowing shall (i) be in a principal amount of at least U.S.$100,000 and (ii) be provided by a Lender that is a Non-Public Lender.

(b) Upon satisfaction of the applicable conditions set forth in Section 4.2 , the Lender shall make the amount of the requested Loan available to the Borrower in immediately available funds on the Borrowing Date specified in the Borrowing Notice.

Section 2.3 Termination of Commitment . The Commitment shall automatically terminate at 5:00 p.m. (New York City time) on the Commitment Termination Date.

Section 2.4 Repayment of the Loans . The Borrower hereby unconditionally promises to pay to the Lender on the Maturity Date the aggregate principal amount of all Loans outstanding on such date.

Section 2.5 Optional Prepayment; Mandatory Prepayment.

(a) The Borrower shall have the right, upon three Business Days' irrevocable notice to the Lender, to prepay on any Business Day, without premium or penalty, all or any portion of the Loans then outstanding. Prepayments must be accompanied by a payment of all accrued and unpaid interest on the amount so prepaid through the date of prepayment.

(b) If on any Business Day for any reason the total outstanding principal amount of the Loans at any time exceeds the Aggregate Commitment Amount then in effect, the Borrower shall immediately prepay Loans in an aggregate amount equal to such excess.

(c) Each payment pursuant to this Section 2.5 shall be accompanied by accrued interest to such date on the amount prepaid and any additional amounts required to be paid pursuant to Section 2.15 .

Section 2.6 Interest Rates and Interest Payment Dates.

(a) Except as set forth in clause (b) below or in Section 2.9 or 2.11 , each Loan shall bear interest on the unpaid principal amount thereof, for the period from (and including) the day such Loan is made to, but excluding, the day such Loan is paid at a rate *per annum* equal to the LIBO Rate determined for the Interest Period then in effect, plus the Applicable Margin. Accrued (and theretofore unpaid) interest on each Loan shall be payable (i) in arrears on each Interest Payment Date, (ii) on the date of any prepayment (on the amount prepaid) and (iii) at maturity (whether at stated maturity, by acceleration or otherwise) and, after such maturity, on demand.

(b) During the continuance of any Event of Default, (i) all principal of any Loan shall bear interest, payable on demand, for each day until paid at a rate *per annum* equal to the rate that is 2% in excess of the interest rate then applicable to the Loan, and at any time following the termination of the Interest Period then in effect such rate shall be equal to 2% plus the Base Rate plus 1.50% determined from time to time and (ii) to the extent permitted by Applicable Law, any overdue interest or other amounts owing hereunder shall bear interest, payable on demand, for each day until paid at a rate *per annum* equal to 2% plus the Base Rate plus 1.50% determined from time to time. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) All computations of interest for Loans determined by reference to the Base Rate shall be made on the basis of a year of 365 days or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed.

(d) Each determination by the Lender of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error. The Lender shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Lender in determining the LIBO Rate or the Base Rate, as applicable.

Section 2.7 Commitment Fee . The Borrower agrees to pay to the Lender on the last day of each March, June, September and December, commencing with December 31, 2016, and on the Commitment Termination Date, a commitment fee (the " Commitment Fee "), at a rate of 0.75% *per annum* on the average daily amount of the unutilized portion of the Commitment of the fiscal quarter of the Borrower ended on such day. The phrase "unutilized portion of the Commitment" as used in the preceding sentence means, as of any day, the positive difference between (a) the amount of the Commitment, and (b) the outstanding principal amount of the Loans. The Commitment Fee shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Commitment Fee due to the Lender shall commence to accrue on the Closing Date, shall be payable in arrears and shall cease to accrue on the date on which the Commitment shall be terminated or terminates as provided herein.

Section 2.8 Note.

(a) The obligation of Borrower to repay the aggregate principal balance of all Loans hereunder outstanding at any one time shall be evidenced by a note governed by the laws of the State of New York executed by the Borrower, as issuer, payable to the order of the Lender, substantially in the form of Exhibit B, as such Note may be modified or amended from time to time.

(b) The payment of any part of the principal of the Note shall discharge the obligation of the Borrower under this Agreement to pay principal of the Loans evidenced by the Note *pro tanto*, and the payment of any principal of a Loan in accordance with the terms hereof shall discharge the obligations of the Borrower under the Note *pro tanto*.

(c) In the event of any inconsistency between this Agreement and the Note with respect to the calculation of interest or any other amount due hereunder, this Agreement shall prevail.

Section 2.9 Inability to Determine Interest Rate. If, prior to the commencement of any Interest Period, the Lender determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period or that the LIBO Rate for such Interest Period will not adequately and fairly reflect the cost of the Lender of making or maintaining the Loans for such Interest Period, then the Lender shall give notice thereof to the Borrower by telephone or telecopy as practicable thereafter and each Loan shall bear interest at a rate *per annum* equal to the Base Rate plus the Applicable Margin for such Interest Period and each subsequent Interest Period until the Lender notifies the Borrower that the circumstances giving rise to such notice no longer exist.

Section 2.10 Payments Generally. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Lender, at the Lender's office in Dollars and in immediately available funds not later than 4:00 p.m. (New York time) on the date specified herein. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected on computing interest or fees, as the case may be.

Section 2.11 Illegality. If any Change in Law makes it unlawful, or any Governmental Authority of competent jurisdiction has asserted that it is unlawful, for the Lender or its applicable lending office to make, maintain or fund the Loans, or to determine or charge interest rates based upon the LIBO Rate, or any Governmental Authority has imposed material restrictions on the authority of the Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by the Lender to the Borrower, (i) any obligation of the Lender to make or continue Loans at the LIBO Rate shall be suspended, and (ii) if such notice asserts the illegality of the Lender making or maintaining Loans the interest rate on which is determined by reference to the LIBO Rate component of the Base Rate, the interest rate on which the Loans shall, if necessary to avoid such illegality, be determined by the Lender without reference to the LIBO Rate component of the Base Rate, in each case until the Lender notifies the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (x) all Loans shall commence to bear interest at the Base Rate (which shall, if necessary to avoid such illegality, be determined by the Lender without reference to the LIBO Rate component of the Base Rate) plus 1.50%, either on the last day of the Interest Period therefor, if the Lender may lawfully continue to maintain the Loans bearing interest at the LIBO Rate to such day, or immediately, if the Lender may not lawfully continue to maintain such Loans bearing interest at the LIBO Rate and (y) if such notice asserts the illegality of the Lender determining or charging interest rates based upon the LIBO Rate, the Lender shall, during the period of such suspension, compute the Base Rate without reference to the LIBO Rate component thereof until the Borrower is advised in writing by the

Lender that it is no longer illegal for the Lender to determine or charge interest rates based upon the LIBO Rate. Upon any such conversion of Loans from bearing interest at the LIBO Rate to the Base Rate, the Borrower shall pay to the Lender all accrued and unpaid interest on the amount so converted.

Section 2.12 Taxes .

(a) Any and all payments by or on account of any obligation of the Borrower or any Guarantor hereunder or under any other Loan Document shall, to the extent permitted by Applicable Law, be made free and clear of and without deduction or withholding for any Taxes. If, however, Applicable Law requires the Borrower or any Guarantor to withhold or deduct any Tax, such Tax shall be withheld or deducted in accordance with such Applicable Law as determined by the Borrower or such Guarantor.

(b) If the Borrower or any Guarantor shall be required by Applicable Law to withhold or deduct any Taxes from any payment, then (i) the Borrower or such Guarantor shall withhold or make such deductions as are determined by the Borrower or such Guarantor to be required, (ii) the Borrower or such Guarantor shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with Applicable Law, and (iii) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the Borrower or such Guarantor shall be increased by such additional amounts as necessary so that after any such required withholding or the making of all such required deductions (including withholding or deductions applicable to additional sums payable under this Section 2.12) the Lender receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(c) Without limiting the provisions of clause (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(d) Without limiting the provisions of clause (a), (b) or (c) above, the Borrower shall, and does hereby indemnify the Lender, and shall make payment in respect thereof, within ten days after written demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributed to amounts payable under this Section 2.12) withheld or deducted by the Borrower or any Guarantor or paid by the Lender, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of any such payment or liability delivered to the Borrower by the Lender shall be conclusive absent manifest error.

(e) Within 30 calendar days, upon request by the Lender, after any payment of Taxes by the Borrower to a Governmental Authority as provided in this Section 2.12 , the Borrower shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment or any other evidence available that is reasonably satisfactory to the Lender.

(f) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower, at the time or times reasonably requested by the Borrower, such properly completed and executed documentation reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower, shall deliver such other documentation reasonably requested by the Borrower as will enable the Borrower to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation shall not be required if in the Lender’s reasonable judgment such completion, execution or submission would subject such Lender to any material

unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(g) If the Lender determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.12 (including the payment of additional amounts pursuant to this Section 2.12), it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.12 with respect to the Taxes giving rise to such refund), net of all outof-pocket expenses (including Taxes) of the Lender and without interest (other than any interest paid by the relevant taxation authority with respect to such refund). Upon the request of the Lender, the Borrower shall repay to the Lender the amount paid over pursuant to this Section 2.12(f) (plus any penalties, interest or other charges imposed by the relevant taxation authority) in the event that the Lender is required to repay such refund to such taxation authority. Notwithstanding anything to the contrary in this Section 2.12(g) , in no event will the Lender be required to pay any amount to the Borrower pursuant to this Section 2.12(g) the payment of which would place the Lender in a less favorable net after-Tax position th.an the Lender would have been in if the indemnification payments or additional amounts giving rise to such refund "had never been paid. This paragraph shall not be construed to require the Lender to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the Borrower.

Section 2.13 Requirements of Law .

(a) In the event that any Change in Law or compliance by the Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority occurring after the date hereof:

(i) does or shall impose, modify or hold applicable any reserve, special deposit or similar requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, any office of the Lender which are not otherwise included in the determination of the LIBO Rate; or

(ii) does or shall impose on the Lender or the London interbank market any other condition affecting this Agreement or the Loans;

and the result of any of the foregoing is to increase the cost to the Lender or its lending office of making or maintaining advances or extensions of credit or to reduce any amount received or receivable hereunder, whether of principal, interest or otherwise (other than an increase in cost or reduction in amount attributable to Taxes, as to which Section 2.12 shall govern), in each case, in respect of the Loans, then , in any such case, the Borrower shall pay the Lender, within 30 days from demand, such additional amount or amounts as will compensate it for such additional cost incurred or reduction suffered.

(b) If the Lender reasonably determines in good faith that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on the Lender's capital or on the capital of the Lender's holding company, if any, as a consequence of this Agreement, the Commitment or the Loans to a level below that which the Lender or the Lender's holding company could have achieved but for such Change in Law (taking into consideration the Lender's policies and the policies of the Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender or the Lender's holding company for any such reduction suffered.

