ARCOS DORADOS HOLDINGS INC.

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

Filed 04/29/21 for the Period Ending 12/31/20

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

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, 2020

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	Trading Symbol	Name of each exchange on which registered
Class A shares, no par value	ARCO	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: 127,265,773
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 every Interactive Data File required to be submitted 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 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 whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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.

TABLE OF CONTENTS

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.

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 prepare our financial statements in accordance with accounting principles and standards generally accepted in the United States, or U.S. GAAP, and elect to report in U.S. dollars.

The financial information contained in this annual report includes our consolidated financial statements at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, 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 on December 31. References in this annual report to a fiscal year, such as "fiscal year 2020," relate to our fiscal year ended on December 31 of that calendar year.

Operating Data

Our operating segments are composed of four geographic regions of operation: (i) the South Latin American division, or "SLAD," which is comprised of Argentina, Chile, Ecuador, Peru and Uruguay, (ii) the Caribbean division, which 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, (iii) Brazil and (iv) the North Latin American division, or "NOLAD," which is comprised of Costa Rica, Mexico and Panama.

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 two joint ventures with third parties that collectively own 15 restaurants in Argentina and Chile. We consider these restaurants to be Company-operated restaurants. We also have granted developmental licenses to 9 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 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:

- effects of COVID-19 pandemic and private or government measures that could negatively affect the global economy and our markets' economy and business;
- changes in our liquidity or the availability of lines of credit and other sources of financing, including as a result of the COVID-19 pandemic;
- 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 or food-borne illnesses, such as COVID-19, “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 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;
- material 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, 2020 and 2019 and the income statement data for the years ended December 31, 2020, 2019 and 2018 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, 2018, 2017 and 2016 and the income statement data for the years ended December 31, 2017 and 2016 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.

Our operating segments are composed of four geographic regions of operation: (i) the South Latin American division, or "SLAD," which is comprised of Argentina, Chile, Ecuador, Peru and Uruguay, (ii) the Caribbean division which 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 (iii) Brazil and (iv) the North Latin American division, or "NOLAD," which is comprised of Costa Rica, Mexico and Panama.

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 prepare our financial statements in accordance with accounting principles and standards generally accepted in the United States, or U.S. GAAP, and elect to report in U.S. dollars. 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,				
	2020	2019	2018	2017	2016
	(in thousands of U.S. dollars, except for per share data)				
(Loss) Income Statement Data:					
Sales by Company-operated restaurants	$ 1,894,618	$ 2,812,287	$ 2,932,609	$ 3,162,256	$ 2,803,334
Revenues from franchised restaurants	89,601	146,790	148,962	157,269	125,296
Total revenues	**1,984,219**	**2,959,077**	**3,081,571**	**3,319,525**	**2,928,630**
Company-operated restaurant expenses:					
Food and paper	(677,087)	(1,007,584)	(1,030,499)	(1,110,240)	(1,012,976)
Payroll and employee benefits	(413,074)	(567,653)	(607,793)	(683,954)	(607,082)
Occupancy and other operating expenses	(624,154)	(799,633)	(803,539)	(842,519)	(752,428)
Royalty fees	(110,957)	(155,388)	(157,886)	(163,954)	(142,777)
Franchised restaurants—occupancy expenses	(43,512)	(61,278)	(67,927)	(69,836)	(55,098)
General and administrative expenses	(171,382)	(212,515)	(229,324)	(244,664)	(221,075)
Other operating (expenses) income, net	(10,807)	4,910	(61,145)	68,577	41,386
Total operating costs and expenses	**(2,050,973)**	**(2,799,141)**	**(2,958,113)**	**(3,046,590)**	**(2,750,050)**
Operating (loss) income	**(66,754)**	**159,936**	**123,458**	**272,935**	**178,580**
Net interest expense	(59,068)	(52,079)	(52,868)	(68,357)	(66,880)
(Loss) gain from derivative instruments	(2,297)	439	(565)	(7,065)	(3,065)
Gain from securities	25,676	–	–	–	–
Foreign currency exchange results	(31,707)	12,754	14,874	(14,265)	32,354
Other non-operating income (expenses), net	2,296	(2,097)	270	(435)	(2,360)
(Loss) Income before income taxes	**(131,854)**	**118,953**	**85,169**	**182,813**	**138,629**
Income tax expense	(17,532)	(38,837)	(48,136)	(53,314)	(59,641)
Net (loss) income	**(149,386)**	**80,116**	**37,033**	**129,499**	**78,988**
Less: Net income attributable to non-controlling interests	(65)	(220)	(186)	(333)	(178)
Net (loss) income attributable to Arcos Dorados Holdings Inc.	**(149,451)**	**79,896**	**36,847**	**129,166**	**78,810**
(Loss) Earnings per share:					
Basic net (loss) income per common share attributable to Arcos Dorados	$ (0.73)	$ 0.39	$ 0.18	$ 0.61	$ 0.37
Diluted net (loss) income per common share attributable to Arcos Dorados	$ (0.73)	$ 0.39	$ 0.18	$ 0.61	$ 0.37

	As of December 31,				
	2020	2019	2018	2017	2016
	(in thousands of U.S. dollars, except for share data)				
Balance Sheet Data:					
Cash and cash equivalent	$ 165,989	$ 121,880	$ 197,282	$ 308,491	$ 194,803
Total current assets	**415,531**	**405,368**	**464,562**	**653,037**	**445,190**
Property and equipment, net	796,532	960,986	856,192	890,736	847,966
Total non-current assets	**1,878,423**	**2,152,317**	**1,113,477**	**1,150,706**	**1,059,863**
Total assets	**2,293,954**	**2,557,685**	**1,578,039**	**1,803,743**	**1,505,053**
Accounts payable	209,535	259,577	242,455	303,452	217,914
Short-term debt and current portion of long-term debt	3,129	16,529	4,192	4,359	28,099
Total current liabilities	**503,471**	**595,447**	**493,312**	**605,583**	**548,308**
Long-term debt, excluding current portion	773,445	623,575	626,424	629,142	551,580
Total non-current liabilities	**1,592,467**	**1,540,672**	**691,968**	**702,018**	**605,169**
Total liabilities	**2,095,938**	**2,136,119**	**1,185,280**	**1,307,601**	**1,153,477**
Total common stock	519,518	516,119	512,760	509,647	506,884
Total equity	**198,016**	**421,566**	**392,759**	**496,142**	**351,576**
Total liabilities and equity	**2,293,954**	**2,557,685**	**1,578,039**	**1,803,743**	**1,505,053**
Shares outstanding	207,265,773	204,070,029	205,232,247	211,072,508	210,711,224

	For the Years Ended December 31,				
	2020	2019	2018	2017	2016
	(in thousands of U.S. dollars, except percentages)				
Other Data:					
Total Revenues					
Brazil	$ 862,748	$ 1,385,566	$ 1,345,453	$ 1,496,573	$ 1,333,237
Caribbean division(1)	381,090	399,251	483,743	474,822	409,671
NOLAD	311,887	431,266	406,848	386,874	363,965
SLAD	428,494	742,994	845,527	961,256	821,757
Total	**1,984,219**	**2,959,077**	**3,081,571**	**3,319,525**	**2,928,630**
Operating (Loss) Income					
Brazil	$ 16,121	$ 164,342	$ 159,511	$ 160,608	$ 122,636
Caribbean division(1)	4,494	(1,100)	(49,567)	1,538	(12,392)
NOLAD	(16,680)	16,539	7,726	99,152	45,145
SLAD	(16,626)	42,410	53,777	71,718	66,359
Corporate and others and purchase price allocation	(54,063)	(62,255)	(47,989)	(60,081)	(43,168)
Total	**(66,754)**	**159,936**	**123,458**	**272,935**	**178,580**
Operating Margin(2)					
Brazil	1.9 %	11.9 %	11.9 %	10.7 %	9.2 %
Caribbean division(1)	1.2	(0.3)	(10.2)	0.3	(3.0)
NOLAD	(5.3)	3.8	1.9	25.6	12.4
SLAD	(3.9)	5.7	6.4	7.5	8.1
Total	**(3.4)**	**5.4**	**4.0**	**8.2**	**6.1**
Adjusted EBITDA(3)					
Brazil	$ 76,155	$ 227,844	$ 218,391	$ 218,172	$ 168,076
Caribbean division(1)	28,847	24,955	(8,281)	40,844	18,049
NOLAD	10,207	39,027	32,313	33,717	36,288
SLAD	3,272	63,120	73,670	87,083	76,327
Corporate and others	(50,370)	(63,171)	(58,096)	(74,879)	(60,295)
Total	**68,111**	**291,775**	**257,997**	**304,937**	**238,445**
Adjusted EBITDA Margin(4)					
Brazil	8.8 %	16.4 %	16.2 %	14.6 %	12.6 %
Caribbean division(1)	7.6	6.2	(1.7)	8.6	4.4
NOLAD	3.3	9.0	7.9	8.7	10.0
SLAD	0.8	8.5	8.7	9.1	9.3
Total	**3.4**	**9.9**	**8.4**	**9.2**	**8.1**
Other Financial Data:					
Working capital(5)	(87,940)	(190,079)	(28,750)	47,454	(103,118)
Capital expenditures(6)	90,144	267,893	197,041	175,636	92,282
Cash Dividends declared per common share	$ 0.05	$ 0.11	$ 0.10	$ —	$ —
Stock Dividends declared per every 75 common shares	1.00	—	—	—	—

	As of December 31,				
	2020	2019	2018	2017	2016
Number of systemwide restaurants	**2,236**	**2,293**	**2,223**	**2,188**	**2,156**
Brazil	1,020	1,023	968	929	902
Caribbean division	318	336	337	350	353
NOLAD	507	530	524	519	517
SLAD	391	404	394	390	384
Number of Company-operated restaurants	**1,576**	**1,580**	**1,540**	**1,546**	**1,553**
Brazil	610	612	584	579	584
Caribbean division	269	251	251	263	266
NOLAD	353	364	362	363	365
SLAD	344	353	343	341	338
Number of franchised restaurants	**660**	**713**	**683**	**642**	**603**
Brazil	410	411	384	350	318
Caribbean division	49	85	86	87	87
NOLAD	154	166	162	156	152
SLAD	47	51	51	49	46

(1) Currency devaluations in Venezuela have had a significant effect on our income statements and have impacted the comparability of our income statements. See "Item 5. Operating and Financial Review and Prospects-A. Operating Results-Foreign Currency Translation-Venezuela."

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

(3) 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."

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

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

(6) 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:

Consolidated Adjusted EBITDA Reconciliation	For the Years Ended December 31, 2020	2019	2018	2017	2016
	(in thousands of U.S. dollars)				
Net (loss) income attributable to Arcos Dorados Holdings Inc.	**$ (149,451)**	**$ 79,896**	**$ 36,847**	**$ 129,166**	**$ 78,810**
Plus (Less):					
Net interest expense	59,068	52,079	52,868	68,357	66,880
Loss (gain) from derivative instruments	2,297	(439)	565	7,065	3,065
(Gain) from securities	(25,676)	—	—	—	—
Foreign currency exchange results	31,707	(12,754)	(14,874)	14,265	(32,354)
Other non-operating (income) expenses, net	(2,296)	2,097	(270)	435	2,360
Income tax expense	17,532	38,837	48,136	53,314	59,641
Net income attributable to non-controlling interests	65	220	186	333	178
Operating (loss) income	**(66,754)**	**159,936**	**123,458**	**272,935**	**178,580**
Plus (Less):					
Items excluded from computation that affect operating income:					
Depreciation and amortization	126,853	123,218	105,800	99,382	92,969
Gains from sale or insurance recovery of property and equipment	(4,210)	(5,175)	(4,973)	(95,081)	(57,244)
Write-offs of property and equipment	4,501	4,733	4,167	8,528	5,776
Impairment of long-lived assets	6,636	8,790	18,950	17,564	7,697
Impairment of goodwill	1085	273	167	200	5,045
Reorganization and optimization plan	—	—	11,003	—	5,341
2008 Long-Term Incentive Plan incremental compensation from modification	—	—	(575)	1,409	281
Adjusted EBITDA	**68,111**	**291,775**	**257,997**	**304,937**	**238,445**

Exchange Rates and Exchange Controls

In 2020, 69.2% of our total revenues were derived from our restaurants in Brazil, Argentina, Mexico and Puerto Rico. While we elect to report figures 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.