(c) A certificate of the Lender setting forth in reasonable detail the basis for the calculation of the amount or amounts necessary to compensate the Lender or its holding company, as the

case may be, as specified in clauses (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay the Lender the amount shown as due on any such certificate within 30 days after receipt thereof. Failure or delay on the part of the Lender to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of the Lender's right to demand such compensation; provided, however, that the Borrower shall not be required to compensate the Lender pursuant to this Section 2.13 for any increased cost incurred more than 180 days before it notifies the Borrower of the Change in Law giving rise to such increased cost and of its intention to claim compensation therefore. However, if the Change in Law giving rise to such increased cost or reduction is retroactive, then the 180-day period referred to above will be extended to include the period of retroactive effect thereof.

Section 2.14 Mitigation Obligations. If the Lender requests compensation under Section 2.13, or requires the Borrower or any Guarantor to pay any Indemnified Taxes or additional amounts to the Lender or any Governmental Authority for the account of the Lender pursuant to Section 2.12, then the Lender shall (at the request of the Borrower or the Guarantor) use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of the Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.12 or Section 2.13, as the case may be, in the future, and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to the Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by the Lender in connection with any such designation or assignment.

Section 2.15 Breakage Costs. The Borrower agrees to reimburse the Lender for any Breakage Costs. The Borrower shall pay the Lender the amount shown as due on any certificate delivered by the Lender to the Borrower setting forth in reasonable detail Breakage Costs incurred within 30 days after receipt thereof.

Section 2.16 Survival. The provisions of Sections 2.11, 2.12, 2.13 and 2.15 shall survive termination of the Commitment and the repayment of all Obligations hereunder.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

The Borrower and each Guarantor hereby represents and warrants to the Lender as of the Closing Date and on each Borrowing Date, that:

Section 3.1 Financial Condition; No Material Adverse Effect. (a) The audited Consolidated balance sheets of the Borrower and its Subsidiaries as at December 31, 2015, including the related schedules and notes thereto, and the unaudited Consolidated balance sheets of the Borrower and its Subsidiaries as at June 30, 2016, including the related schedules and notes thereto, in each case, present fairly the financial condition of the Borrower and its Subsidiaries as of the end of such fiscal year and fiscal quarter, respectively, and results of their operations and the changes in their undistributed net assets for the fiscal year and fiscal quarter, respectively, then ended.

(b) Since December 31, 2015, there has been no event or circumstance that has had or would reasonably be expected to have a Material Adverse Effect.

Section 3.2 Existence and Qualification; Power. The Borrower and each Material Subsidiary (a) is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of

the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, and (c) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license; except in each case referred to in clause (a) but only with respect to any Material Subsidiary that is not a Guarantor, (b)(i) or (c), to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect.

Section 3.3 Authorization; Enforceable Obligations; No Contravention . The execution, delivery and performance of this Agreement and the other Loan Documents by the Loan Parties have been duly authorized by all necessary action, and this Agreement is and the other Loan Documents, when executed, will be legal, valid and binding obligations of the Loan Parties party thereto, enforceable in accordance with their respective terms, except as enforceability may be limited by applicable Debtor Relief Laws. The execution, delivery and performance of this Agreement and the other Loan Documents (i) are not in contravention of law or of the terms of any Loan Party's organizational documents, and (ii) will not result in the breach of or constitute a default under, or result in the creation of a Lien or require a payment to be made under any indenture, agreement or undertaking to which the Borrower or any Guarantor is a party or by which it or its property may be bound or affected, except in the case referred to in this clause (ii), to the extent that such breach, default, Lien or payment would not reasonably be expected to have a Material Adverse Effect.

Section 3.4 Governmental Authorization; Other Consents . No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority, including the Central Bank of Brazil, or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Borrower or any Guarantor of this Agreement or any other Loan Document, which has not been duly obtained, except for, with respect to the Brazilian Guarantor, the notarization and consularization of this Agreement, the translation of this Agreement into Portuguese by a certified public translator and the filing of such translated and notarized and consularized Agreement with the relevant Registry of Titles and Documents in Brazil which shall be completed within twenty (20) days after the date on which the Borrower has received the original signature pages from each of the counterparties to this Agreement.

Section 3.5 No Material Litigation . Except as set forth on Schedule 3.5 , there is no action, suit, investigation or proceeding at law or in equity or by or before any governmental instrumentality or agency or arbitral body pending, or, to the knowledge of the Borrower or any Guarantor, threatened by or against the Borrower or any of its Material Subsidiaries or affecting the Borrower or any of its Material Subsidiaries or any Properties or rights of the Borrower or any of its Material Subsidiaries, which, if adversely determined, would reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

Section 3.6 Taxes . The Borrower and each of its Material Subsidiaries has filed or caused to be filed all federal and state and local tax returns which are required to be filed by it, except where the failure to file such tax returns would not reasonably be expected to result in a Material Adverse Effect, and, except for (i) taxes and assessments being contested in good faith by appropriate proceedings diligently conducted and against which adequate reserves have been established in accordance with GAAP or (ii) taxes the payment of which would not reasonably be expected to result in a Material Adverse Effect, have paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due.

Section 3.7 Compliance with Laws. The Borrower and each of its Material Subsidiaries are in compliance in all material respects with the requirements of all laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except (i) in such instances in which such requirement of law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (ii) where the failure to be in compliance would not reasonably be expected to result in a Material Adverse Effect.

Section 3.8 Intellectual Property; Licenses, Etc. The Borrower and each of its Material Subsidiaries own, or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights that are reasonably necessary for the operation of their respective businesses, without conflict in any material respects with the rights of any other Person. To the best knowledge of the Borrower and each Guarantor, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower or any of its Material Subsidiaries infringes upon any rights held by any other Person, except for any such infringement which, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Borrower or any Guarantor, threatened, which, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

Section 3.9 Ranking. The payment obligations in respect of the Loans will constitute unsecured, direct and unconditional obligations of the Borrower and the Guarantors, and shall rank at least *pari passu* with all other existing and future unsecured, unsubordinated indebtedness of the Borrower and the Guarantors, except for any obligations that have priority under applicable laws.

Section 3.10 Full Disclosure. The reports, financial statements, certificates and other information furnished by or on behalf of the Loan Parties to the Lender in connection with the negotiation of this Agreement or delivered hereunder, taken as a whole, do not contain any untrue statement of a material fact or omits a material fact necessary to make the statement made not misleading; provided that, with respect to projected financial information, the Borrower and each Guarantor represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

Section 3.11 Form of Documents. Each of the Loan Documents to which any Loan Party is a party is in proper legal form under the laws of the jurisdiction in which such Loan Party is organized for the enforcement thereof against such Loan Party under such laws; *provided* that, in the event of enforcement of any of the Loan Documents, including this Agreement, against any Guarantor, a translation of that document into the official language of the court presiding over such proceedings, prepared by a court-approved translator or other official translator may be required, in respect of which such Guarantor would have the opportunity to review and comment, and proceedings would thereafter be based upon the agreed upon translation.

Section 3.12 Environmental Matters. Except for matters that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect: (a) the properties presently owned, leased or operated by the Loan Parties and their Subsidiaries are in compliance with all Environmental Laws; (b) none of the Loan Parties nor any of their Subsidiaries has received any written complaint or notice of violation or liability under Environmental Laws with regard to any Loan Party or any Subsidiary thereof; (c) there are no administrative actions or judicial proceedings pending under any Environmental Law against any Loan Party or any Subsidiary thereof, and (d) none of the Loan Parties nor any of their Subsidiaries is subject to any Environmental Liability applicable to it.

Section 3.13 Use of Proceeds . The Borrower will use the proceeds of the Loans for working capital and other lawful general corporate purposes. No proceeds of the Loans will be used for any purpose which violates or is inconsistent with the provisions of Regulation U or Regulation X.

Section 3.14 Investment Company Act . No Loan Party is required to register as an "investment company" as defined in the Investment Company Act of 1940, as amended.

Section 3.15 Anti-Corruption Law and Sanctions . The Borrower has implemented and maintains in effect policies and procedures reasonably designed to promote compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower, its Subsidiaries and, to the knowledge of the Borrower, their respective directors, officers, employees and agents are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of the Borrower, any Subsidiary or, to the knowledge of the Borrower, any of their respective directors, officers, employees or agents that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person.

Section 3.16 Consolidated EBITDA of Guarantors . As of the Closing Date, the Consolidated EBITDA of the Guarantors party to this Agreement (calculated on a Combined/Consolidated Basis) for the period of four (4) fiscal quarters ended on June 30, 2016 represents at least 80% of Consolidated EBITDA of the Borrower for such period. No Subsidiary of any Guarantor included in the calculation of the Consolidated EBITDA of the Guarantors within any one Territory determined on a Combined/Consolidated Basis for such period accounts for 2% or more of the Consolidated EBITDA of the Guarantors within such Territory (calculated on a Combined/Consolidated Basis) for such period.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.1 Conditions to Closing . This Agreement and the obligations of the Lender to make Loans hereunder shall become effective on such date the Lender shall have received each of the following documents and the following conditions shall have been satisfied on or prior to such date (such date, the " Closing Date "), each of which shall be reasonably satisfactory to the Lender in form and substance (or such condition shall have been waived in writing by the Lender):

(a) the Lender shall have received each Loan Document (other than any Guaranty Joinder Agreement) duly executed and delivered on behalf of the Borrower and each Guarantor, as applicable;

(b) incumbency certificates evidencing the identity, authority and capacity of each officer of the Borrower and each Guarantor authorized to act on behalf of such Person in connection with this Agreement and the other Loan Documents to which such Person is a party;

(c) favorable opinions of (i) in-house special New York counsel to the Loan Parties, (ii) in-house Brazilian counsel to Arcos Dourados Comércio de Alimentos Ltda., (iii) in-house Panamanian counsel to Arcos Dorados Panamà and Sistemas MCopco Panamà S.A., (iv) in-house Costa Rican counsel to ADCR Inmobiliaria S.A. and Arcos Dorados Costa Rica ADCR, SA., and (v) Lovens & Loeff, Dutch counsel to the Borrower, in each case substantially in the form attached hereto as Exhibits D-1 , D-2 , D-3 , D-4 and D-5 respectively;

(d) a certificate signed by the chief financial or accounting officer of the Borrower (A) confirming (1) that no Default or Event of Default shall have occurred and be continuing, (2) that the

representations and warranties of the Loan Parties set out in the Loan Documents shall be (x) if any such representation and warranty is qualified as to materiality or by reference to the existence of a Material Adverse Effect, true and correct (as so qualified) on and as of the Closing Date, or (y) if any such representation and warranty is not so qualified, true and correct in all material respects on and as of the Closing Date and (B) accompanied by true and correct copies of organizational documents, resolutions and powers of attorney of each Loan Party and its legal representatives;

(e) the Borrower and each Guarantor shall have delivered evidence that a process agent shall have accepted appointment to receive service of process on the Borrower and such Guarantor, in form and substance reasonably satisfactory to the Lender; and

(f) the Borrower shall have paid all fees and other amounts due and payable on or before the Closing Date by the Borrower to the Lender (including fees and expenses of counsel to the Lender) to the extent invoiced to the Borrower prior to the Closing Date.

The Lender shall notify the Borrower of the Closing Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lender to make Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived in writing by the Lender) at or prior to 2:00 p.m., New York time, on the date that is five (5) days after the date hereof (and, in the event such conditions are not so satisfied or waived, the Commitment shall terminate at such time).