Brazil

Exchange Rates

The Brazilian *real* appreciated 19.4% against the U.S. Dollar in 2016, 1.7% in 2017, depreciated 19% in 2018, depreciated 25.5% in 2019, depreciated 29% in 2020 and depreciated 8.5% in the first quarter of 2021. As of April 23, 2021, the exchange rate for the purchase of U.S. dollars was R$5.48 per U.S. dollar.

Exchange Controls

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.

Argentina

Exchange Rates

The Argentine *peso* depreciated 21.9% against the U.S. Dollar in 2016, 17.7% in 2017, 49.7% in 2018, 58.8% in 2019, 40.5% in 2020 and 9.3% in the first quarter of 2021. As of April 23, 2021, the exchange rate for the purchase of U.S. dollars was ARS$93.12 per U.S. dollar.

Exchange Controls

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. Although these foreign exchange controls were eased in a series of measures introduced by former President Mauricio Macri's administration starting in December 2015, his administration also reinstated the main exchange controls, starting in September 2019.

On September 1, 2019, the Argentine government issued Decree No. 609/2019 whereby foreign exchange controls were reinstated. The decree: (i) reinstated, originally until December 31, 2019, exporters' obligation to repatriate and settle for Argentine *pesos* (through the foreign exchange market or the "MLC", per its acronym in Spanish) the proceeds from exports of goods and services on the terms and conditions set forth by the Central Bank of Argentina's implementing regulations; and (ii) authorized the Central Bank of Argentina to (a) regulate access to the foreign exchange market for the purchase of foreign currency and outward remittances; and (b) set forth regulations to avoid practices and transactions aimed to circumvent, through the use of securities and other instruments, the measures adopted through the decree. On the same date, the Central Bank of Argentina issued Communication "A" 6770, which was subsequently amended and supplemented by further

Central Bank of Argentina communications. As a consequence of these exchange controls, the spread between the official exchange rate and other exchange rates resulting implicitly from certain capital market operations usually effected to obtain U.S. dollars has broadened significantly, reaching a value of approximately 64% above the official exchange rate as of April 23, 2021.

At present, foreign exchange regulations have been (i) extended indefinitely, and (ii) consolidated in a single set of regulation, Communication “A” 6844, as subsequently amended and supplemented from time to time by Central Bank of Argentina’s communications (jointly, the “Argentine FX Regulations”). Below is a description of the main exchange control measures implemented through the aforementioned regulations:

Specific provisions for inward remittances

Obligation to repatriate and settle in Argentine pesos the proceeds from exports of services

Section 2.2 of the Argentine FX Regulations imposes on exporters the obligation to repatriate, and settle in the MLC, the proceeds from services rendered to non-residents within 5 business days following payment thereof.

Sale of non-financial non-produced assets

Pursuant to section 2.3 of the Argentine FX Regulations, the proceeds in foreign currency of the sale to non-residents of non-financial non-produced assets must be repatriated and settled in Argentine *pesos* in the MLC within 5 business days following either the perception of funds in the country or abroad, or their accreditation in foreign accounts.

External financial indebtedness

Pursuant to section 2.4 of the Argentine FX Regulations, the new regulations have reinstated the requirement to repatriate, and settle in Argentine *pesos* through the MLC, the proceeds of new financial indebtedness disbursed from and after September 1, 2019 as a condition for accessing the MLC to make debt service payments thereunder. The reporting of the debt under the reporting regime established by Communication “A” 6401 (as amended and restated from time to time, the “External Assets and Liabilities Reporting Regime”) is also a condition to access the MLC to repay external financial indebtedness. However, per Communication “A” 7106, debtors of principal of foreign external financial indebtedness scheduled to be due between October 15, 2020 and March 31, 2021 were limited to access the MLC for up to 40% of the principal owed during such period (this period was subsequently extended to December 31, 2021 by Communication “A” 7230). Hence, these new regulations impose a requirement on debtors to restructure the remaining 60% of principal owed during such period (or obtain new financing), but allows the access to the MLC for all interest under such payments. These regulations are subject to certain characteristics and thresholds but generally apply to external financial indebtedness. Debtors of external financial indebtedness subject to these regulations are required to submit to a refinancing plan evidencing compliance with this regulation.

Specific Provisions Regarding Access to the MLC

Payment of principal under external financial indebtedness to non-resident affiliates

Access to the MLC for payments of principal under debts with non-resident affiliates will be subject to the Central Bank of Argentina’s prior approval until June 30, 2021.

Payment of imports of goods

Communication “A” 7030 of the Central Bank of Argentina sets forth that, for the purposes of accessing the MLC to pay imports of goods or the principal amount of debts arising from the import of goods, the Central Bank of Argentina’s prior approval will be required until June 30, 2021, unless certain requirements are met, namely:

a) the entity has received an affidavit from the client stating that the total amount of payments associated with its imports of goods processed through the MLC during 2020, including the payment for which approval is sought, does not exceed in more than US$1,000,000 the amount by which the importer would have access to the exchange market when computing: (i) the imports of goods registered on behalf of the relevant in the system for tracking payments of imports of goods (SEPAIMPO) and that were registered between January 1, 2020 and the day prior to accessing the MLC, (ii) plus the amount of payments made under other exceptions, (ii) minus the amount pending to be paid in Argentina, related to payments of imports with pending customs registration made between September 1, 2019 and December 31, 2019;

b) in the case of a "deferred payment" or "demand payment" of imports corresponding to goods that have been shipped as of July 1, 2020 or that, having been shipped previously, have not arrived in the country before that date; and

c) it is a payment associated with an operation not included in section b) above, to the extent that it is intended to be used towards the cancellation of a commercial debt for imports of goods with an export credit agency or a foreign financial entity or that was guaranteed by either of such entities.

Prior to authorizing payments for imports of goods, the intervening financial entity must, in addition to requesting the client's affidavit, verify that such statement is compatible with the existing data in the relevant online Central Bank of Argentina's databases.

Payment of services provided by non-residents

Pursuant to section 3.2 of the Argentine FX Regulations, residents may access the MLC for payment of services rendered by non-residents (except to affiliates), as long as it is verified that the operation has been declared, if applicable, in the last overdue presentation of the External Assets and Liabilities Reporting.

Access to the MLC for the prepayment of debts for services requires prior authorization by the Central Bank of Argentina.

Other Specific Provisions

Additional requirements on outflows through the MLC

For certain outflows of funds made through the MLC (i.e., payments of imports and other purchases of goods abroad; payment of services rendered by non-residents; remittances of profits and dividends; payment of principal and interest on external indebtedness; payments of interest on debts for the import of goods and services, among others), the intervening exchange institution shall obtain the Central Bank of Argentina's prior approval before processing the transaction, unless the customer files an affidavit before such bank stating that, at the moment of accessing the MLC:

a) (i) all its foreign currency holdings are held in bank accounts within local financial institutions, and (ii) the customer has no external liquid assets available as of the date of access to the MLC in an amount higher than the equivalent to US$100,000 (or a higher amount, provided some requirements are met). Communication "A" 7030 provides a merely illustrative list of liquid external assets including, among others, holdings of foreign currency bills and coins, holdings of coined gold or gold bars for good delivery, demand deposits with financial institutions abroad and other investments that allow for immediate availability of foreign currency (including, for example, investments in external government securities, funds held in investment accounts with investment managers abroad, crypto-currency, funds in payment service providers' accounts, among others); and

b) the customer commits to transfer and settle through the MLC within a term of 5 business days upon being made available, (i) any funds received from the collection of loans granted to third parties, (ii) the collection of time deposits, or (iii) the sale of any asset; provided that the loan had been granted, the time deposit had been made, and the asset had been purchased, in each case, after May 28, 2020.

Access to the MLC by non-residents

In accordance with section 3.12 of the Argentine FX Regulations, prior approval by the Central Bank of Argentina will be required for access to the foreign exchange market by non-residents for the purchase of foreign currency, except for the following operations: (a) International organizations and institutions that perform functions of official export credit agencies, (b) diplomatic representations and consular and diplomatic personnel accredited in the country for transfers made in the exercise of their functions, (c) Representatives in the country of Courts, Authorities or Offices, Special Missions, Commissions or Bilateral Bodies established by Treaties or International Agreements, of which Argentina is part, to the extent that transfers are made in the exercise of their functions, (d) foreign transfers in the name of individuals who are beneficiaries of retirement and / or pensions paid by the ANSES, for up to the amount paid by said agency in the calendar month and to the extent that the transfer is made to a bank account owned by the beneficiary in your registered country of residence, (e) purchase of foreign currency (in cash) by non-resident individuals for tourism and travel expenses, up to a maximum amount of U$S100 dollars, to the extent the financial entity can verify that the client has settled an amount equal or higher than the sum to be purchased within 90 days prior to the operation, and (f) transfers to offshore bank accounts by individuals that are beneficiaries of pensions granted by the national government pursuant to Laws No. 24,043, 24,411 and 25,914, as supplemented.

Exchanges and arbitrage. Transactions involving securities

Pursuant to section 4.2 of the Argentine FX Regulations, entities are allowed to carry out exchange and arbitrage operations with their clients in the following cases: (i) such operation is not subject to the settlement obligation in the MLC; (ii) an individual transfers funds from their local accounts (which are already held in foreign currency) to its own bank accounts outside Argentina, (iii) when foreign currency transfers by local central collective deposit securities for funds received in foreign currency for capital services and income from National Treasury securities, (iv) arbitration operations not originated in foreign transfers provided that such funds are debited from an account in foreign currency of the client in a local entity, and (v) may be carried out without the need to obtain prior Central Bank of Argentina approval, provided that if structured as separate transactions, these would have access to the MLC without the need of an authorization by the Central Bank of Argentina.

Securities-related Operations

Pursuant to General Resolution No. 878/2020 of the Argentine Securities Commission (CNV, per its acronym in Spanish), sales of securities with settlement in foreign currency and in a foreign jurisdiction may be carried out, provided that a minimum holding period of 3 business days is observed from the date such securities are credited with the relevant depositary. With respect to sales of securities with settlement in foreign currency carried out locally, the minimum holding period will be of 1 business day to be counted from the date on which such securities were credited with the relevant depositary. These minimum holding periods shall not be applicable in the case of purchases of securities with settlement in foreign currency.

In addition, transfers of securities acquired from foreign depositaries with settlement in Argentine pesos will be processed subject to the compliance with a minimum holding period of 3 business days counted from the crediting thereof with the depositary, unless such crediting results from a primary placement of securities issued by the National Treasury or refers to shares and/or Argentine deposit certificates (CEDEARs) traded on markets regulated by the CNV. Brokers and trading agents must verify compliance with the aforementioned minimum holding period of the securities.