Section 4.2 Conditions to each Borrowing . The obligation of the Lender to make a Loan is subject to the satisfaction, unless waived in writing by the Lender, of the further conditions precedent that:

(a) the Closing Date shall have occurred;

(b) the Lender shall have received a Borrowing Notice in accordance with Section 2.2 ;

(c) the representations and warranties of the Loan Parties set out in the Loan Documents shall be (A) if any such representation and warranty is qualified as to materiality or by reference to the existence of a Material Adverse Effect, true and correct (as so qualified) on and as of the Borrowing Date, or (B) if any such representation and warranty is not so qualified, true and correct in all material respects on and as of the Borrowing Date; provided , that for purposes of this Section 4.2(c) , the representation and warranty of the Borrower contemplated in Section 3.1(a) shall be deemed to refer to the last day of the period covered by the most recent financial statements furnished to the Lender hereunder;

(d) the sum of the outstanding principal amount of the Loans plus the amount of the requested Loan shall be equal to or less than the Aggregate Commitment Amount; and

(e) immediately prior and after the borrowing of the Loan on the Borrowing Date, no Default or Event of Default shall have occurred and be continuing.

ARTICLE V

AFFIRMATIVE COVENANTS

Until the Commitments have been terminated and all Obligations of the Borrower under the Loan Documents have been paid in full:

Section 5.1 Financial Statements and Other Information . The Borrower shall furnish to the Lender:

(a) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, a Consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and the related Consolidated statements of income, changes in shareholders' equity, and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all prepared in accordance with GAAP applied on a consistent basis and certified by independent public accountants of nationally recognized standing;

(b) as soon as available and in any event within 90 days after the end of each of the first three quarters of each fiscal year of the Borrower, a Consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such quarter and the related Consolidated statement of income for such quarter and for the portion of the Borrower's fiscal year then ended, and the related Consolidated statements of cash flows and changes in shareholders' equity for the portion of the fiscal year then ended, in each case setting forth in comparative form, as applicable, the figures for the corresponding quarter and the corresponding portion of the Borrower's previous fiscal year, all in reasonable detail and duly certified (subject to normal year-end adjustments and the absence of footnotes) by the chief financial officer of the Borrower as having been prepared in accordance with GAAP applied on a consistent basis;

(c) concurrently with the delivery of the financial information pursuant to clauses (a) and (b) above, a compliance certificate substantially in form of Exhibit C hereto, executed by the chief financial or accounting officer of the Borrower, (i) certifying to the best of his knowledge, that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, specifying the details thereof and any action taken or proposed to be taken with respect thereto and (ii) showing compliance with Sections 5.5 and 6.6 ;

(d) promptly upon the Borrower's or any Guarantor's obtaining knowledge of any Default or Event of Default, a certificate of the chief financial officer of the Borrower setting forth the details thereof;

(e) promptly upon any Loan Party entering into any Indebtedness in excess of the equivalent of U.S.$40,000,000, copies of the transaction documents related to such Indebtedness;

(f) from time to time such additional information regarding the financial condition or business of the Borrower and the Material Subsidiaries as the Lender may reasonably request; provided that the Borrower shall not be required to provide pursuant to this Section 5.1(f) any information that (x) is subject to attorney-client or similar privilege or constitutes attorney work product, (y) is a confidential or proprietary trade secret or (z) is commercially strategic information (as determined in good faith by the Borrower); and

(g) within five Business Days from any Loan Party's obtaining knowledge thereof, notice of (i) any breach or non-performance of, or any default under, a contractual obligation of the Borrower or any Material Subsidiary thereof; (ii) the commencement of, or any material development in, any dispute, litigation, investigation, proceeding or suspension between the Borrower or any Material Subsidiary thereof and any Governmental Authority, including relating to tax events and liabilities; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower or any Material Subsidiary thereof, including pursuant to any applicable Environmental Laws, in each case, only if such event or development has resulted or would reasonably be expected to result in a Material Adverse Effect.

Each notice pursuant to Section 5.1(d) or (g) shall be accompanied by a statement of the chief financial officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower and/or the applicable Subsidiary has taken and proposes to take with respect thereto and, if applicable, shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

Documents required to be delivered pursuant to Section 5.1(a) or 5.1(b) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto, on the Borrower's Web site on the Internet at the website address provided to the Lender pursuant to Section 9.4 , or (ii) on which such documents are posted on the Guarantor's behalf on an Internet or intranet website, if any, to which the Lender has access (whether a commercial, third-party website or whether sponsored by the Lender); provided that the Borrower shall notify the Lender (by telecopier or electronic mail) of the posting of any such documents.

Section 5.2 Other Affirmative Covenants . Each Loan Party shall (and the Borrower shall cause each Material Subsidiary to):

(a) (i) preserve, renew and maintain in full force and effect its legal existence and good standing under the laws of the jurisdiction of its organization, (ii) take all reasonable action to maintain all material rights, privileges, permits and licenses and necessary or desirable in the ordinary course of its business, and (iii) preserve or renew those registered patents, trademarks, trade names and service marks reasonably necessary in the ordinary course of its business, in each case, except in the case of any Loan Party, unless such failure to preserve, renew or maintain would not reasonably be expected to result in a Material Adverse Effect;

(b) comply with the requirements of all applicable laws, rules, regulations, and orders of Governmental Authorities unless such failure to comply would not reasonably be expected to result in a Material Adverse Effect;

(c) pay and discharge when due all obligations including taxes, assessments, and governmental charges or levies imposed on it or on its income or profits or any of its property, except for any such tax, assessment, charge, or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained and unless any such failure to pay or discharge would not reasonably be expected to result in a Material Adverse Effect;

(d) maintain all of its material properties owned or used in its business in good working order and condition ordinary wear and tear excepted, except where the failure to do so would not reasonably be expected to result in a Material Adverse Effect;

(e) maintain insurance in such amounts, with such deductibles, and against such risks as is customary for similarly situated businesses, except where the failure to do so would not reasonably be expected to result in a Material Adverse Effect;

(f) maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP shall be made of all material financial transactions and material matters involving its assets and business and the assets and businesses of its respective Subsidiaries;

(g) following the occurrence and during the continuance of any Event of Default, permit representatives of the Lender, during normal business hours, to examine, copy, and make extracts from its books and records, to inspect its properties, and to discuss its business and affairs and the business and affairs of its Subsidiaries with its officers and directors;

provided that the Borrower shall not be required to provide pursuant to this Section 5.2(g) any information that (x) is subject to attorney-client or similar privilege or constitutes attorney work product, (y) is a confidential or proprietary trade secret or (z) is commercially strategic information (as determined in good faith by the Borrower).

Section 5.3 Use of Proceeds. The Borrower shall use proceeds of the Loan solely for working capital and other general corporate purposes and not use such Loan proceeds for any purpose which violates or is inconsistent with the provisions of Regulation U or Regulation X.

Section 5.4 Rank of Obligations. Each Loan Party shall cause the payment obligations in respect of outstanding amounts under this Agreement and the other Loan Documents to rank at least *pari passu* with all other existing and future unsecured indebtedness of each Loan Party and to constitute direct, unconditional and unsubordinated obligations of each Loan Party, except for any obligations that have priority under applicable laws.

Section 5.5 Subsidiaries .

(a) If as of the last day of any fiscal quarter of the Borrower (for purposes of this Section 5.5 , the "reference date"), the Consolidated EBITDA of the Guarantors party to this Agreement (calculated on a Combined/Consolidated Basis) as of the reference date for the period of four (4) fiscal quarters preceding such reference date (for purposes of this Section 5.5 , the "reference period"), represents less than 80% of Consolidated EBITDA of the Borrower for the reference period, the Borrower shall, at its sole cost and expense, within thirty (30) days following the earliest of the date when financial statements (a) are actually delivered (or otherwise made available) with respect to such fiscal quarter or (b) required to be delivered pursuant to Section 5.1(a) or (b) with respect to such fiscal quarter, cause one or more Subsidiaries to become party to this Agreement as a Guarantor by (i) executing a Subsidiary Joinder Agreement and (ii) delivering (A) an incumbency certificate evidencing the identity, authority and capacity of each officer of such Subsidiary authorized to act on behalf of such Person in connection with this Agreement, (B) true, correct and complete copies of organizational documents, resolutions and powers of attorney of such Subsidiary and its legal representatives, (C) evidence of acceptance of appointment of a process agent to receive service of process for such Subsidiary in form and substance satisfactory to the Lender and (D) in the case of any such Subsidiary organized under the laws of Mexico, a power of attorney for lawsuits and collections granted by such Subsidiary, certified by a Mexican notary public, in form and substance reasonably satisfactory to the Lender, appointing such process agent to act as such on behalf of such Subsidiary, such that the Consolidated EBITDA of Guarantors party to this Agreement (including such new Guarantor(s) on a pro forma basis) (in each case, calculated on a Combined/Consolidated Basis) represents 80% or more of Consolidated EBITDA of the Borrower for the reference period.

(b) If as of any reference date, (i) the portion of the Consolidated EBITDA of any Guarantor party to this Agreement (calculated on a Combined/Consolidated Basis) for the period of four (4) fiscal quarters preceding such reference date attributable to any Non-Guarantor Subsidiary of such Guarantor with operations within the same Territory as such Guarantor (such Subsidiary, a " Contributing Subsidiary ") represents 2% or more of the Consolidated EBITDA of the Guarantors within such Territory (calculated on a Combined/Consolidated Basis), and (ii) the Consolidated EBITDA of the Guarantors party to this Agreement (calculated on a Combined/Consolidated Basis) as of the reference date for such reference period would represent less than 80% of Consolidated EBITDA of the Borrower for the reference period if the relevant amounts attributable to such Contributing Subsidiary included in the Consolidated EBITDA of the Guarantors within its Territory (calculated on a Combined/Consolidated Basis) were to be excluded from the calculation of Consolidated EBITDA from the Guarantors within such Territory (on a Combined/Consolidated Basis), the Borrower shall, at its sole cost and expense,

within thirty (30) days following the earliest of the date when financial statements (a) are actually delivered (or otherwise made available) with respect to such fiscal quarter or required to be delivered pursuant to Section 5.1(a) or (b) with respect to such fiscal quarter, cause each such Contributing Subsidiary (or, if such Contributing Subsidiary is an Excluded Subsidiary, one or more other Subsidiaries for which the portion of Consolidated EBITDA of the Borrower attributable to such Subsidiary or Subsidiaries for the applicable reference period represented at least the same percentage of the Consolidated EBITDA of the Borrower as the percentage represented by the portion attributable to any such Contributing Subsidiary), to become party to this Agreement as a Guarantor by (i) executing a Subsidiary Joinder Agreement and (ii) delivering (A) an incumbency certificate evidencing the identity, authority and capacity of each officer of such Subsidiary authorized to act on behalf of such Person in connection with this Agreement, (B) true, correct and complete copies of organizational documents, resolutions and powers of attorney of such Subsidiary and its legal representatives, (C) evidence of acceptance of appointment of a process agent to receive service of process for such Subsidiary in form and substance satisfactory to the Lender and (D) in the case of any such Subsidiary organized under the laws of Mexico, a power of attorney for lawsuits and collections granted by such Subsidiary, certified by a Mexican notary public, in form and substance reasonably satisfactory to the Lender, appointing such process agent to act as such on behalf of such Subsidiary.