With respect to incoming transfers, General Resolution No. 878/2020 of the CNV provided that securities transferred by foreign depositaries and credited with a central depositary may not be allocated to the settlement of transactions in foreign currency and in a foreign jurisdiction until 3 business days after such crediting into sub-account(s) in the local custodian. If such securities are allocated to the settlement of transactions in foreign currency and in local jurisdiction, the minimum holding period will be 1 business day after such crediting into sub-account(s) in the local custodian.

Foreign Exchange Criminal Regime

Any operation that does not comply with the provisions of the foreign exchange regulations is subject to compliance with the Foreign Exchange Criminal Regime.

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

Mexico

Exchange Rates

The Mexican *peso* appreciated 4.26% in 2019, depreciated 5.2% in 2020 and depreciated 2.6% in the first quarter of 2021. As of April 23, 2021, the free-market exchange rate for the purchase of U.S. dollars was Ps.19.83 per U.S. dollar.

Exchange Controls

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.

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.

Summary of Risk Factors

An investment in our Company is subject to a number of risks, including risks related to our business, results of operations and Financial Conditions, risks related to our liquidity and indebtedness and risks related to our industry. The following summarizes some, but not all, of these risks. Please carefully consider all of the information discussed in "Item 3. Key Information—D. Risk Factors" in this annual report for a more thorough description of these and other risks.

Risks Related to Our Business and Operations

- The spread of COVID-19 has materially and adversely affected our business, results of operations and cash flows, and may continue to do so.
- 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 business depends on our relationship with McDonald's and changes in this relationship may adversely affect our business, results of operations and financial condition.
- 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.
- The failure to successfully manage our future growth may adversely affect our results of operations.
- We depend on oral agreements with third-party suppliers and distributors for the provision of products that are necessary for 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.
- We do not have full operational control over the businesses of our franchisees.
- Ownership and leasing of a broad portfolio of real estate exposes us to potential losses and liabilities.
- The success of our business is dependent on the effectiveness of our marketing strategy.
- The inability to attract and retain qualified personnel may affect our growth and results of operations.
- The resignation, termination, permanent incapacity or death of our Executive Chairman could adversely affect our business, results of operations, financial condition and prospects.
- Labor shortages or increased labor costs could harm our results of operations.
- A failure by McDonald's to protect its intellectual property rights, including its brand image, could harm our results of operations.

Risks Related to Our Results of Operations and Financial Condition

- We use non-committed lines of credit to partially finance our working capital needs.
- 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.
- Inflation and government measures to curb inflation may adversely affect the economies in the countries where we operate, our business and results of operations.
- 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.
- Price controls and other similar regulations in certain countries have affected, and may in the future affect, our results of operations.
- We are subject to significant foreign currency exchange controls and currency devaluation in certain countries in which we operate.

Risks Related to Government Regulation

- If we fail to comply with, or if we become subject to, more onerous government regulations, our business could be adversely affected.
- We could be subject to expropriation or nationalization of our assets and government interference with our business in certain countries in which we operate.
- 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.
- Any tax increase or change in tax legislation may adversely affect our results of operations.
- Tax assessments in any of the jurisdictions in which we operate may negatively affect our business and results of operations.
- Litigation and other pressure tactics could expose our business to financial and reputational risk.
- Information technology system failures or interruptions or breaches of our network security may interrupt our operations, exposing us to increased operating costs and to litigation.
- Our insurance may not be sufficient to cover certain losses.

Risks Related to Our Industry

- The food services industry is intensely competitive and we may not be able to continue to compete successfully.
- Increases in commodity prices or other operating costs could harm our operating results.
- Demand for our products may decrease due to changes in consumer preferences or other factors.
- Our investments to enhance the customer experience, including through technology, may not generate the expected returns.
- Our business activity may be negatively affected by disruptions, catastrophic events or health pandemics.
- 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.
- We are subject to increasingly strict data protection laws, which could increase our costs and adversely affect our business.
- Environmental laws and regulations may affect our business.
- We may be adversely affected by legal actions with respect to our business.
- Unfavorable publicity or a failure to respond effectively to adverse publicity, particularly on social media platforms, could harm our reputation and adversely impact our business and financial performance.

Risks Related to Our Business and Operations in Latin America and the Caribbean

- Our business is subject to the risks generally associated with international business operations.
- Developments and the perception of risk in other countries, especially emerging market countries, may adversely affect business, results, financial conditions and prospects.
- Changes in governmental policies in the Territories could 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.
- Some 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.

Risks Related to Our Class A Shares

- Mr. Woods 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.
- 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.
- 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.

Risks Related 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.
- You may have more difficulty protecting your interests than you would as a shareholder of a U.S. corporation.
- You may not be able to participate in future equity offerings, and you may not receive any value for rights that we may grant.

Risks Related to Our Business and Operations

The spread of COVID-19 has materially and adversely affected our business, results of operations and cash flows, and may continue to do so.

Since mid-March 2020, when the COVID-19 virus began to spread in Latin America and the Caribbean, operations in all our markets were significantly disrupted. Governments at the local, state and/or federal level in all countries in which we operate implemented measures intended to stem the spread of COVID-19. In order to comply with these government measures, some of our markets closed all restaurants for a period of time, especially from the end of March through the middle of April 2020. During that period, the peak percentage of fully-closed restaurants reached approximately 50% of our entire restaurant footprint. Beginning in the middle of April 2020 and through the end of 2020, while following the operating hours and/or occupancy restrictions imposed by the governments in the markets in which we operate, we steadily began re-opening restaurants and were able to resume operating at least one sales channel, such as drive-thru, delivery and/or take out, in nearly all of our restaurants, as well as, the vast majority of our dessert centers. However, due to the ongoing and dynamic nature of the COVID-19 pandemic, additional periods of government-imposed operating restrictions to slow the spread of the virus are being implemented in some markets and may impact additional markets in the future. In addition, although our supply chain has not been materially disrupted by the pandemic to date, any resurgence of the pandemic in one or more markets may lead to disruptions in our supply chain, if our suppliers experience disruption of their operations due to the pandemic.

In order to mitigate the impact on our business, results of operations, financial condition and outlook, we implemented several cash preservation measures including, but not limited to, reducing costs and expenses, limiting capital expenditures and renegotiating terms and conditions with lessors and other suppliers of goods and services. We expect to maintain these cash preservation measures until the operating environment normalizes. In addition, on July 6, 2020, we announced the Board of Directors' decision to cancel the two remaining cash dividend installments that were to be paid in August and December 2020 and the Board of Directors' communicated approval of a stock dividend, which was distributed in August 2020.

In addition, McDonald's granted us a deferral of all royalty payments, due related to sales in March, April, May, June and July 2020 until the first half of 2021. Also, in connection with the COVID-19 pandemic, we agreed with McDonald's to reduce the advertising and promotion spending requirement from 5% to 4% of our gross sales for the full year 2020 (beginning on January 1, 2021 we resumed spending 5% of our gross sales on advertising and promotion) and approved the withdrawal of the previously-approved 2020-2022 restaurant opening plan and reinvestment plan, agreeing in place of this obligation to a plan for 2021 only. We expect to discuss our 2022 restaurant opening plan and reinvestment plan with McDonald's in the second half of 2021. If we are unable to meet our commitments under a future plan and we are unable to reach an agreement on the revised terms for the restaurant opening plan and reinvestment plan or are otherwise unable to obtain a waiver from McDonald's, we will be in default under the terms of the MFAs. As part of the approved plan for 2021, McDonald's agreed to provide us with growth support, which is expected to result in a consolidated effective royalty rate of about 5.3% in 2021. Finally, McDonald's granted us limited waivers from June 30, 2020 through and including December 31, 2021 as we were not in compliance with the MFAs' requirement to maintain a minimum fixed charge coverage ratio equal to or greater than 1.50 and a maximum leverage ratio of 4.25. If the COVID-19 pandemic worsens, we may not be able to meet our quarterly financial ratios or obtain additional waivers in the future.

We currently have certain letters of credit in place in favor of McDonald's that guarantee our obligations under the MFAs. The letters of credit were issued by Credit Suisse amounting to $45 million, Itaú Unibanco S.A. (Itaú) amounting to $15 million and JPMorgan amounting to $20 million. These letters of credit contain a limited number of customary affirmative and negative covenants, including a maximum indebtedness to EBITDA ratio of 4.0 for Credit Suisse and Itaú, and 4.5 for JPMorgan. We received waivers from our lenders for any event of default which may have occurred related to compliance with these financial ratio covenants in our letters of credit, which are measured at the end of each quarter, through and including the first quarter of 2021, for Itaú and JPMorgan, and December 31, 2021 for Credit Suisse. Although we do not have any amounts outstanding under these letters of credit at this time, certain of our lenders may terminate these letters of credit if we do not meet certain ratios thereunder in the future or if we are in default under our other indebtedness, among other reasons. If our lenders terminate our letters of credit, we would be in breach of our obligations under the MFAs, if we cannot replace the instrument or use cash as collateral.

Regarding our liquidity, at the beginning of the COVID-19 pandemic, we drew on our revolving credit facilities and short-term lines of credit to stabilize our cash flow and had to obtain waivers for our compliance with financial ratio covenants from our lenders for certain periods. As of December 31, 2020, we had zero balances drawn on our short-term credit lines and were in compliance with the financial ratio covenants under our current revolving credit facility. Should the COVID-19 pandemic worsen, we may need to draw on our available revolving credit facility and short-term credit lines in the future if we are unable to find alternative sources of funding.

Moreover, we benefited from some government measures enacted in Latin America and the Caribbean to help companies deal with the economic fallout of the COVID-19 pandemic, including modification of existing regulations to reduce workdays or tax costs, tax payment deferral and subsidies related to labor costs, among others. All subsidies granted were recognized on a systematic basis over the periods in which the related expenses were recorded, within "payroll and employee benefits" or "General and administrative expenses" in our consolidated statement of (loss) income. We meet all the terms and conditions required by the governments to maintain the benefits granted. Although as of December 31, 2020, some of the government measures remained in force, we cannot predict the extent or duration of current or forthcoming programs. The end of government support and a sustained growth of unemployment and under-employment will result in a decline in consumption that could negatively impact our sales.

In order to help our franchisees mitigate the negative impacts of the COVID-19 pandemic, we deferred a portion of franchisee rent payments in the six markets in which we have franchised restaurants. In addition, our franchisees also benefitted from the deferral of royalty payments due, related to sales for March, April, May, June and July 2020, as well as the reduction of the marketing and promotion spending requirement from 5% to 4% of their gross sales for the full year 2020, granted by McDonald's.

Although vaccination has started in the region, providing a foreseeable transition to normalcy, the COVID-19 virus is still spreading aggressively and continues to negatively impact our business and such impact could be material to our financial results, conditions and outlook. If we do not achieve profitability, our business and our ability to repay our financial obligations will be adversely affected. Moreover, if volatility in the financial markets continues, our cost of capital could increase and may make it more difficult for us to obtain additional financing if needed.

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. As a result, our ability to continue operating in our current capacity 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 S.A., 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 S.A., 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 certain of the real estate properties that 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. As a result of the business disruptions caused by COVID-19 pandemic, we agreed with McDonald's to withdraw our previously-approved 2020-2022 restaurant opening plan and reinvestment plan. On December 18, 2020, we reached an agreement with McDonald's for new restaurant openings and reinvestment capital expenditures in 2021. We expect to discuss our 2022 restaurant opening plan and reinvestment plan with McDonald's in the second half of 2021. Also in connection with the COVID-19 pandemic, McDonald's granted us a deferral of royalty payments due, related to our gross sales in March, April, May, June and July 2020, until 2021, as well as a reduction of the advertising and promotion spending requirement from 5% to 4% of our gross sales for the full year 2020. In addition to using our cash flow from operations, we may need to incur additional indebtedness in order to finance future commitments, which could adversely affect our financial condition. Moreover, we may not be able to obtain this additional indebtedness on favorable terms, or at all. Failure to comply with our future commitments could constitute a material breach of the MFAs and may lead to a termination by McDonald's of the MFAs.

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.

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. Woods 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, which has less than 100 restaurants in operation, 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 S.A. 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 2,236 restaurants as of December 31, 2020.

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 and to manage through other external pressures, including global pandemics such as the coronavirus (COVID-19) pandemic. See "—The spread of COVID-19 has materially and adversely affected our business, results of operations and cash flows, and may continue to do so."

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, including as a result of the COVID-19 outbreak, 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 and timeliness as well as commitments to follow internationally recognized manufacturing practices, to meet or exceed all local food regulations and to comply 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 38 largest suppliers account for approximately 75% of our purchases excluding Venezuela. Very few of our suppliers have entered into written contracts with us as we only have pricing protocols 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 pricing protocols with them are generally enough 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, 2020, 29.5% 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. As a result of the COVID-19 pandemic, we expect some of our franchisees to have difficulty meeting their financial obligations to us. As of the date hereof, franchisees have already resumed making rent payments to us in almost all of the six markets where we have franchisees. See "—The spread of COVID-19 has materially and adversely affected our business, results of operations and cash flows, and may continue to do so."

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 under the MFAs. 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. McDonald's agreed to defer all franchise fee payments, whether they are related to company-operated or franchisee operated restaurants, for March, April, May, June and July 2020 sales until 2021. As of the date hereof, we have paid the deferred franchise fee payments relative to March, April, May and June 2020. We expect to pay the deferred franchise fee relative to July 2020 in early May 2021. If we are unable to pay such franchise fees when they are due, or we have further difficulty meeting our obligations in the coming months and McDonald's does not provide additional deferrals or waivers, we will be in default under the MFAs.

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, 2020, we owned the land for 489 of our 2,236 restaurants and the buildings for all but 9 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 in the majority of our markets. In connection with the COVID-19 outbreak, we have agreed with McDonald’s to reduce this spending requirement from 5% to 4% of our gross sales for the full year 2020. Beginning on January 1, 2021, we resumed spending 5% of our gross sales on advertising and promotion. 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 approximately 0.1% 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.

The 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. Woods 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. Woods 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 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, 2020, we had 73,438 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 2020, Venezuela implemented three increases in the minimum wage. In addition, in December 2019, the government of Argentina enacted a decree establishing that employees dismissed without cause in the following six months were entitled to double indemnification from employers in an effort to mitigate the impact of economic difficulties facing the country at the time and has since been amended to only apply on a case-by-case basis with a maximum amount of AR$500,000. In April 2020, amid the COVID-19 outbreak, the Argentine government prohibited dismissals with or without cause under the argument of force majeure or lack of/reduction of work not imputable to the employer until May 31, 2021 (after several extensions) (this last cause also applies for temporary suspensions). 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.

We are also impacted by the costs and other effects of compliance with regulations affecting our workforce. These regulations are increasingly focused on employment issues, including wage and hour, healthcare, employee safety and other employee benefits and workplace practices. Claims of non-compliance with these regulations could result in liability and expense to us. Our potential exposure to reputational and other harm regarding our workplace practices or conditions or those of our franchisees or suppliers, including those giving rise to claims of sexual harassment or discrimination (or perceptions thereof) could have a negative impact on consumer perceptions of us and our business. In 2019, two of our restaurant employees in Peru died in a workplace accident at one of our restaurants. This accident is under investigation by Peruvian authorities, and while we do not expect a material impact from this event, any future workplace accidents could have a material adverse effect on our business, financial condition and results of operations.

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.

Additionally, the Company benefited from some government measures enacted in Latin America and the Caribbean to help companies deal with the economic fallout of the COVID-19 pandemic, including modification of existing regulations to reduce workdays or tax costs, tax payment deferral and subsidies related to labor costs, among others. All subsidies granted were recognized on a systematic basis over the periods in which the related expenses were recorded, within "payroll and employee benefits" or "General and administrative expenses" in the consolidated statement of (loss) income. The Company meets all the terms and conditions required by the governments to maintain the benefits granted. Although as of December 31, 2020, some of the government measures continued in force, the Company cannot predict the extent or duration of current or forthcoming programs.

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.

Risks Related to Our Results of Operations and Financial Condition

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. In response to the COVID-19 pandemic and related disruption in regional and global economic activity, we drew on our available lines as needed, although our cash flow had stabilized by the second quarter of 2020, and we did not have any amounts outstanding under our credit lines as of December 31, 2020. 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, 2020, we had $673.2 million in total outstanding indebtedness, consisting of $776.6 million in long-term debt net of $103.3 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.

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. In addition, we are required to meet certain financial ratios under our lines of credit and revolving credit facilities. We were not in compliance with our financial ratios during certain periods in 2020 and received waivers from our lenders. We repaid amounts outstanding under our revolving credit facility with BofA and our lines of credit and refinanced our revolving credit facility with JPMorgan during 2020, and we are currently in compliance with our ratios under our existing agreements. However, if we are unable to comply with such ratios or obtain waivers for non-compliance in the future, we will be in default under our line of credit and revolving credit facility. In the case of our revolving credit facility, any amounts drawn under such facility may be declared to be immediately due and payable by the relevant lender, who may also terminate its obligation to provide loans under such agreement if we are not in compliance with our ratios under the agreement. In the case of our non-committed lines of credit, if we have previously drawn any amount, then such amounts may be immediately due and payable to the relevant lender, subject to the terms of each non-committed line of credit. 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.

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, have experienced, or are currently experiencing, high rates of inflation. For example, as of July 1, 2018, Argentina is considered highly inflationary under U.S. GAAP. In addition, Venezuela has been considered highly inflationary 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 or offset with other efficiencies, 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 US 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 in the future affect, our results of operations.

Certain countries in which we conduct operations have imposed, and may continue to impose, price controls that restrict our ability, and the ability of our franchisees, to adjust the prices of our products. For example, there are currently certain price control regulations in force in Argentina. Although the industry in which we operate is not yet subject to these regulations, it is not clear whether the current administration will apply or enforce price controls in the future on the industry in which we operate.

Moreover, the Venezuelan market is subject to a regulation establishing a maximum profit margin for companies and maximum prices for certain goods and services. Although we managed to navigate the negative impact of the price controls on our operations from 2013 through 2020, 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. See “Item 4. Information on the Company—B. Business Overview—Regulation.”

The imposition and enforcement of these and similar restrictions in the future may place downward pressure on the prices at which our products are sold and may limit the growth of our revenue. We cannot assure you that existing price controls will not be enforced or become more stringent, or that new price controls will not be imposed in the future, or that any such controls may not have an adverse effect on our business. Our inability to control the prices of our products could have an adverse effect on our results of operations.

We are subject to significant foreign currency exchange controls and currency devaluation 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.

For example, in 2020, our subsidiaries in Argentina represented 10% of our total revenues. Although the exchange controls had been relaxed, since September 2019, the Argentine government has 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, the Central Bank of Argentina implemented regulations requiring its prior approval 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 certain imports of goods. As a consequence of these exchange controls, the spread between the official exchange rate and other exchange rates resulting implicitly from certain securities transactions (usually effected to obtain U.S. dollars) has broadened significantly, reaching a value of approximately 64% above the official exchange rate as of April 23, 2021. The implementation of the above-mentioned measures could 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 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.

In addition, the continuing devaluation of the Argentine *peso* since the end of 2015 and the Venezuelan *bolivar* since 2010 has led to higher inflation levels, has significantly reduced competitiveness, real wages and consumption and has had a negative impact on businesses whose success is dependent on domestic market demand and supplies payable in foreign currency.

Further currency devaluations in any of the countries in which we operate could have a material adverse effect on our results of operations and financial condition. See "Item 3. Key Information—A. Selected Financial Data—Exchange Rates and Exchange Controls."

Risks Related to Government Regulation

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, provincial 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 prior to importing certain goods or make payments in foreign currency for the import of such goods. Although these regulations do not currently affect us, they may in the future prevent or delay the receipt of goods that we require for our operations, or increase the costs associated with obtaining those goods, and therefore have an adverse impact on our business, results of operations or financial condition. Additionally, in 2017, Venezuela enacted the Productive Foreign Investments Constitutional Act, which replaced the Foreign Investment Act of 2014. This law establishes the requirements and limitations for the transfer of dividends and repatriation of foreign investments. It also establishes a minimum investment sum to be registered with the Ministry of Popular Power with Foreign Investment, limits access to internal financing, modifies the criteria of foreign investments and creates a new penalty system for those who do not comply with the law.

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.

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 "—Risks Related to Our Business and Operations—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."

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 income tax at a broad range of 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 or similar 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, exposing us to increased operating costs and 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. We implement security measures and controls that we believe provide reasonable assurance regarding our security posture. However, 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. If those systems were to fail or otherwise be unavailable, and we were unable to recover in a timely way, we could experience an interruption in our operations. Moreover, security breaches involving our systems may occur from time to time. These include internal and external security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Our information technology systems contain personal, financial and other information that is entrusted to us by our customers, our employees and other third parties, as well as financial, proprietary and other confidential information related to our business. For example, on September 20, 2019 a journalist gained access to sensitive employee and partner information in Brazil due to a misconfigured service system provided by one of Arcos' service providers. Our IT team discovered and resolved the breach in a matter of hours in conjunction with the service provider and we engaged a well-known consultancy firm to help us perform an investigation of the breach and its ramifications. While our investigation determined that the impact of the breach was low, we cannot assure you that we will not experience similar security breaches in the future.

Furthermore, we have experienced a rise in transactions through online digital channels for which we rely on third party operators or trusted certified payment gateways to handle sensitive financial transactions. Our increasing reliance on third party systems also presents the risks faced by the third party's business, including the operational, security and credit risks of those parties. Moreover, there has also been an increase in number of registered customers for whom we store and process personal information to strengthen our relationship with customers. An actual or alleged security breach of our or their systems could result in disruptions, shutdowns, theft or unauthorized disclosure of personal, financial, proprietary or other confidential information. The occurrence of any of these incidents could result in reputational damage, adverse publicity, loss of consumer confidence, reduced sales and profits, complications in executing our growth initiatives and regulatory and legal risk.

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 with respect to damage or loss of our properties, machinery and inventories, our insurance may not be sufficient to cover all such potential losses. For example, we suffered losses in connection with a truck drivers' strike in Brazil in 2018, which disrupted our supply chain that were not covered by our insurance policies. Our losses due to lower sales as a result of the COVID-19 pandemic were also not covered. In the event that any losses exceed our insurance coverage or are not covered by our insurance policies, we will be liable for the excess. 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 that would adversely affect our financial condition and results of operations.