(c) The Borrower may, at its sole cost and expense, at any time and from time to time, cause any Subsidiary of the Borrower to become an Additional Guarantor by executing and delivering to the Lender (i) a duly executed Subsidiary Joinder Agreement and (ii) (A) an incumbency certificate evidencing the identity, authority and capacity of each officer of such Subsidiary authorized to act on behalf of such Person in connection with this Agreement, (B) true, correct and complete copies of organizational documents, resolutions and powers of attorney of such Subsidiary and its legal representatives, (C) evidence of acceptance of appointment of a process agent to receive service of process for such Subsidiary in form and substance satisfactory to the Lender and (D) in the case of any such Subsidiary organized under the laws of Mexico, a power of attorney for lawsuits and collections granted by such Subsidiary, certified by a Mexican notary public, in form and substance reasonably satisfactory to the Lender, appointing such process agent to act as such on behalf of such Subsidiary.

Section 5.6 Anti-Corruption and Sanctions .

(a) The Borrower will maintain in effect policies and procedures reasonably designed to promote compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

(b) The Borrower shall not, and shall not permit any of its Subsidiaries or its or their respective directors, officers, employees and agents to, use the proceeds of any Loan (A) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (B) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, except to the extent permissible for a Person required to comply with Sanctions or (C) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

ARTICLE VI

NEGATIVE COVENANTS

So long as the Lender shall have any Commitment hereunder, or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, no Loan Party shall (and the Borrower will not permit any Material Subsidiary to):

Section 6.1 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, or assign any accounts or other right to receive income, other than:

(a) Liens pursuant to any Loan Document;

(b) Liens for Taxes not yet due or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 90 days or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith;

(e) Liens incurred or deposits made to secure the performance of tenders, bids, leases, trade contracts and leases (other than indebtedness), statutory obligations, surety and appeal bonds, customs duties, performance bonds, government performance and return-of-money bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or liens incidental to the conduct of the business of the applicable Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(g) Liens securing any judgments for the payment of money not constituting an Event of Default so long as any such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired; or

(h) (i) licenses, sublicenses, leases or subleases granted by the Borrower, any Guarantor or any Material Subsidiary to other Persons not materially interfering with the conduct of the business of such Borrower, Guarantor or Material Subsidiary and (ii) any interest or title of a lessor, sublessor or licensor under any lease or license agreement permitted by the Agreement to which the applicable Person is a party;

(i) Liens upon specific items of inventory or other goods and proceeds of the applicable Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(j) Liens on patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to the extent such Liens arise from the granting of license to use

such patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to the applicable Person in the ordinary course of business of such Person or its Subsidiaries;

(k) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(l) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the applicable person, including rights of offset and set-off;

(m) deposits in the ordinary course of business securing liability for reimbursement obligations of insurance carriers providing insurance to the applicable Person and any Liens thereon;

(n) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution;

(o) Liens securing the obligations of the applicable Person pursuant to Hedging Obligations;

(p) Liens securing any Indebtedness which is incurred to refinance any Indebtedness which has been secured by a Lien permitted under this Section 6.1 not incurred pursuant to clause (s) or (u) hereof; provided that such new Liens:

(i) are no less favorable to the Lender and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being refinanced; and

(ii) do not extend to any property or assets other than the property or assets securing the Indebtedness refinanced by such refinancing Indebtedness;

(q) Liens securing Indebtedness or other obligations of a Material Subsidiary owing to the Borrower, any Guarantor or another Material Subsidiary and permitted to be incurred under this Agreement;

(r) Liens securing acquired Indebtedness not incurred in connection with, or in anticipation or contemplation of, the relevant merger, consolidation or amalgamation; provided that (i) such Liens secured such acquired Indebtedness at the time of and prior to the incurrence of such acquired Indebtedness by the applicable Person and were not granted in connection with, or in anticipation of the incurrence of such acquired Indebtedness by such Person, and (ii) such Liens do not extend to or cover any property of the applicable Person other than the property that secured the acquired Indebtedness prior to the time such Indebtedness became acquired Indebtedness of such Person and are no more favorable to the lienholders than the Liens securing the acquired Indebtedness prior to the incurrence of such acquired Indebtedness by such Person;

(s) purchase money Liens securing purchase money Indebtedness or Capital Lease Obligations incurred to finance the acquisition or leasing of property of the applicable Person used in the business of the Borrower and its Subsidiaries; provided that (i) the related purchase money Indebtedness does not exceed the cost of such property and will not be secured by any property of the applicable Person other than the property so acquired and (ii) the Lien securing such Indebtedness will be created within 365 days of such acquisition;

(t) Liens arising under any Permitted Receivables Financing;

(u) Liens securing an amount of Indebtedness outstanding at any one time not to exceed the greater of (i) U.S.$50,000,000 (or the equivalent in other currencies) or (ii) 7.5% of Consolidated Total Assets;

(v) Liens on the Capital Stock of any Subsidiary (other than any Material Subsidiary);

(w) Liens under the CS L/C Documents;

(x) Liens in favor of McDonald's Latin America created pursuant to the McDonald's Security Documents and the McDonald's Mortgages;

(y) the interest of McDonald's Latin America, as franchisor under the Franchise Documents; or

(z) Liens existing on the Closing Date and any extension, renewal or replacement thereof, other than Liens pursuant to any Loan Document.

Section 6.2 Reserved.

Section 6.3 Fundamental Changes .

(a) Enter into any merger, consolidation or amalgamation in which (i) the Borrower or a Guarantor is not the surviving entity, or (ii) if any Guarantor merges with the Borrower, the Borrower is not the surviving entity, or (iii) any Person merges, consolidated or amalgamates with and into any Guarantor and (except as set forth in the preceding clause (a)(ii)) the surviving entity is not a Guarantor or does not become an Additional Guarantor in accordance with the provisions of Section 5.5(b) .

(b) Enter into any merger, consolidation or amalgamation of the Borrower whereby the Borrower's Consolidated Net Worth less its tangible assets immediately after giving effect to any such transaction would be less than the Borrower's Consolidated Net Worth less its tangible assets immediately prior to any such transaction.

(c) Sell, assign, lease, transfer or otherwise dispose of all or substantially all of the Borrower's or any Guarantor's business or Property, other than any sale, assignment, lease, transfer or other disposition of Property (i) by the Borrower to (A) any Guarantor or (B) or any other Person that substantially concurrently with such sale, assignment, lease, transfer or other disposition of the business or Property of a Guarantor shall become an Additional Guarantor in accordance with the provisions of Section 5.5(b) or (ii) by any Guarantor of its business or Property to (A) any other Guarantor, (B) the Borrower, or (C) any other Person that substantially concurrently with such sale, assignment, lease, transfer or other disposition of the business or Property of a Guarantor shall become an Additional Guarantor in accordance with the provisions of Section 5.5(b) ; provided that any sale, assignment, lease, transfer or other disposition of all or substantially all of the Borrower's or any Guarantor's business or Property to any Subsidiary that is not a Guarantor that is immediately followed as part of a series of related transactions by another sale, assignment, lease, transfer or other disposition of such business or Property to a Guarantor or another Person that substantially concurrently shall become a Guarantor shall not constitute a breach of this Section 6.3(c) .

Section 6.4 Affiliate Transactions. Enter into any transaction with (i) any of its Affiliates or (ii) any other Person holding more than 20% or more of any of the Borrower's Capital Stock, unless:

(a) the terms of such transaction are no less favorable than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Borrower;

(b) in the event that such transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.$15,000,000 (or the equivalent in other currencies), the terms of such transaction will be set forth in an officers' certificate delivered to the Lender stating that such transaction complies with clause (a) above; and

(c) in the event that such transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.$20,000,000 (or the equivalent in other currencies), the terms of such transaction will be approved by a majority of the members of the Borrower's Board of Directors (including a majority of the disinterested members thereof), the approval to be evidenced by a board resolution stating that the Board of Directors of the Borrower has determined that such transaction complies with clause (a) above;

provided that the provisions of this Section 6.4 shall not apply to:

(iii) transactions with or among the Borrower and any Subsidiary or between or among Subsidiaries;

(iv) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors and employees of the Borrower or any Subsidiary;

(v) transactions undertaken pursuant to the terms of any agreement or arrangement to which the Borrower or any of its Subsidiaries is a party as of or on the Closing Date, as these agreements or arrangements may be amended, modified, supplemented, extended, renewed or replaced from time to time; provided that any future amendment, modification, supplement, extension, renewal or replacement entered into after the Closing Date will be permitted to the extent that its terms are not more materially disadvantageous to the Lender than the terms of the agreements or arrangements in effect on the Closing Date;

(vi) the entering into of a customary agreement providing registration rights to the shareholders of the Borrower and the performance of such agreements;

(vii) transactions or payments, including grants of securities, stock options and similar rights, pursuant to any employee, officer or director compensation or benefit plans or arrangements entered into in the ordinary course of business or approved by the Borrower's Board of Directors in good faith;

(viii) any employment agreements entered into by the Borrower or any of its Subsidiaries in the ordinary course of business;

(ix) dividends or distributions payable in Capital Stock of the Borrower; dividends or distributions payable to the Borrower and/or a Subsidiary; or dividends, distributions or returns of capital made on a pro rata basis to the Borrower and its Subsidiaries, on the one hand, and minority holders of Capital Stock of a Subsidiary, on the other hand (or on a less than pro rata basis to any minority holder);

(x) sales of accounts receivable, or participations therein, or any related transaction, in connection with any receivables financing;

(xi) loans and advances to officers, directors and employees of the Borrower or any Material Subsidiary in the ordinary course of business and not exceeding U.S.$10,000,000 (or the equivalent in other currencies) outstanding at any one time; and

(xii) Investments by the Borrower or any of its Subsidiaries, in an aggregate amount at the time of such Investment not to exceed the greater of U.S.$30,000,000 and 2.5% of Consolidated Total Assets of the Borrower at the time of Investment (or the equivalent in other currencies), outstanding at any one time (with the fair market value of each such Investment being measured at the time made and without giving effect to subsequent changes in value).

Section 6.5 Lines of Businesses. Engage in any line of business substantially different from those lines of business conducted by the Borrower and its Material Subsidiaries on the date hereof or any business substantially related or incidental thereto.

Section 6.6 Consolidated Net Indebtedness to EBITDA Ratio. Permit the Consolidated Net Indebtedness to EBITDA Ratio, as of the last day of any fiscal quarter of the Borrower, to equal or exceed the levels set forth below:

(a) 3.25 to 1.0, as of the last day of the fiscal quarter ended September 30, 2016; and

(b) 3.0 to 1.0, as of the last day of the fiscal quarter ended December 31, 2016 and the last day of each fiscal quarter thereafter.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.1 Events of Default. Upon the occurrence and during the continuance of any of the following events:

(a) the Borrower shall fail to (i) pay any principal or any portion thereof, of any Loan when due in accordance with the terms hereof or (ii) pay any interest, fee or any other amount, or any portion thereof, payable under any Loan Document within five (5) days after any such amount becomes due in accordance with the terms thereof; or

(b) any representation, warranty or certification made or deemed made by any Loan Party in any Loan Document, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document (or any amendment or modification hereof or thereof or waiver thereunder), shall prove to have been incorrect or misleading in any material respect on or as of the date made or deemed made; or

(c) the Borrower shall default in the observance or performance of any agreement contained in Section 5.1(a), (b), (c) or (d) or Article VI of this Agreement; or

(d) any Loan Party shall default in the observance or performance of any other covenant or agreement contained in any Loan Document (other than those specified in clause (a) or (c) of this Section 7.1) and such default shall continue unremedied for a period of 30 days after the Borrower's receipt of written notice of such default from the Lender; or

(e) (A) the Borrower or any of its Material Subsidiaries (i) fails to make any payment in respect of any Indebtedness (other than Indebtedness hereunder) or guaranty obligation having an aggregate principal amount (including amounts owing to all creditors under any combined or syndicated credit arrangement) in excess of U.S.$40,000,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise), beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created, or (ii) fails to observe or perform any other agreement or condition relating to any such Indebtedness or guaranty obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such guaranty obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such guaranty obligation to become payable or cash collateral in respect thereof to be demanded; provided that this clause (ii) shall not apply to Indebtedness that is required to be repaid or redeemed as a result of the voluntary sale or transfer of property or assets unless such Indebtedness is not paid within the time period provided for such repayment or redemption in, or such repayment or redemption requirement is not waived in accordance with the terms of, the documentation governing such Indebtedness; or (B) the Borrower, any Guarantor, any Material Subsidiary or Arcos Dorados Holdings Inc. (i) fails to make any payment in respect of any Indebtedness (other than Indebtedness hereunder) or guaranty obligation owing to the Lender or any of its Affiliates in excess of U.S.$2,000,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise), beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created, or (ii) fails to observe or perform any other agreement or condition relating to any such Indebtedness or guaranty obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such guaranty obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such guaranty obligation to become payable or cash collateral in respect thereof to be demanded; provided that this clause (ii) shall not apply to Indebtedness that is required to be repaid or redeemed as a result of the voluntary sale or transfer of property or assets unless such Indebtedness is not paid within the time period provided for such repayment or redemption in, or such repayment or redemption requirement is not waived in accordance with the terms of, the documentation governing such Indebtedness; provided further that this Section 7.1(e)(B) shall not apply in respect of any Lender other than JP Morgan Chase Bank, N.A. and its Affiliates (including, for the avoidance of doubt, any Person (other than JP Morgan Chase Bank, N.A. and its Affiliates) that becomes a Lender in accordance with Section 9.5); or

(f) (i) any Loan Party is unable or admits in writing its inability or fails generally to pay its debts as they become due; or (ii) the Borrower or any Material Subsidiary institutes or consents to the institution of any proceeding under Debtor Relief Laws, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or (iii) any receiver, trustee, custodian, conservator, liquidator, rehabilitator, *conciliador* or similar officer is appointed with respect to the Borrower or any Material Subsidiary or their respective Property without the application or consent of the Borrower or such Material Subsidiary (as applicable) and the appointment continues undischarged or unstayed for 60 calendar days; or (iv) any proceeding under Debtor Relief Laws relating to the Borrower or any Material Subsidiary or to all or any material part of its property is

instituted without the consent of the Borrower or such Material Subsidiary (as applicable) and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) One or more final non-appealable, judgments or orders against the Borrower or any Material Subsidiary is entered for the payment of money in an aggregate amount (as to all such judgments) in excess of U.S.$40,000,000 (determined in each case net of recoveries from insurance companies not contesting coverage) and such judgment or order remains unsatisfied without procurement of a stay of execution within 60 calendar days after the date of entry of judgment; or

(h) a Change of Control shall occur; or

(i) any Loan Document, at any time after its execution and delivery and for any reason other than the agreement of the Lender or satisfaction in full of the Obligations hereunder, ceases to be in full force and effect or is declared by a court of competent jurisdiction to be null and void, illegal, invalid or unenforceable in any respect; or any Loan Party denies that it has any or further liability or obligation under any Loan Document (other than by reason of the satisfaction in full of the Obligations hereunder); or any Loan Party challenges the validity of or purports to revoke, terminate or rescind any Loan Document.

Upon the occurrence of an Event of Default, the Lender may declare the Commitment to be terminated, whereupon the Commitment shall be terminated, and/or declare all sums outstanding hereunder and under the other Loan Documents, including all interest thereon, to be immediately due and payable, whereupon the same shall become and be immediately due and payable, all without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character, all of which are hereby expressly waived; provided , however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to any Loan Party under any Debtor Relief Law, the Commitment shall automatically terminate, and all sums outstanding hereunder and under each other Loan Document, including all interest thereon, shall become and be immediately due and payable, all without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character, all of which are hereby expressly waived.

ARTICLE VIII

GUARANTY

Section 8.1 Guaranty .

(a) For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Guarantor hereby, jointly and severally, as primary obligor and not merely as surety, unconditionally guarantees the full and punctual payment (whether at stated maturity, upon acceleration or otherwise) of the payment Obligations (howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due) under the Loan Documents. Upon the failure by the Borrower to pay punctually any of its Obligations, the Guarantors (jointly and severally) shall immediately pay the amount not so paid. The obligations of the Guarantors under this Article shall constitute a guaranty of payment and not merely a guaranty of collection.

(b) All payments by any Guarantor under this Article shall be payable in the manner required for payments by the Borrower under Section 2.12 and (ii) the obligation to pay interest at the rates set forth in Section 2.6(b) .

Section 8.2 Guaranty Unconditional. The obligations of the Guarantors under this Article shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by any reason, including: any extension, renewal, settlement, compromise, waiver or release in respect of any Obligation(s) and/or the Commitment under the Loan Documents, by operation of law or otherwise,

(b) any modification or amendment of or supplement to this Agreement or any other Loan Document,

(c) any change in the existence, structure or ownership of the Borrower or any other Credit Party, or any event described in Section 7.1(f) with respect to any Person,

(d) the existence of any claim, set-off or other rights that a Guarantor may have at any time against the Borrower, any other Loan Party, the Lender or any other Person, whether in connection herewith or any unrelated transactions,

(e) any invalidity, irregularity or unenforceability relating to or against the Borrower or any other Loan Party for any reason of any Loan Document, or any provision of Applicable Law purporting to prohibit the payment by the Borrower or any other Loan Party of any of the Obligations, or

(f) any other act or omission to act or delay of any kind by the Borrower and/or any other Loan Party, the Lender or any other Person or any other circumstance whatsoever that might, but for the provisions of this paragraph, constitute a legal or equitable discharge of (or defense against) the Obligations and the Guarantors' obligations under this Article other than prior payment of the Obligations.

Section 8.3 Discharge only upon Payment in Full; Reinstatement in Certain Circumstances. The Guarantors' obligations hereunder shall remain in full force and effect until all of the payment Obligations shall have been paid in full and all of the Commitments shall have terminated. If at any time any payment made under this Agreement or any other Loan Document is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of a Loan Party or any other Person or otherwise, then the Guarantors' obligations hereunder with respect to such payment shall be reinstated at such time as though such payment had been due but not made at such time and each Guarantor hereby expressly waives the benefit of any statute of limitations or prescriptive term affecting the Guarantor's liability in respect thereof.

Section 8.4 Waivers by the Guarantors.

(a) Each Guarantor hereby irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law: (i) notice of acceptance of the Guaranty provided in this Article and notice of any liability to which this Guaranty may apply, (ii) all notices that may be required by Applicable Law or otherwise to preserve intact any rights of the Lender against the Borrower and/or any other Guarantor, including any demand, presentment, protest, proof of notice of non-payment, notice of any failure on the part of the Borrower and/or any other Guarantor to perform and comply with any covenant, agreement, term, condition or provision of any agreement and any other notice to any other party that may be liable in respect of the Obligations guaranteed hereby (including the Borrower, any other Guarantor and any other guarantor thereof from time to time) except any of the foregoing as may be expressly required hereunder, (iii) any right to proceed against the Borrower, proceed against or exhaust any security for the Obligations, or pursue any other remedy in the power of the Lender whatsoever and (iv) any requirement that the Lender exhaust any right, power, privilege or remedy, or mitigate any damages resulting from a default, under any Loan Document, or proceed to take any action against a Loan Party or any other Person under or in respect of any Loan Document or otherwise, or protect, secure, perfect or ensure any Lien on any collateral.

(b) If, and to the extent that, Brazilian law shall be deemed to apply to any or all of any Brazilian Guarantor's obligations hereunder, for those purposes:

(i) each Brazilian Guarantor agrees that its obligations to make payment hereunder shall be deemed to be a first demand obligation *(garantia exigível à primeira demanda)* to fulfill and comply with, as a joint and several responsibility *(responsabilidade solidaria),* all of the outstanding obligations assumed by the Borrower under the Agreement, in the capacity of a *"FIADOR E PRINCIPAL PAGADOR, solidariamente responsàvel"* with the Borrower, in connection therewith. In addition, for such purposes, each Brazilian Guarantor hereby expressly (A) waives and renounces the benefit of order *(beneficio de ordem)* of demanding and rights provided by the Brazilian Civil Code (Law 10,406/02), specifically in accordance with Articles 827 et seq. of the Brazilian Civil Code and (ii) recognizes that this Guaranty shall not be considered as a limited instrument of guarantee, for the purposes of Article 822 of the Brazilian Civil Code; and

(ii) each Brazilian Guarantor expressly waives the benefits set forth in Articles 364, 366, 821, 827, 830, 831, 834, 835, 836, 837, 838 and 839 of the Brazilian Civil Code and Article 595 of the Brazilian Code of Civil Procedure.

(c) Each Mexican Guarantor hereby waives, to the extent applicable, any rights to the benefits of *orden, excusión, division, quita* and *espera* arising from Articles 2814, 2815, 2817, 2818, 2819, 2820, 2821, 2822, 2823, 2826, 2837, 2839, 2840, 2845, 2846, 2847 and any other related or applicable Articles that are not explicitly set forth herein because of the Subsidiary Guarantor's knowledge thereof, of the *Código Civil Federal* of Mexico and the *Código Civil* of each State of the Mexican Republic and for the Federal District of Mexico.

Section 8.5 Subrogation . Upon a Guarantor's making payment with respect to any obligation under this Article, such Guarantor shall be subrogated to the rights of the payee against the Borrower (or the other obligor) with respect to such obligation; provided , that such Guarantor shall not enforce any payment by way of subrogation, indemnity or otherwise, or exercise any other right, against the Borrower (or such other obligor) so long as any Obligations (other than on-going but not yet incurred indemnity obligations) remain unpaid and/or the Commitment remains outstanding.