Risks Related 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, in general, 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, Taco Bell 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 new businesses targeting the same clients we serve, as well as 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 35.7% of our total sales by Company-operated restaurants in 2020, and 21.4% of our food and paper raw materials cost is exposed to fluctuations in foreign exchange rates. 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 investments to enhance the customer experience, including through technology, may not generate the expected returns.

We are engaged in various efforts to improve our customers' experience in our restaurants. In particular, in partnership with McDonald's, we have invested in Experience of the Future ("EOTF"), which focuses on restaurant modernization and technology and digital engagement in order to transform the restaurant experience. As we convert restaurants to EOTF, we are placing renewed emphasis on improving our service model and strengthening relationships with customers, in part through digital channels and loyalty initiatives and payment systems.

We have also started a digital transformation with the goal of increasing our engagement with our customers and using data in order to improve our decision-making. As a result of the COVID-19 pandemic, we have accelerated our digital transformation plans to better serve our customers. In order to accomplish this goal, we are making structural changes in our IT, including creating a "digital factory", which we call ADvance, to facilitate collaboration across groups within Arcos Dorados and adopting agile methodologies and principles to aid different groups in transforming products and services and the customer experience, or in otherwise achieving a specific business objective. We may not fully realize the intended benefits of these significant investments, or these initiatives may not be well executed, and therefore our business results may suffer.

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. 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. In addition, recurrent events in our region related to Dengue, Yellow Fever and Zika viruses, as well as the COVID-19 outbreak in 2020, have resulted in heightened health concerns in the region, which could reduce the visits to our restaurants if these cases are not controlled.

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, such as the COVID-19 outbreak, 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 and well communicated publicly 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 and Peru are considering imposing, or have already imposed, restrictions that impact the ways in which we market our products, including proposals that would have the effect of 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 (Law Nº 20,606). This law came into effect on June 26, 2016. The ban in Chile also restricts advertisements to children under the age of 14. As a result of these laws, we modified our children's meals in order to continue offering toys in them. However, we were subject to several audits by the Chilean authorities. 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. This law affects food products that exceed certain standards of nutritional quality set by the Chilean authorities. These restrictions on advertisements did not affect or have any impact on our sales. On June 26, 2019, strict standards of nutritional quality set by the Chilean authorities came into effect. As a result of modifications that we made to the contents of some of our products in adherence with these stricter standards, we were able to continue offering toys in children's meals. However, the volume of Happy Meals sold in Chile has been declining since 2016.

In 2013, Peru approved Law No. 30021, which, together with the corresponding Regulatory Decree approved in June 2017, restricts the advertising of processed food products and non-alcoholic beverages intended for children under 16. In addition, regulations establish that advertisements of food products and non-alcoholic beverages containing trans-fat and high levels of sodium, sugar and saturated fat must contain a warning stating that excessive consumption should be avoided. These regulations do not include food prepared on the spot at the request of a customer, and as a result, Arcos Dorados' products are excluded from the scope of application of such law.

In Argentina, there is currently a draft bill in Congress (Draft bill for the promotion of healthy eating) aimed to provide consumers with complete and clear information about the nutritional contents of foods and drinks, and that would also regulate related advertisement activities. If the nutritional composition of the product exceeds certain sugar, salt, fat or calorie thresholds, this bill would require us to include a front-of-pack nutritional label or "warning seal" on several of our products. Additionally, many advertisement and sponsoring activities would be strictly forbidden in the case of products that hold one or more "warning seals", such as: (i) conducting contests, games, promotions or cultural events; (iii) using cartoons or celebrities in advertisement; (iii) promoting online downloads; (iv) and offering or promising toys, games and prizes. Furthermore, marketing of "warning seal" products directed to children would be altogether forbidden. This draft bill has already been approved by the Senate on October 29, 2020 and there is a strong likelihood it will come into force in the short term.

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. In 2019, we obtained the approval to advertise the McNuggets + water + kids fries + apple puree combination at any time. However, since then, we have decided to discontinue the apple puree and replace it with yogurt and we no longer have an approved combination. We have developed a Happy Meals with chicken nuggets that complies with COFEPRIS' nutritional requirements.

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, which was upheld by the appellate court. The consumer protection agency filed a special appeal against this decision, which is pending final decision. 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, and in 2018, our subsidiaries in Brazil and Mexico joined the International Food and Beverage Alliance that regulates advertising for kids to help ensure our ongoing compliance with advertising restrictions.

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.

Although we have introduced changes in our Happy Meals in order to offer more balanced and healthier options to our customers and in many cases been able to mitigate the impact of these types of laws and regulations on our sales, we may not be able to do so in the future and the imposition of similar or stricter laws and regulations in the future 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.

We are subject to increasingly strict data protection laws, which could increase our costs and adversely affect our business.

We are subject to increasingly strict data protection laws in the markets in which we operate. For example, we are subject to the Brazilian General Data Protection Law ("Lei Geral de Proteção de Dados" or "LGPD"), federal law 13,709/2018, which became effective in September 2020. The LGPD significantly improves Brazil's existing legal framework by regulating the use of personal data by the private and public sectors. The concept of "data processing" is broad and includes the collection, storage, transfer, deletion and other activities related to personal data. All companies that offer services or have operations involving personal data handling in Brazil are required to comply with the LGPD rules and adopt administrative and technical security measures to protect personal data. Administrative sanctions under the LGPD, which will be applicable starting in August 2021 by the newly-formed National Data Protection Authority ("ANPD"), include warnings, single and daily fines, and elimination of personal data at stake. The LGDP is very similar to the European Union General Data Protection Regulation ("GDPR"), which we are subject to in certain French territories where we operate in the Caribbean.

Similarly, Argentina, Uruguay, Peru and Colombia have established data protection laws that largely follow the same framework. In Argentina, Law No. 25,326 (the "Data Protection Law") is also very similar to the GDPR and requires companies that process personal data to register with Agency of Access to Public Information ("AAPI"), prescribes the instances in which data may be processed based on the law, requires that individuals be notified prior to their personal data being processed, among other security measures. Under the Data Protection Law, the AAPI has the power to impose pecuniary and non-pecuniary sanctions on companies that fail to comply with the law. Like Argentina and Brazil, Uruguay also has in place data protection laws similar to the GDPR that they have been strengthening in recent years, including by extending the scope of data protection regulation to data collected and treated abroad when it is related to the offering of products and services in Uruguay and requiring appointment of a compliance office for data protection when a large amount of data is being processed. In Colombia, Law 1581 also requires companies to have in place data protection measures and yearly disclosure of such measures and database of providers, clients and employees with the Superintendency of Industry and Commerce.

In Peru, companies are required to comply with the Personal Data Protection Law (Law No. 29733), which similarly regulates the use of personal data. Failure to comply is punishable with economic fines by the Personal Data Protection Authority. In November 2019, Peru approved the Directorial Resolution No. 80-2019-JUS/DGTAIPD, Practical Guide to Comply with the "Obligation to Inform," which obligates companies to inform the various owners of personal data of the processing of their personal data and provides information about the obligation and various exceptions to it. Furthermore, in January 2020, Peru approved the Directorial Resolution N° 02-2020-JUS/DGTAIPD, Directive of the Personal Data Processing through Video Surveillance System, which establishes new obligations and prohibitions in any place where video surveillance is conducted. Compliance with these data protection laws and others in the markets in which we operate could result in increased costs and adversely affect our business.

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 and waste, such as common or non-hazardous waste and used vegetable oils, among others, in addition to requiring us to obtain permits and authorizations for various activities. 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.

In addition, beginning in 2018, Latin America experienced a wave of regulatory attempts to eliminate plastic bags and single use plastic products in the region. In many countries, new laws and regulations, especially in relation to the use of plastic bags, plastic straws, have already been approved and in many cases will carry stiff penalties for violations. We have addressed this issue in our business by removing the plastic straws in nearly all of our markets and instead using alternative products. Additionally, in most of the markets we removed plastic lids from products used in our business and changed the salad containers in Argentina and other markets to cardboard containers, which led to a significant reduction in single use plastic in our operation within the last three years. We will need to find suitable alternatives before these new laws and regulations become effective. Regulations tend to be replicated across countries, and we are seeing an increase in related activity, both nationally and locally, in Brazil, Mexico, Colombia, Argentina, Ecuador, Chile and Peru, among other territories. We may need to quickly replace other plastic products that we continue to use should additional laws and regulations be put in place. These alternatives may be more expensive than the plastic products we currently use, which may increase our costs and have a material adverse effect on our business.

We may be adversely affected by legal actions 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.

Unfavorable publicity or a failure to respond effectively to adverse publicity, particularly on social media platforms, could harm our reputation and adversely impact our business and financial performance.

The good reputation of our brand is a key factor in the success of our business. Actual or alleged incidents at any of our restaurants could result in harmful publicity. Moreover, we have seen a significant increase in the use of our delivery options as a result of the COVID-19 pandemic. Any actual or perceived issue with the delivery of orders could also result in harmful publicity. Even incidents occurring at restaurants operated by our competitors or in the supply chain generally could result in negative publicity that could harm the restaurant industry and thus, indirectly, our brand. In particular, in recent years, there has been a marked increase in the use of social media platforms and similar devices which give individuals access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish the content their participants' posts, often without filters or checks on accuracy of the content posted. A variety of risks are associated with the dissemination of this information online, including the improper disclosure of proprietary information, negative comments about our company, exposure of personally identifiable information, fraud or outdated information. The inappropriate use of social media platforms by our customers, employees or other individuals could increase our costs, lead to litigation or result in negative publicity that could damage our reputation. In addition, we are often affected by negative news about McDonald's Corporation published in the media and picked up by Latin America outlets, as it can lead to the incorrect assumption by the public that it relates to Arcos Dorados or McDonald's brand in our region. If we are unable to quickly and effectively respond to negative reports, comments or posts in the media and social media platforms, we may suffer damage to our reputation or loss of consumer confidence in our products, which could adversely affect our business, results of operations, cash flows and financial condition, as well as require resources to rebuild our reputation.

Risks Related to Our Business and Operations in 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 2020, 69.2% of our revenues were derived from Brazil, Argentina, Puerto Rico and Mexico. 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. See also "—Developments and the perception of risk in other countries, especially emerging market countries, may adversely affect business, results, financial conditions and prospects."

Developments and the perception of risk in other countries, especially emerging market countries, may adversely affect business, results, financial conditions and prospects.

Arcos Dorados' growth and profitability depend on political stability and economic activity in Latin America and the Caribbean, especially in emerging market countries. Recent political unrest and social strife could affect developments and perception of risk in this region. For example, in 2019, political and social unrest in Latin American countries, including Ecuador, Chile, Bolivia and Colombia sparked political demonstrations and, in some instances, violence. In October 2019, presidential elections were held in Bolivia, Uruguay and Argentina. Controversial outcomes in Bolivia and Uruguay led to violent protests and claims of fraudulent elections in Bolivia and a runoff election in Uruguay. In addition, in 2020, several countries saw protests relating to the handling of the COVID-19 pandemic by their respective governments.

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. In 2019, economic growth in many Latin American countries slowed, with some entering recessions. We expect economic conditions to remain challenging in 2021 as a result of COVID-19, although most economies are expected to rebound from the economic contractions of 2020. 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.

Some 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 these customers' discretionary spending and demand for our products, which in turn may adversely affect our financial condition and results of operations.