Section 8.6 Stay of Acceleration . If acceleration of the time for payment of any Obligations is stayed due to any event described in Section 7.1(f) , then all such amounts otherwise subject to acceleration under this Agreement shall nonetheless be payable by the Guarantors hereunder.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Right of Set-Off . Without limiting any of the obligations of any Loan Party or the rights of the Lender hereunder, if any Loan Party shall fail to pay when due (whether at stated maturity, by acceleration or otherwise), by the expiration of the grace period provided by Section 7.1(a) (if any), any amount payable by it hereunder, then (to the extent not in violation of applicable law) the Lender may, without prior notice to any Loan Party (which notice is expressly waived by it to the fullest extent permitted by applicable law), set off and apply against such amount any and all general deposits (time or demand, provisional or final, in any currency, matured or unmatured) at any time held or any

other debt owing by the Lender or any of its Affiliates (in each case, including any branch or agency thereof) to or for the credit or account of any Loan Party. The Lender shall promptly provide notice of any such set-off by it to the Borrower; provided, that failure by the Lender to provide such notice shall not give any Loan Party any cause of action or right to damages or affect the validity of such set-off and application.

Section 9.2 New York Time. All references herein and in the other Loan Documents to any time of day shall mean the local (standard or daylight, as in effect) time of New York, New York unless otherwise expressly provided herein or therein.

Section 9.3 Amendments; Waivers. No amendment or waiver of any provision of this Agreement or of any other Loan Document and no consent by the Lender to any departure therefrom by any Loan Party shall be effective unless such amendment, waiver or consent shall be in writing and signed by a duly authorized officer of the Lender and the Borrower or the applicable Loan Party, as the case may be, and any such amendment, waiver or consent shall then be effective only for the period and on the conditions and for the specific instance specified in such writing. No failure or delay by the Lender in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other rights, power or privilege. The remedies provided for herein are cumulative and not exclusive of any remedies provided by law.

Section 9.4 Notices.

(a) Except as otherwise expressly provided herein, notices and other communications to each party provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed or sent by telecopy to the address provided from time to time by such party. Any such notice or other communication sent by overnight courier service, mail or telecopy shall be effective on the earlier of actual receipt and (i) if sent by overnight courier service, the scheduled delivery date, (ii) if sent by mail, the fourth Business Day after deposit in the U.S. mail first class postage prepaid, and (iii) if sent by telecopy, when transmission in legible form is complete. All notices and other communications sent by the other means listed in the first sentence of this Paragraph shall be effective upon receipt. Notwithstanding anything to the contrary contained herein, all notices (by whatever means) to the Lender pursuant to Section 2.2 shall be effective only upon receipt. Any notice or other communication permitted to be given, made or confirmed by telephone hereunder shall be given, made or confirmed by means of a telephone call to the intended recipient at the number specified in writing by such Person for such purpose, it being understood and agreed that a voicemail message shall in no event be effective as a notice, communication or confirmation hereunder.

(b) The Lender shall be entitled to rely and act upon any notices (including telephonic notices of borrowings and continuations) purportedly given by or on behalf of a Loan Party even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify each Indemnitee from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of any Loan Party. All telephonic notices to and other communications may be recorded and each party hereby consents to such recording.

Section 9.5 Successors and Assigns. This Agreement shall inure to the benefit of the parties hereto and their respective successors and assigns, except that no Loan Party may assign its rights and obligations hereunder. The Lender may at any time (i) assign all or any part of its rights and obligations hereunder to any other Person, with the Borrower’s prior written consent, (it being understood that the

Lender shall not be entitled to the benefits of Section 2.12 after the effective date of the assignment except to the extent that the Lender's rights under Section 2.12 arise from facts and circumstances occurring prior to the effective date of the assignment which consent shall be deemed granted if the Borrower fails to respond to a written request for its consent within three (3) Business Days (provided that such consent (x) shall not be unreasonably withheld or delayed and (y) shall not be required with respect to (A) any assignment to an Affiliate of the Lender, or (B) any assignment made following the occurrence and during the continuance of any Event of Default) and, provided further, that if such assignment constitutes the first loan extended by such person to the Borrower under this Agreement, the amount assigned must be at least U.S.$100,000, and (ii) grant to any other Person participating interests in all or any part of its rights and obligations hereunder in the case of this clause (ii) without notice to, or consent of, the Borrower or any other Loan Party; provided, that any such assignment or granting of participation interests shall only be permitted if such other Person is a Non-Public Lender. Upon the sale by the Lender of a participation to any third party, (1) the Lender's obligations under this Agreement shall remain unchanged, (2) the Lender shall remain solely responsible to the Loan Parties for the performance of such obligations and (3) the Loan Parties shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under the Loan Documents. Any agreement or instrument pursuant to which the Lender sells such a participation shall provide that the Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement without obtaining the consent of the participant; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification that shall (a) extend the Commitment Termination Date or increase the Aggregate Commitment Amount, (b) postpone any date fixed by this Agreement for any payment of principal, interest, fees or other amounts due to the Lender hereunder, (c) reduce the principal of, or the rate of interest specified herein on, any Loan or any fees or other amounts payable hereunder or (d) release any Guarantor or amend, modify or waive the provisions of Section 5.5 or Article VII if the effect of any such release, amendment, modification or waiver would be to release all or a substantial portion of the Guaranty. The Loan Parties agree to execute any documents reasonably requested by the Lender in connection with any such assignment. All information provided by or on behalf of any Loan Party to the Lender or its Affiliates may be furnished by the Lender to its Affiliates and to any actual or proposed assignee or participant, subject to Section 9.16 below. In no case shall the Loan Parties be responsible for any direct or indirect increases in costs, Taxes or other expenses caused by assignments or the grant of participations to third parties as provided in this Section 9.5 in excess of those which would have been payable had there been no assignment or participation except: (i) such assignment was made or participation sold following the occurrence and during the continuance of any Event of Default, or (ii) to the extent of Taxes resulting from a Change in Law that occurs after the assignment or the grant of participation.

Section 9.6 Reimbursement of Costs and Expenses. The Borrower shall pay the Lender, on demand, all reasonable and documented out-of-pocket expenses (including the reasonable fees and disbursement of one external legal counsel in each relevant jurisdiction) incurred by the Lender in connection with the preparation, execution, delivery, administration, modification, amendment and enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, any Loan Document or any other instruments or agreements executed in connection herewith. The agreements in this Section 9.6 shall survive the termination of the Commitment and the repayment, satisfaction or discharge of all the other obligations and liabilities of the Borrower under the Loan Documents. All amounts due under this Section 9.6 shall be payable promptly and in any event within ten (10) days after demand therefor.

Section 9.7 Indemnification. Without duplication of Section 2.12(d) (which shall solely govern with respect to Taxes other than any Taxes that represent losses or damages arising from any non-Tax claim), the Borrower shall indemnify and hold harmless the Lender, its affiliates, and their respective

partners, directors, officers, employees, agents and advisors (collectively the "Indemnitees") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of external counsel for any Indemnitee (limited, so long as there is no conflict of interest between or among any Indemnitees, to the fees, charges and disbursements of one external counsel for all Indemnitees in each relevant jurisdiction)), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, or the consummation of the transactions contemplated hereby or thereby, (ii) the Loans or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any Material Subsidiary, or any Environmental Liability related in any way to the Borrower or any Material Subsidiary or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (i) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (ii) result from a claim brought by the Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document if the Borrower or such Loan Party has obtained a final non-appealable judgment in its favor in respect of such claim as determined by a court of competent jurisdiction. To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, the Loan or the use of the proceeds thereof. No Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence, bad faith or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction. The agreements in this Section 9.7 shall survive the termination of the Commitment and the repayment, satisfaction or discharge of all the other obligations and liabilities of the Borrower under the Loan Documents. All amounts due under this Section 9.7 shall be payable within ten (10) days after demand therefor.

Section 9.8 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (i) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (ii) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 9.9 Counterparts. This Agreement may be executed in one or more counterparts, and each counterpart, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same instrument.

Section 9.10 Governing Law; Jurisdiction. THIS AGREEMENT IS GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT AND EACH STATE COURT IN THE CITY OF NEW YORK AND ANY APPELLATE COURT FROM ANY THEREOF AND ANY COURT IN ITS RESPECTIVE DOMICILE, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY OF THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT. EACH LOAN PARTY IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO THE BORROWER AT ITS ADDRESS SET FORTH BENEATH ITS SIGNATURE HERETO. EACH PARTY HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

Section 9.11 Jury Trial Waiver . EACH PARTY HERETO WAIVES ITS RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 9.12 Process Agent Appointment . FOR THE PURPOSE OF PROCEEDINGS IN THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK (IN EACH CASE LOCATED IN THE BOROUGH OF MANHATTAN IN NEW YORK CITY), THE BORROWER AND EACH GUARANTOR HEREBY IRREVOCABLY DESIGNATES AS OF THE DATE HEREOF NATIONAL REGISTERED AGENTS, INC. (THE " AGENT ") WITH OFFICES CURRENTLY LOCATED AT 111 EIGHTH AVENUE, NEW YORK, NEW YORK 10011, AS ITS AGENT FOR SERVICE OF PROCESS. IN THE EVENT THAT SUCH AGENT OR ANY SUCCESSOR SHALL CEASE TO BE LOCATED IN THE BOROUGH OF MANHATTAN, EACH LOAN PARTY SHALL PROMPTLY AND IRREVOCABLY BEFORE THE RELOCATION OF SUCH AGENT FOR SERVICE OF PROCESS, IF PRACTICABLE, OR PROMPTLY THEREAFTER DESIGNATE A SUCCESSOR AGENT, WHICH SUCCESSOR AGENT SHALL BE LOCATED IN THE BOROUGH OF MANHATTAN, AND NOTIFY THE LENDER THEREOF, TO ACCEPT ON ITS BEHALF SERVICE OF ANY AND ALL PROCESS OR OTHER DOCUMENTS WHICH MAY BE SERVED IN ANY ACTION OR PROCEEDING IN ANY OF SUCH COURTS AND FURTHER AGREES THAT SERVICE UPON SUCH AGENT SHALL CONSTITUTE VALID AND EFFECTIVE SERVICE UPON SUCH LOAN PARTY AND THAT FAILURE OF ANY SUCH AGENT TO GIVE ANY NOTICE OF SUCH SERVICE TO SUCH GUARANTOR SHALL NOT AFFECT THE VALIDITY OF SUCH SERVICE OR ANY JUDGMENT RENDERED IN ANY ACTION OR PROCEEDING BASED THEREON. EACH OF THE PARTIES HERETO AGREES THAT SERVICE OF ANY AND ALL SUCH PROCESS OR OTHER DOCUMENTS ON SUCH PERSON MAY ALSO BE EFFECTED BY REGISTERED MAIL TO ITS ADDRESS AS PROVIDED PURSUANT TO SECTION 9.4. WITH RESPECT TO EACH LOAN PARTY, SERVICE OF ANY AND ALL SUCH PROCESS OR OTHER DOCUMENTS TO THE AGENT OR SUCH OTHER AGENT FOR SERVICE OF PROCESS DESIGNATED BY SUCH LOAN PARTY IN ACCORDANCE WITH THIS AGREEMENT SHALL CONSTITUTE VALID AND EFFECTIVE SERVICE ONLY IF MADE IN PERSON TO THE AGENT OR SUCH OTHER AGENT FOR SERVICE OF PROCESS.

Section 9.13 Waiver of Immunity . To the extent that any Loan Party has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with

respect to itself or its assets, such Loan Party each hereby irrevocably waives such immunity in respect of its obligations under this Agreement and the other Loan Documents. The foregoing waiver is intended to be effective to the fullest extent now or hereafter permitted by applicable law.

Section 9.14 USA PATRIOT Act . The Lender hereby notifies each Loan Party that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the " Act "), it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow the Lender to identify each Loan Party in accordance with the Act. Each Loan Party shall, promptly following a request by the Lender, provide all documentation and other information that the Lender requests in order to comply with its ongoing obligations under applicable "know your customer" an anti-money laundering rules and regulations, including the Act.

Section 9.15 Judgment Currency . All payments made under this Agreement and any notes shall be made in Dollars, the " Agreement Currency "), and, if for any reason any payment made hereunder or under any Loan Document is made in a currency (the " Other Currency ") other than the applicable Agreement Currency, then to the extent that the payment actually received by the Lender, when converted into the applicable Agreement Currency at the Rate of Exchange (as defined below) on the date of payment (or, if conversion on such date is not practicable, as soon thereafter as it is practicable for the Lender to purchase the applicable Agreement Currency) falls short of the amount due under the terms of this Agreement or any Loan Document, the Borrower shall, as a separate and independent obligation of the Borrower, indemnify the Lender and hold the Lender harmless from and against the amount of such shortfall. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Lender, the Lender agrees to repay such excess to the Borrower. As used in this Paragraph, the term " Rate of Exchange " means the rate at which the Lender is able on the relevant date in accordance with normal banking procedures to purchase the applicable Agreement Currency with the Other Currency and shall include any premiums and out-of-pocket costs of exchange payable in connection with the purchase of or conversion into, the applicable Agreement Currency.

Section 9.16 Confidentiality . The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and its and its Affiliates' respective partners, directors, officers, employees, agents, trustees, advisors and representatives, including accountants and legal counsel (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners) in connection with any examination of the Lender provided that the Lender shall, unless prohibited by any requirement of law, notify the Borrower of any disclosure pursuant to this clause (b) as far in advance as is reasonably practicable under such circumstances, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to the extent reasonably required (determined solely in the judgment of the Lender) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (e) subject to an agreement containing provisions substantially the same as those of this Section for the benefit of the Borrower, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (f) with the consent of the Borrower, (g) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Lender or any of its Affiliates on a nonconfidential basis from a source other than the Borrower or (h) to any other party hereto. For the purposes of this Section, " Information " means all information (x) received from the Borrower or any other Loan Party relating to the Borrower or any other Loan Party or its business or (y) obtained by the Lender based on a

review of the books and records of the Borrower or any of its Subsidiaries, other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by the Borrower or any other Loan Party or is independently developed by the Lender without reference to the Information; provided that, in the case of information received from the Borrower or any other Loan Party after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 9.17 Entire Agreement . THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES HERETO.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

ARCOS DORADOS B.V.,
as Borrower

By: /s/ Maximo Ayerza
Name: Maximo Ayerza
Title: Attorney in Fact

Address:
Barbara Strozzilaan 101, 1083 HN
Amsterdam, The Netherlands

ARCOS DOURADOS COMERCIO DE ALIMENTOS, LTDA.,
as a Guarantor

By: /s/ Maximo Ayerza
Name: Maximo Ayerza
Title: Attorney in Fact

ARCOS INMOBILIARIA S.A., as a Guarantor

By: /s/ Jose Carlos Alcantara
Name: Jose Carlos Alcantara
Title: Attorney in Fact

ARCOS DOURADOS COSTA RICA ADCR S.A., as a
Guarantor

By: /s/ Jose Carlos Alcantara
Name: Jose Carlos Alcantara
Title: Attorney in Fact

ARCOS DOURADOS PANAMÁ S.A., as a Guarantor

By: /s/ Maximo Ayerza
Name: Maximo Ayerza
Title: Attorney in Fact

SISTEMAS MCOPCO PANAMÁ, S.A.,
as a Guarantor

By: /s/ Maximo Ayerza
Name: Maximo Ayerza
Title: Attorney in Fact

ARCOS DOURADOS HOLDINGS INC.,
as a Guarantor

By: /s/ Maximo Ayerza
Name: Maximo Ayerza
Title: Attorney in Fact

LENDER:

JPMORGAN CHASE BANK, N.A.,
as Lender

By: /s/ Christophe Vohmann
Name: Christophe Vohmann
Title: Executive Director

Schedule 1.1

Material Subsidiaries

Arcos Dorados Argentina S.A.

Arcos Dourados Comércio de Alimentos Ltda.

EXHIBIT A

FORM OF BORROWING NOTICE

Date: _______________, ______

To: JPMorgan Chase Bank, N.A., as Lender

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of November 10, 2016 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the " Agreement ;" the terms defined therein being used herein as therein defined), among Arcos Dorados B.V., a private company with limited liability *(besloten vennootschap met beperkte aansprakelijkheid)* registered with the Dutch trade register under number 34115939 and organized under the laws of The Netherlands with statutory seat in Amsterdam (the " Borrower "), certain Subsidiaries of the Borrower, as Guarantors, and JPMorgan Chase Bank, N.A. (the " Lender ").

The undersigned hereby requests a Borrowing of Loans as follows:

1. On _____________ (a Business Day).

2. In the amount of U.S.$________.

The undersigned hereby certifies that:

a. The Borrowing requested herein complies with Section 2.1 of the Agreement.

b. The representations and warranties of the Loan Parties set out in the Loan Documents are (A) if any such representation and warranty is qualified as to materiality or by reference to the existence of a Material Adverse Effect, true and correct (as so qualified) on and as of the date of the Borrowing, or (B) if any such representation and warranty is not so qualified, true and correct in all material respects on and as of the date of the Borrowing; provided , that the representation and warranty of the Borrower contemplated in Section 3,1(a) of the Agreement shall be deemed to refer to the last day of the period covered by the most recent financial statements furnished to the Lender under the Agreement.

c. Immediately prior and after the borrowing of the Loan on the date of the Borrowing requested hereby, no Default or Event of Default shall have occurred and be continuing.

d. The sum of the outstanding principal amount of the Loans plus the amount of the Loan requested hereby is equal to or less than the Aggregate Commitment Amount.

ARCOS DORADOS B.V.

By: ________________________
Name: ________________________
Title: Attorney-in-Fact

EXHIBIT B

FORM OF NOTE

__________________, 2016

FOR VALUE RECEIVED, the undersigned (the " Borrower "), hereby promises to pay to JPMORGAN CHASE BANK, N.A. or registered assigns (the " Lender "), on the Maturity Date (or such earlier date as the Loans may become due pursuant to the terms of the Agreement referred to below) in accordance with the provisions of the Agreement the principal amount of twenty five million (U.S.$25,000,000), or such lesser principal amount of Loans due and payable by the Borrower to the Lender on the Maturity Date (or such earlier date as the Loans may become due pursuant to the terms of the Agreement) under that certain Credit Agreement, dated as of November 10, 2016 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the " Agreement ;" the terms defined therein being used herein as therein defined), among the Borrower, certain Subsidiaries of the Borrower, as Guarantors, and the Lender.

The Borrower promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. All payments of principal and interest shall be made to the Lender in Dollars in immediately available funds at the Lender's office pursuant to Section 2.10 of the Agreement. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is the Note referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Note is also entitled to the benefits of the Guaranty. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

ARCOS DORADOS B.V.

By: ________________________
Name: ________________________
Title: Attorney-in-Fact

LOANS AND PAYMENTS WITH RESPECT THERETO

Date	Amount of Loan Made	End of Interest Period	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By

EXHIBIT C

Financial Statement Date: ___________,

To: JPMorgan Chase Bank, N.A., as

Lender Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of November 10, 2016 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the " Agreement ;" the terms defined therein being used herein as therein defined), among Arcos Dorados B.V., a private company with limited liability *(besloten vennootschap met beperkte aansprakelijkheid)* registered with the Dutch trade register under number 34115939 and organized under the laws of The Netherlands with statutory seat in Amsterdam (the " Borrower "), certain Subsidiaries of the Borrower, as Guarantors, and JPMorgan Chase Bank, N.A. (the " Lender ").

The undersigned Chief Financial Officer hereby certifies (in its capacity as an officer of the Borrower and not in his/her personal capacity) as of the date hereof that he/she is the [•] of the Borrower, and that, as such, he/she is authorized to execute and deliver this Certificate to the Lender on the behalf of the Borrower, and that:

[*Use following paragraph 1 for fiscal* ***year-end*** *financial statements*]

1. The Borrower has delivered the year-end audited financial statements required by Section 5.1(a) of the Agreement for the fiscal year of the Borrower ended as of the above date certified by independent public accountants of nationally recognized standing.

[*Use following paragraph 1 for fiscal* ***quarter-end*** *financial statements*]

1. The Borrower has delivered the unaudited financial statements required by Section 5.1(b) of the Agreement for the fiscal quarter of the Borrower ended as of the above date. Such financial statements fairly present the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP applied on a consistent basis as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. A review of the activities of the Borrower during such fiscal period has been made by, or under the supervision of, the undersigned with a view to determining whether during such fiscal period the Borrower performed and observed all its Obligations under the Loan Documents, and

[select one:]

[to the best knowledge of the undersigned, no Default or Event of Default has occurred and is continuing.]

--or--

[to the best knowledge of the undersigned, the following is a list of Defaults and/or Events of Default that have occurred and are continuing and their nature and status:]

3. The calculations set forth on Schedule 1 attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____________, _____.

ARCOS DORADOS B.V.