Risks Related to Our Class A Shares

Mr. Woods 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. Woods Staton, our Executive Chairman, owns or controls common stock representing 38.6% and 75.9%, respectively, of our economic and voting interests. As a result, Mr. Woods 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. Woods 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. Woods 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. Woods 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 127,265,773 class A shares were outstanding as of December 31, 2020 and 5,269,988 class A shares were held in treasury. 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.

Risks Related 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.

The SEC maintains an internet website that contains reports, proxy, information statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov. Our website address is www.arcosdorados.com. The information contained on, or that can be accessed through, our website is not part of, and is not incorporated into, this annual report.

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 American division from 2004 until the Acquisition. Our senior management team includes executives who had previously worked in McDonald’s LatAm business or with Mr. Woods 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, June 3, 2011 and March 17, 2016, entered into by us, LatAm, LLC (the “Master Franchisee”), our former wholly owned subsidiary Arcos Dorados Coöperatieve U.A., Arcos Dorados B.V., certain subsidiaries of the Master Franchisee, Los Laureles, Ltd. and McDonald’s. On March 21, 2018, Arcos Dorados Group B.V. (together with Arcos Dorados B.V. and us, the “Owner Entities”) replaced Arcos Dorados Coöperatieve U.A. as party to the MFA. On August 3, 2007, our subsidiary Arcos Dourados Comercio de Alimentos S.A., 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. Arcos Dourados Comercio de Alimentos S.A., formerly a limited liability company, changed its legal constitution and became a closely-held company (“Sociedade por Ações Fechada” or “S.A.”) as of November 23, 2020, subject to certain publication and reporting requirements, including with respect to all acts or decisions made by its shareholders or its board of directors that impact or could impact third parties. 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). As of the date of the split-off, 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 reinvestment 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 and/or reinvestment plan to adapt to changes in economic or political conditions.

As a result of the business disruptions caused by COVID-19 pandemic, we have agreed with McDonald's to withdraw our previously-approved 2020-2022 restaurant opening plan and reinvestment plan. Our actual restaurant openings and reinvestment capital expenditures in 2020 were approved by McDonald's. Additionally, on December 18, 2020, we reached an agreement with McDonald's for new restaurant openings and reinvestment capital expenditures for 2021 only. We expect to discuss our 2022 restaurant opening plan and reinvestment plan with McDonald's in the second half of 2021. If we are unable to meet our commitments under a future plan and we are unable to reach an agreement on revised terms of the restaurant opening plan and reinvestment plan or are otherwise unable to obtain a waiver from McDonald's, we will be in default under the terms of the MFAs. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Operations—The spread of COVID-19 has materially and adversely affected our business, results of operations and cash flows, and may continue to do so."

As a result of our previous restaurant opening plan and reinvestment plan, property and equipment expenditures were $86.3 million, $265.2 million and $197.0 million in 2020, 2019 and 2018 respectively. In 2020, we opened 9 restaurants, reimaged 38 existing restaurants, and opened 121 Dessert Centers. In 2019, we opened 90 restaurants, reimaged 271 existing restaurants, opened 6 McCafé locations and 296 Dessert Centers. In 2018, we opened 70 restaurants, reimaged 173 existing restaurants, opened 6 McCafé locations and 375 Dessert Centers. In 2020, 2019 and 2018, we closed 66, 20 and 35 restaurants, respectively.

In addition, outflows related to purchases of restaurant businesses paid at acquisition date totaled $3.8 million in 2020 and $2.7 million in 2019. We had no such outflows in 2018.

Proceeds from the sale of property and equipment and sales of restaurant businesses, including related advances, totaled $0.8 million, $8.2 million and $13.0 million in 2020, 2019 and 2018, respectively.

B. Business Overview

Overview

We are the world's largest independent McDonald's franchisee in terms of systemwide sales and number of restaurants, according to McDonald's, representing 2.8% of McDonald's global sales in 2020. 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, 2020, we operated or franchised 2,236 McDonald's-branded restaurants, which represented 6.0% of McDonald's total franchised restaurants worldwide. In 2020 and 2019, we accrued $111.0 million and $155.4 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, 2020, of our 2,236 McDonald's-branded restaurants in the Territories, 1,576 (or 70.5%) were Company-operated restaurants and 660 (or 29.5%) 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 489 of our restaurants (totaling approximately 1.1 million square meters) and the buildings for all but 11 of our restaurants.

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, 2020, 45.6% of our restaurants were located in Brazil, 17.5% in SLAD, 22.7% in NOLAD and 14.2% 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.

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

	For the Years Ended December 31,				
	2020	**2019**	**2018**	**2017**	**2016**
	(in thousands of U.S. dollars)				
Total Revenues					
Brazil	$ 862,748	$ 1,385,566	$ 1,345,453	$ 1,496,573	$ 1,333,237
Caribbean division(1)	381,090	399,251	483,743	474,822	409,671
NOLAD	311,887	431,266	406,848	386,874	363,965
SLAD	428,494	742,994	845,527	961,256	821,757
Total	**1,984,219**	**2,959,077**	**3,081,571**	**3,319,525**	**2,928,630**

(1) Currency devaluations in Venezuela have had a significant effect on our income statements and have impacted the comparability of our income statements. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Foreign Currency Translation—Venezuela."

Our Operations

Company-Operated and Franchised Restaurants

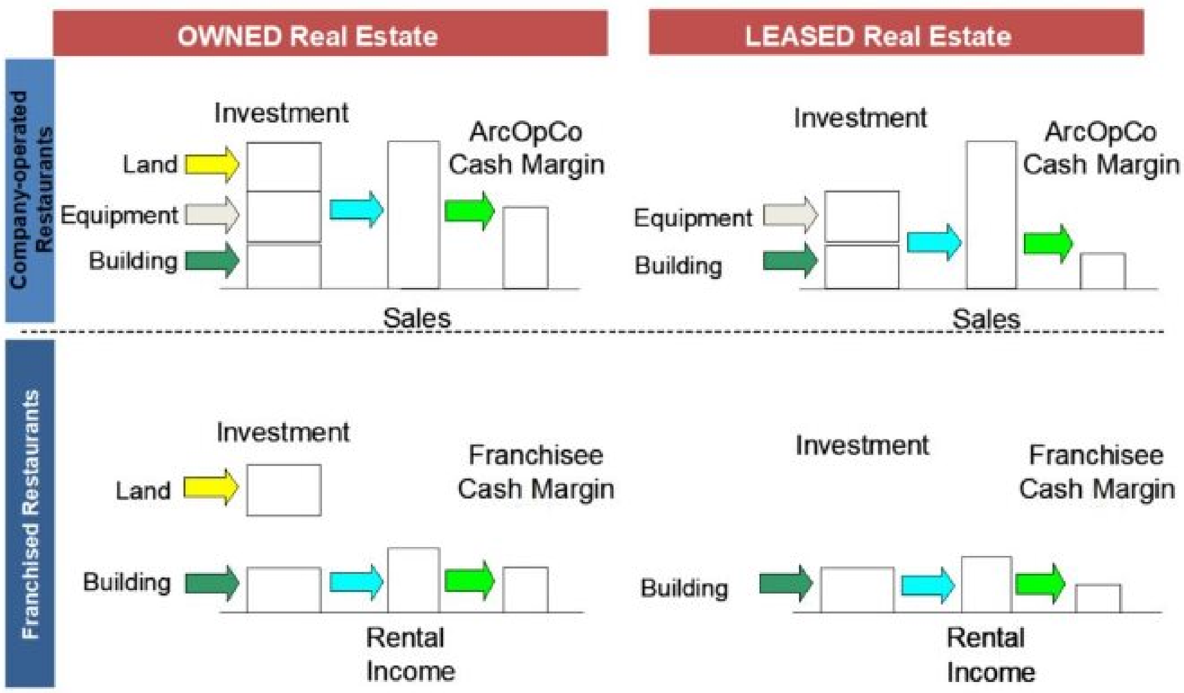
We operate our McDonald's-branded restaurants under two basic structures: (i) Company-operated restaurants operated by us and (ii) franchised restaurants operated by franchisees. Under both operating alternatives, the real estate location may either be owned or leased by us.

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 two joint ventures that collectively own 15 restaurants in Argentina and Chile. We have also granted developmental licenses to 9 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, 2020, 1071 (or 47.9%) of our restaurants (not including non-traditional satellite stores) were freestanding, 578 (or 25.8%) were food courts, 276 (or 12.3%) were in-stores and 309 (or 13.8%) 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

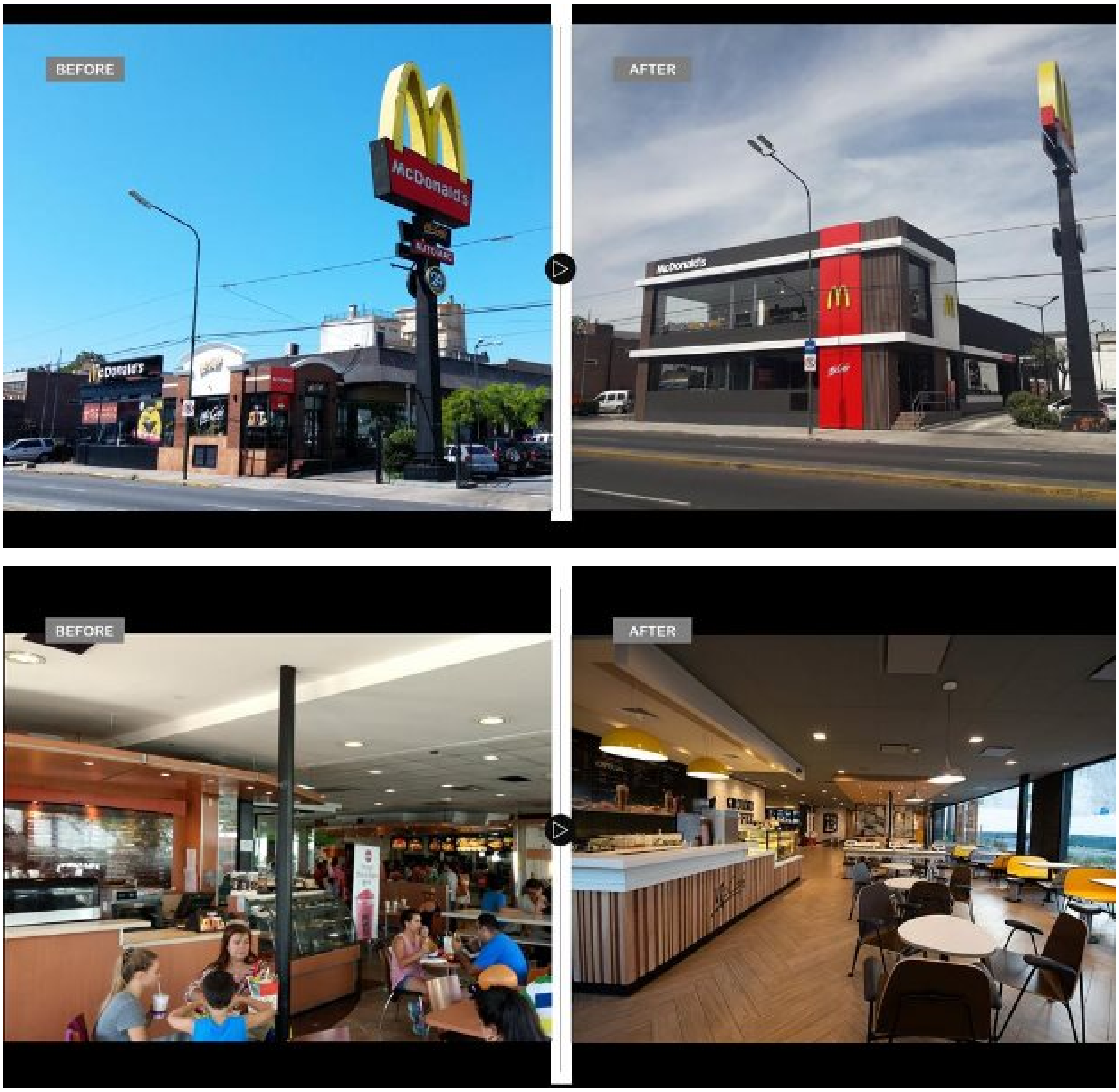
Returns on investment in each type of restaurant vary significantly due to the different capital expenditures required and their different sales potential; mall stores generally provide the highest return on investment while freestanding restaurants generally provide the lowest. Moreover, returns vary 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, 2020, we had completed the reimaging of 1,056 of the 1,569 restaurants we purchased in the Acquisition, an increase of 38 restaurants as compared to December 31, 2019. 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 try to minimize the impact on the operations and sales of the restaurants, for instance, when possible, 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 7.3% of the total transactions and 3.9% of total sales of the restaurants in which they were located in 2019. As of December 31, 2020, there were 243 McCafé locations in the Territories, of which 16.5% were operated by franchisees. Argentina and Brazil, with 77 locations, each, 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:

Dessert Center - Ice Cube

Source: Arcos Dorados

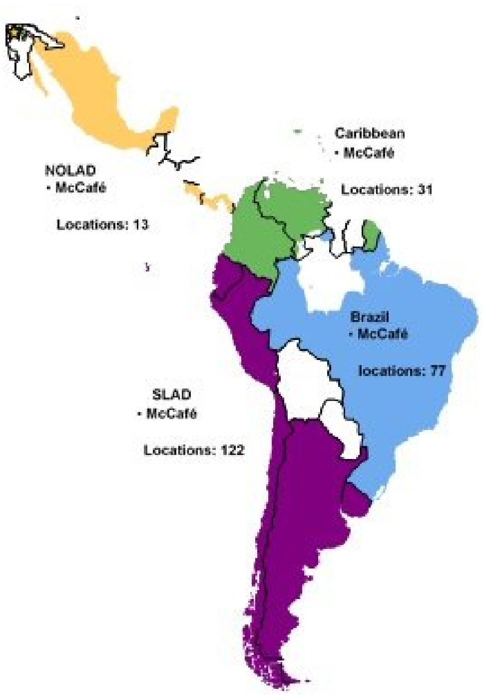
In addition to McCafé locations, Dessert Centers have been a very successful brand extension. Dessert Centers operate separately from existing restaurants, but depend on them for supplies and operational support. For example, a mall store restaurant can provide support for several Dessert Centers located 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 brand 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 37.6% of our transactions and 12.2% of our total sales in 2020. As of December 31, 2020, there were 3,314 Dessert Centers in the Territories. Dessert Centers are highly successful in Brazil, where we have 2,012 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, 2020:

Network of McCafé Locations

243 total McCafé locations



Network of Dessert Centers

3,314 total Dessert Centers

Source: Arcos Dorados

The McDonald's Brand

Interbrand, a brand consulting firm, ranked McDonald's ninth among the top twenty global brands in 2020. 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), *McTrio 3x3* in Mexico and *Almuerzo Colombiano* (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 and Signature Collection or Picanha hamburgers, chicken sandwiches and salads or wraps for those clients that want low calorie options. 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, fruits or vegetables with our Happy Meals in all of the Territories except Venezuela. In November 2019, we joined McDonald's Corporation in its mission to serve foods that are a win-win for families, providing delicious and nutritious food that appeal to both kids and parents. In the markets in which we operate, we are offering a Happy Meal menu that complies with the following criteria: less than 600 calories, less than 30% of calories from total fat, less than 10% of calories from saturated fat, less than 650 mg sodium, less than 10% of calories from added sugar, no artificial flavors and no added colors from artificial sources and balanced fruit and vegetable content. Arcos Dorados' new nutritional policy was publicly endorsed by major health and nutrition bodies of various countries, such as Inter-American Society of Cardiology, the Brazilian Association of Nutrition (ABRAN), the Argentine Cardiology Foundation, the Peruvian Nutrition Society (SOPENUT), and the Uruguayan Association of Dietitians and Nutritionists.

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. We made extensions of our core products, such as Double Big Mac, Gran Big Mac, Big Mac Bacon and, Quarter Pounder with Bacon, Lettuce and Tomato in many countries and the Triple Quarter Pounder with Cheese in Uruguay, which is being offered for a period of time. We have also introduced different sauces for the McNuggets with McNuggetear in Colombia.

Product Development

During 2020 we focused our menu on our core items, simplifying the lower sales products to reduce complexity on our kitchens.

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. Also, we carefully monitor the sales of our products and are able to quickly modify them if necessary. For instance, during the COVID-19 pandemic the sales of our desserts initially declined so we introduced new McFlurry combinations to share at home in which customers are able to make their own McDonald's desserts such as cones. In addition, we have launched a new dessert called "Croccantella", that is a new and exclusive topping for all our ice creams in Argentina.

In 2011, we began the rollout of Made For You, or MFY, a new kitchen operating platform that allows 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 the end of 2018, we had implemented MFY in all of the territories in which we operate.

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 experimental kitchen 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, promotional 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 FIFA 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 a certain percentage 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. In connection with the COVID-19 outbreak, McDonald's granted us a reduction of the advertising and promotion spending requirement from 5% to 4% of our gross sales for the full year 2020. Beginning on January 1, 2021, we resumed spending 5% of our gross sales on advertising and promotion.

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. Other initiatives included the "books or toys" campaign in all our markets in Latin America, through which we sold more than 20 million books since 2013 and which aims to encourage children's creativity. In 2020 we focused our efforts on communicating the hygiene and safety procedures we follow through our McProtegidos Program in all our restaurants across all markets. We also celebrated our Core Products with product line extensions and through a Happy Week promotion. We strengthened sales channels like McDelivery with special offers and repositioned the drive- thru sales channel in order to adapt to the new mobility trends. In addition, we successfully rebuilt our family business with the introduction of family bundles like the Family Box. All advertised Happy Meal bundles in the markets in which we operate comply with McDonald's Corporation's Global Marketing to Children Policy, including its Global Happy Meal Nutrition Criteria.

To unlock further growth, Arcos Dorados has committed to win the digital race in Latin America. We have created a dedicated department that is working under agile methodologies to accelerate our digital offerings. We are doubling down in our digital marketing capabilities to acquire, activate and engage customers through personalization. We continue to evolve our Mobile App which is one of the leading in the QSR industry with over 50 Million downloads and 4+ star ratings. Additionally, we are developing new digital solutions to respond to customer trends such as mobile order & pickup.

Through our digital platform, Arcos Dorados will offer customers the personal, fast and easy experiences they love and provide them with many reasons to keep coming back.

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, 2020:

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, 2020.

	Ownership					Store Type(1)						Real Property(2)	
Portfolio by Division	Company-Operated	Joint Venture	Franchised	Developmental License	Total	Freestanding	Food Court	In-Store	Mall Store	Dessert Centers	McCafé Locations	Owned	Leased
Brazil	610	0	410	0	1,020	462	348	91	119	2,012	77	108	912
Caribbean Division	269	0	49	0	318	220	20	31	47	324	31	128	190
NOLAD	353	0	145	9	507	265	135	49	57	588	13	156	342
SLAD	329	15	47	0	391	124	75	105	86	390	122	97	294
Total	1,561	15	651	9	2,236	1,071	578	276	309	3,314	243	489	1,738

(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 1,020 restaurants as of December 31, 2020 and $862.7 million in revenues in 2020, representing 45.6% and 43.5% of our total restaurants and revenues, respectively. Our operations in Brazil are based in São 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 318 restaurants as of December 31, 2020 and $381 million in revenues in 2020, representing 14.2% and 19.2% of our total restaurants and revenues, respectively. Its primary market in this region is Puerto Rico, accounting for 46.3% of the Caribbean division's revenues. Although Venezuela is its primary market in terms of number of restaurants, Puerto Rico represents 30.2% of the Caribbean division's restaurants.

NOLAD

NOLAD includes three countries with 507 restaurants as of December 31, 2020 and $311.9 million in revenues in 2020, representing 22.7% and 15.7% 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 72.4% of NOLAD's restaurants and 43.2% of NOLAD's revenues, and Mexico is our second-largest market in terms of restaurants.

SLAD

SLAD includes five countries with 391 restaurants as of December 31, 2020 and $428.5 million in revenues in 2020, representing 17.5% and 21.6% 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, 2020, Argentina represented 56.3% of SLAD's restaurants and 46.2% of SLAD's revenues in 2020. 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 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 and dairy mixes, 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 product and supplier protocols, including the following: Supplier Quality Management System, (SQMS), Social Workplace Accountability (SWA), Distributor Quality Management Program (DQMP), Animal Health and Welfare (AHW) or Packaging Quality Management Systems (PQMS).

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 38 largest suppliers account for approximately 75% of our supplies excluding Venezuela, and no single supplier or group of related suppliers account for more than 10% of our total food and paper costs. Among our main suppliers are JBS S.A, McCain Foods Limited, The Coca-Cola Company, HAVI Group L.P., Reyes Holdings L.L.C., BRF S.A., Marfrig Global Foods S/A, Savencia Fromage & Dairy, Axionlog B.V, Schreiber Foods Inc., Arytza S.A., American Beef S.A., Tyson Foods, BRF S.A., Bimbo S.A., Kerry Group plc., Frima S.A., J F C & Natural Salads Distribuidora de Produtos Hortifrutigranjeiros Ltda, Golden State Foods, Bemis Company Inc., Panifresh S.A., Bunge Limited, Lactalis, Brasilgrafica S.A., Griffith Foods Worldwide Inc., Sergesa, Impresora Delta S.A., Fortunato Mangravita SA, Empresas Carozzi S.A., IBD Foods LLC, Central de Empaques S.A., AB Brasil Industria e Comercio de Alimentos LTDA, Frigorifico del Oriente S.A., Terbium Industrial S.A. de C.V., 2 F Alimentos LTDA, Lacteos de Poblet S.A. and Granja Tres Arroyos SRL.

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, 2020, approximately 21.4% of the food and paper products used in our restaurants were exposed to fluctuations in foreign exchange rates. This percentage varies among the Territories; for example, 36.7% of the products consumed in Mexico are exposed to fluctuations in foreign exchange rates, while 14.7% and 58.8% of the products consumed in Brazil and Colombia, respectively, are exposed. This includes the toys distributed in our restaurants, which are imported from China. Certain supplies, such as beef, must often be locally sourced in 2020 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—Risks Related to Our Business and Operations—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 almost 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, Venezuela and Ecuador. On January 2021, Axionlog initiated providing logistics and transportation services in Martinique, French Guyana and Guadeloupe. 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 (beef suppliers) 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 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 McDonald'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 for core products 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 when food items are received. In 2017, we complemented our audit process with the implementation of unannounced GMP (Good Manufacturing Practices) audits at the facilities of high-risk suppliers.

In 2017 we introduced a Food Safety Restaurants audit, which is an audit of our vendors run by a third-party contractor. 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 12-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 555 million people in 2020—equivalent to the combined population of the United States, Germany, France and the United Kingdom—of which approximately 23.1% are under 14 years old and 39.2% 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.