By: ______________________________
Name: ______________________________
Title: Attorney-in-Fact

For the Quarter/Year ended (" Statement Date ", and the period of four fiscal quarters ended on such date, the " Statement Period ")

SCHEDULE 1

to the Compliance Certificate

(U.S.$ in 000's)

I. Section 5.5 – Guarantors' Share of Consolidated EBITDA.

A. Consolidated EBITDA of the Borrower for Statement Period:

1. Consolidated Net Income of the Borrower during Statement Period: U.S.$_________

2. Consolidated Interest Expense of the Borrower during Statement Period: U.S.$_________

3. Consolidated Income Tax Expense of the Borrower during Statement Period: U.S.$_________

4. Consolidated Non-cash Charges of the Borrower during Statement Period: U.S.$_________

5. any non-operating and/or non-recurring charges, expenses or losses of the Borrower and its Subsidiaries during Statement Period: U.S.$_________

6. the amount of loss on any sale of accounts receivables and related assets to a Securitization Subsidiary in connection with a Permitted Receivables Financing: U.S.$_________

7. all non-cash credits and gains increasing Consolidated Net Income for the Borrower during Statement Period: U.S.$_________

8. all cash payments made the Borrower and its Subsidiaries during Statement Period relating to non-cash charges that were added back in determining Consolidated EMMA in any prior period: U.S.$_________

9. non-operating and/or non-recurring income or gains (less all fees and expenses related thereto) increasing Consolidated Net Income of the Borrower and its Subsidiaries during Statement Period: U.S.$_________

10. Consolidated EBITDA (Line I.A.1 plus Line I.A.2 plus Line I.A.3 plus Line I.A.4 plus Line I.A.5 plus Line I.A.6 less Line I.A.7 less Line I.A.8 less Line I.A.9): U.S.$_________

B. Consolidated EBITDA attributable to Guarantors:

1. portion of Consolidated EBIIDA attributable to the Guarantors within the Territory of Brazil on a Combined/Consolidated Basis U.S.$_________

2. Portion of Consolidated EBITDA attributable to the Guarantors within the Territory of Costa Rica on a Combined/Consolidated Basis U.S.$_________

3. portion of Consolidated EBITDA attributable to the Guarantors within the Territory of Panama on a Combined/Consolidated Basis U.S.$_________

[4.] [portion of Consolidated EBITDA attributable to the Guarantors within the Territory of _____] U.S.$_________

[5.] Consolidated EBITDA (Line I.B.1 plus Line I.B.2 plus Line I.B.3 [plus Line I.B.4] [1]): U.S.$_________

C. Guarantors' share of Consolidated EBITDA (Line I.B.[5] divided by Line I.A.10): ____%

Minimum permitted: 80%

II. Section 6.6 – Consolidated Net Indebtedness to EBITDA Ratio.

A. Consolidated Net Indebtedness of Borrower as at Statement Date:

1. Consolidated Indebtedness: U.S.$_________

2. cash and cash equivalents and consolidated marketable securities recorded as current assets (except for any Capital Stock in any Person): U.S.$_________

3. Consolidated Net Indebtedness (Line II.A1 less Line II.A.2): U.S. U.S.$_________

B. Consolidated EBITDA for Statement Period (from Line I.A.10): U.S.$_________

C. Consolidated Net Indebtedness to EBITDA Ratio (Line II.A.3 – I.A.10):

Maximum permitted:

As of the last day of fiscal quarter ended September 30, 2016: 3.25 to 1.0

As of the last day of fiscal quarter ended December 31, 2016 and the last day of each fiscal quarter thereafter: 3.0 to 1.0

EXHIBIT E

FORM OF
SUBSIDIARY JOINDER AGREEMENT

SUBSIDIARY JOINDER AGREEMENT (this " Agreement ") dated as of ______, ______, by_____, a _____ [corporation] (the " Additional Guarantor "), in favor of JPMorgan Chase Bank, N.A., as Lender (the " Lender "). Unless otherwise defined herein, capitalized terms used herein and defined in that certain Credit Agreement, dated as of November 10, 2016 (as amended, restated, extended, supplemented or otherwise modified from time to time, the " Credit Agreement ;" the terms defined therein being used herein as therein defined), among Arcos Dorados B.V., a private company with limited liability *(besloten vennootschap met beperkte aansprakelijkheici)* registered with the Dutch trade register under number 34115939 and organized under the laws of The Netherlands with statutory seat in Amsterdam (the " Borrower "), certain Subsidiaries of the Borrower, as Guarantors, and the Lender, are used herein as therein defined and the rules of construction set forth in Section 1.2 thereof shall apply hereto.

WHEREAS, the Borrower has entered into the Credit Agreement providing for the making of Loans,

WHEREAS, in connection with the Credit Agreement, certain of the Borrower's Subsidiaries have entered into (or are required to enter into) the Credit Agreement as Guarantors thereunder,

WHEREAS, pursuant to Section 5.5 of the Credit Agreement, the Borrower [is required to][may] cause one or more additional Subsidiaries to become a party to the Credit Agreement as Guarantors, and

WHEREAS, the Additional Guarantor desires to execute and deliver this Agreement in order to become a party to the Credit Agreement pursuant to Section 5.5 of the Credit Agreement,

NOW, THEREFORE, IT IS AGREED as follows:

SECTION 1. Joinder .

(a) By executing and delivering this Agreement, the Additional Guarantor hereby becomes a party to the Credit Agreement as a "Guarantor" thereunder, expressly assumes all obligations and liabilities of a "Guarantor" thereunder and ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Credit Agreement.

(b) Without limiting the generality of the terms of paragraph (a), the Additional Guarantor hereby unconditionally and irrevocably guarantees the prompt payment and performance of the Obligations in full when due (whether at stated maturity, upon acceleration or otherwise), and agrees that if the Borrower fails to pay any Obligation when due, it will forthwith, on written demand, pay the amount not so paid at the place and in the manner specified in the Credit Agreement, including, in particular, in accordance with Section 2.12 of the Credit Agreement (and without duplication of any amount thereof previously paid by any other Guarantor thereunder and not rescinded or refunded), and that in the case of any extension of time of payment or renewal of any of the Obligations, the same will be promptly paid in full when due (whether at extended maturity, upon acceleration or otherwise) in accordance with the terms of such extension or renewal. The Additional Guarantor further agrees that its guarantee hereunder and under the Credit Agreement constitutes a guarantee of payment when due and not of collection and that the obligations of the Guarantors under the Credit Agreement shall be joint

and several. The Additional Guarantor hereby acknowledges that it has received a copy of the Credit Agreement, as it may have been amended or supplemented from time to time.

(c) The Additional Guarantor hereby makes each of the representations and warranties contained in Article III of the Credit Agreement on the date hereof as if such representations and warranties were made as of the• date hereof, after giving effect to this Agreement.

(d) The Additional Guarantor hereby waives acceptance by the Lender of the Guaranty by the Additional Guarantor upon the execution of this Agreement by the Additional Guarantor.

SECTION 2. Counterparts . This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures were upon the same agreement,

SECTION 3. Governing Law . THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF NEW YORK (NOT INCLUDING SUCH STATE'S CONFLICT OF LAWS PROVISIONS OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GUARANTOR]

By: ____________________
Name: ____________________
Title: ____________________

Address:

ACKNOWLEDGED:

JPMORGAN CHASE BANK, N.A., as the Lender

By: ______________________________
Name ______________________________
Title ______________________________

Exhibit 8.1

Subsidiaries of Registrant

Name	Place of Incorporation
Adcon S.A.	Argentina
Administrative Development Company	Delaware
Aduy S.A.	Uruguay
Alimentos Arcos Dorados de Venezuela C.A.	Venezuela
Alimentos Arcos Dorados Margarita, C.A.	Venezuela
Alimentos Arcos Dorados Punto Fijo, C.A.	Venezuela
Alimentos Latinoamericanos Venezuela ALV, C.A.	Venezuela
Arcgold del Ecuador, S.A.	Ecuador
Arcos del Sur, S.R.L.	Uruguay
Arcos Dorados Argentina S.A.	Argentina
Arcos Dorados Aruba N.V.	Aruba
Arcos Dorados B.V.	Netherlands
Arcos Dorados Caribbean Development Corp.	Delaware
Arcos Dorados Colombia S.A.S	Colombia
Arcos Dorados Coöperatieve U.A.	Netherlands
Arcos Dorados Costa Rica ADCR, S.A.	Costa Rica
ADCR Inmobiliaria, S.A.	Costa Rica
Arcos Dorados Curacao, N.V.	Curacao
Arcos Dorados French Guiana	French Guiana
Arcos Dorados Guadeloupe	Guadeloupe
Arcos Dorados Martinique	Martinique
Arcos Dorados Panama, S.A.	Panama
Arcos Dorados Puerto Rico, LLC	Puerto Rico
Arcos Dorados Restaurantes de Chile, Ltda.	Chile
Arcos de Valparaiso SpA	Chile
Arcos Dorados Trinidad Limited	Trinidad and Tobago
Arcos Dorados USVI, Inc.(St. Croix)	USVI
Arcos Dourados Comercio de Alimentos Ltda.	Brazil
Arcos Dourados Restaurantes Ltda.	Brazil
Arcos SerCal Inmobiliaria, S. de R.L. de C.V.	Mexico
Restaurantes ADMX, S. de R.L. de C.V.	Mexico
Arcos Dorados BraPa S.A.	Panama
Compañía de Inversiones Inmobiliarias S.A.	Argentina
Complejo Agropecuario Carnico (Carnicos), C.A.	Venezuela
Arcos Dorados de Uruguay S.A.	Uruguay
Gerencia Operativa ARC, C.A.	Venezuela

Compañía Operativa de Alimentos COR, C.A.	Venezuela
Golden Arch Development LLC	Delaware
LatAm, LLC	Delaware
Logistics and Manufacturing LOMA Co.	Delaware
Management Operations Company	Delaware
Operaciones Arcos Dorados de Perú, S.A.	Peru
Restaurant Realty of Mexico, Inc.	Delaware
Sistemas Central America, S.A.	Panama
Sistemas McOpCo Panama, S.A.	Panama
Arcos Dorados Latam LLC	Delaware
Arcos SEM Panama SA	Panama
Arcos Dorados Paisas S.A.S.	Colombia
Arcos Mendocinos S.A.	Argentina
Arcos Santafesinos S.A.	Argentina

EXHIBIT 12.1

CERTIFICATION

I, Sergio Alonso, certify that:

1. I have reviewed this annual report on Form 20-F of Arcos Dorados Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 27, 2017

/s/ Sergio Alonso
Name: Sergio Alonso
Title: Chief Executive Officer

EXHIBIT 12.2

CERTIFICATION

I, Mariano Tannenbaum, certify that:

1. I have reviewed this annual report on Form 20-F of Arcos Dorados Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 27, 2017

/s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

EXHIBIT 13.1

CERTIFICATION

The certification set forth below is being submitted in connection with the annual report of Arcos Dorados Holdings Inc. on Form 20-F for the year ended December 31, 2016 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code. Sergio Alonso, the Chief Executive Officer of Arcos Dorados Holdings Inc., certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Arcos Dorados Holdings Inc.

Date: April 27, 2017

/s/ Sergio Alonso
Name: Sergio Alonso
Title: Chief Executive Officer

EXHIBIT 13.2

CERTIFICATION

The certification set forth below is being submitted in connection with the annual report of Arcos Dorados Holdings Inc. on Form 20-F for the year ended December 31, 2016 (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code. Mariano Tannenbaum, the Chief Financial Officer of Arcos Dorados Holdings Inc., certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Arcos Dorados Holdings Inc.

Date: April 27, 2017

/s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

Exhibit 15.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statement:

(1) Registration Statement (Form S-8 No. 333-173496) pertaining to the Equity Incentive Plan of Arcos Dorados Holdings Inc;

of our report dated March 15, 2017 (except Note 27, as to which the date is April 27, 2017), with respect to the consolidated financial statements and our report dated March 15, 2017, with respect to the effectiveness of internal control over financial reporting, of Arcos Dorados Holdings Inc., included in this Annual Report (Form 20-F) for the year ended December 31, 2016.

Buenos Aires, Argentina
April 27, 2017

/s/ Pistrelli, Henry Martin y Asociados S.R.L.
PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global