The McDonald's brand in Latin America is positioned as an aspirational experience and a destination for our guests. In order to maintain that brand positioning, we have implemented several initiatives focused on providing our guests with a differentiated customer experience. EOTF provides an innovative experience with a noticeable change in the areas of service, hospitality, and atmosphere in the restaurant. We will evolve to an integrated vision, based on 5 fundamental pillars to transversally deliver the expected experience for our guest: atmosphere, people, family, menu and technology.

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, environmental, 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, and may continue to impose, 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 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. The Argentine government has not enforced the aforementioned regulations since 2015 and neither this agency nor those regulations has had an adverse impact on us. As of the date of this annual report, we are not aware of any measures carried out implementing the above mentioned regulations in Argentina. However, a new administration took office in Argentina in December 2019. Therefore, we cannot assure you that such regulations will not be enforced and impact our business and results of operations in the future.

Similarly, in Venezuela, the Fair Price Act has been in force since 2013, which seeks to lower high inflation by controlling prices and costs in the chain of production. The Fair Price Act generally sets forth a profit cap of 30% on the cost structure of goods and services, thus reducing management's ability to freely determine final prices. According to regulations passed under the Fair Price Act, to determine a final and fair price, management must observe and consider all of the costs of production, including (i) acquisition costs of raw materials, the determination of which must comply with existing regulations on transfer pricing (i.e., price, freight, primary storage, non-recoverable taxes and other costs directly attributable to the acquisition of raw materials), (ii) labor costs, and (iii) indirect costs of production.

The Fair Price Act also empowers the National Agency for the Defense of Socio-economic Rights to implement provisions and regulations on "fair pricing" and to oversee and audit businesses in Venezuela. Breaches of the Fair Price Act can result in criminal charges against merchants or business people. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our 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." Although we managed to navigate the negative impact of the price controls on our operations from 2013 through 2020, 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.

We are also subject to 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. During 2020, Venezuela implemented three increases in the minimum wage. In addition, in Argentina, certain proposed bills have attempted to implement overtime payments for weekends and mandatory employee profit-sharing, although none of those have been enacted by Congress. In Argentina there have also been enacted laws and decrees that stated: (i) severance duplications (with a recent cap of AR$500,000) in case of dismissal without cause, that will be in force until December 2021; and (ii) prohibition of dismissals without cause and dismissals due to force majeure or lack of work, that will be in force until April 2021 as a result of the COVID-19 pandemic. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Operations—Labor shortages or increased labor costs could harm our results of operations."

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 enforceable before the courts in case of noncompliance 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 Brazil and Chile. Moreover, restrictions on advertising by food retailers and QSRs have been proposed or adopted in Argentina, Brazil, Chile, Colombia, Mexico and Peru, 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—Risks Related 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 support we give to Ronald McDonald House Charities, both currently and historically, we continue expanding our reach to the areas of Youth Opportunity and Sustainable Development and further strengthened our efforts in these areas in 2020 to reinforce our position as a socially responsible company.

Our social initiatives and charitable activities are embedded into our Recipe for the Future, which consolidates our social and environmental impact strategy and has five key pillars: youth opportunity, climate change, packaging and recycling, sustainable sourcing and commitment to families. The goal of Recipe for the Future is to align our efforts and follow a uniform agenda to fulfill the pillars of our impact strategy.

Youth Employment

Youth unemployment is one of the most critical issues facing countries in Latin America. Through our Youth Opportunity 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 track record and experience in this field. We are also developing projects for labor participation that include technical training and programs to support the employment of people with disabilities, as well as financial literacy for our employees. For instance, we partnered with the Ministries of Labor of Mexico, Argentina, Costa Rica, Puerto Rico and Ecuador to promote employment participation of certain minority groups and provided financial training through online education platforms that foster the development of such life skills.

We increased our focus on Youth Opportunity because it has been one of the most significant problems facing Latin American countries in recent years. According to the Inter-American Development Bank ("IDB"), 40% of the working-age population in the region is young, between the ages of 15 and 29 years old. The unemployment rate of this particular age bracket is 20%, more than double the unemployment level of the general population and more than three times that of adults. Informality in the youth job sector in our region is among the largest in the world, reaching more than 60% according to the International Labour Organization ("ILO"), and we play a significant role in helping to address this issue. Being one of the largest youth employers in Latin America and the Caribbean, over 68% of our employees in 2020 were young adults between the ages of 16 to 24.

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 2020, more than 1,816 employees were part of this program. In addition and related to *Empleo con Apoyo*, in 2018 we received the Global Recognition Award from the United Nations for our exemplary employment practices for disabled people in the State of São Paulo, Brazil. We maintain these practices in several of our markets through alliances with local organizations, such as the one with DISCAR in Argentina, which offers formal job opportunities to people with disabilities. In 2019, we were invited to present our work in the ILO "Decent Jobs for Youth" conference held in Rome. Arcos Dorados was the only company in our sector from Latin America invited to participate, which we believe is a testament and a recognition of the efforts we are making in helping this group of young people move forward with their lives as productive citizens. In Ecuador, we also make contributions to Fundación Coanil and Fundación el Triángulo in order to support their local work in promoting employment opportunities for people with disabilities.

One of our most important soft skills training programs is *Creating Your Future,* a program supported by the Ministry of Education in Argentina that provides opportunities for skills development for our employees. This program was implemented with Kuepa, an organization dedicated to providing professional and soft skills training in Latin America, and the Global Fairness Initiative, an international non-profit organization focused on economic development. Additionally, we have continued to strengthen our partnerships with other organizations that focus on soft skills training, such as the Forge Foundation (including its branches in Argentina, Mexico, Uruguay, Peru and Mexico), Aldeas SOS, Instituto Ayrton Senna (Brazil), and Junior Achievement, among others. In 2020, we donated over $5 million in connection with Gran Día and McHappy Day. Those funds were transferred to non-governmental organizations that support the development of soft skills and the employability skills of young people across the region as well as supporting the local chapters of Ronald McDonald House Charities.

In Puerto Rico, we've signed a collaboration agreement with "PECES", a nongovernmental organization that focuses on early detection of young people at risk and then develops specific support programs that monitor their progress, through coaching sessions, job readiness training and life skills. In 2020, we provided support to more than 250 young women and men in the market.

In Argentina, the Fundación Si builds and operates student houses for low income young people that don't have access to universities in their local communities. Through our alliance with them, more than 500 students were able to continue with their studies.

Instituto Ayrton Senna in Brazil is a renowned NGO working to improve education at all levels. Our strong partnership allowed Arcos Dorados to reach more than 250,000 young students in their last year of public education, through the program called "socio-emotional conversations."

In Argentina, Mexico, Panama and Costa Rica we have an alliance with Junior Achievement. Through Junior Achievement's different programs, young adults learn skills and gain an understanding of the legal requirements for creating their own enterprise. They also participate in a typical working day side by side with a professional volunteer. Along with Junior Achievement we developed a volunteer program in which our staff can accompany the participants in different areas such as: mentor for creating their companies and inspirational conversations about their future among others.

We implemented PTS (Passport to Success) Explorer in Mexico and Panama, in alliance with International Youth Foundation and McDonald's Corporation. This program helps young adults develop soft and social skills, competencies for leadership and team work among other skills. In Mexico, this program is implemented in the most important public high schools CONALEP in 30 states. Through Fundación Apoyo a la Juventud, PTS Explorer is linked to the academic curriculum of the 12th grade in CONALEP. In Panama, in an alliance with the Ministry of Education (MEDUCA) and the Council of the Private Sector for Educational Assistance (COSPAE), we are implementing this program in order to reach more than 5,000 young adults.

Community

In 2020, we executed our yearly Gran Día and McHappy Day campaigns, which seek to broaden the social impact of Arcos Dorados. Through these campaigns, funds raised through the sale of Big Macs were donated to local organizations supporting youth employment and the Ronald McDonald House Charities. We raised more than $5 million in 2020.

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, 2020, there were 62 Ronald McDonald House Charities programs in 13 countries in Latin America and the Caribbean, including 27 Ronald McDonald Houses, 33 Ronald McDonald Family Rooms and 2 Ronald McDonald Mobile Care units, which were built to deliver pediatric care services to remote locations.

As a result of the COVID-19 pandemic, some of our restaurants were temporally closed and a significant portion of our products stored in distribution centers were at risk of expiring. We donated more than 500 tons of food to the local communities through Banco de Alimentos. We also donated more than 500,000 meals to different health institutions, first responders and health professionals through our Big Thank You program, which was executed in all of our markets.

Additionally, we developed different programs as part of the Happy Little House strategy to serve as allies to parents seeking to keep their children entertained and learning while they are quarantining at home due to the COVID-19 pandemic.

Diversity and Inclusion

Diversity, equality and inclusion is a priority for Arcos Dorados, as we understand that a culture of inclusion and appreciation for all employees, creates a stronger and more effective workforce.

In January 2018, Arcos Dorados formed a Diversity and Inclusion Committee aimed at promoting and fostering an inclusive culture in which gender, race, culture, sexual orientation or gender identity, religion, class or political belief, is valued and viewed as a competitive advantage that allows the company to consider and include new perspectives and backgrounds. Since 2018, the committee has worked toward improving employees' sense of belonging in the workplace and building a more connected workforce, as we believe this creates an environment where employees work more efficiently and effectively. We believe our diversity and inclusion practices have generated improvements in business results, innovation, and decision-making, among others.

In 2020, the Committee focused on four specific areas:

- Women's Network: our committee helped establish a women's network, whose membership includes women at all levels of the company, from crew at the restaurant level to executives at the level of the management board. The women's network provides a platform to elevate ideas and opinions to help create a more inclusive and safe working environment. Our committee also connects with the Women's Network to offer seminars, video gatherings, and talk shows using our corporate Hamburger University platform. Additionally, our committee works to liaise with management to convey the ideas and issues that affect women in the workplace. Our committee is focused on advocating for equal opportunities that allow women to reach their highest potential within the company. Arcos Dorados already employs a majority of women in its workforce, with 57% of its workforce comprised of women, and we are committed to increasing the participation of women in more senior roles and positions. In addition to our internal initiatives, in 2020 we increased the number of agreements and alliances signed with non-governmental organizations, international government bodies such as the United Nations and national governments in the region to guarantee equal opportunities to jobs and promotions.

- Gender Identity and Sexual Orientation Diversity (LGBTQI+): our committee helped form a network of employees from all professional levels and areas in the company to promote LGBTQI+ issues and foster a culture of respect, inclusion and professional growth, with zero tolerance for discrimination.

- Intergenerational Diversity: our committee has focused on the creation of a less top-down hierarchical work environment, in accordance with the agile methodology, where collaborative learning and innovative culture are nurtured horizontally. The majority of our workforce is between the ages of 18 and 24 years old, and our goal is to better understand and connect with younger generations and leverage their insights and skills, especially in the area of technology.

- Health and Wellness: our committee is focused on initiatives to promote health and wellness and assisting employees who are feeling stressed, particularly as a result of the challenges of the COVID-19 pandemic. To that end, we have focused on providing mental and physical support, conducted a series of educational and training programs, as well as streamed video gym and exercise classes through our corporate Hamburger University network.

- People with Disabilities: Arcos Dorados helps lead the effort in Latin America to include people with disabilities in the workforce. We have agreements in different countries, such as Argentina and Brazil, with NGOs that specialize in recruiting and training individuals with disabilities. We have increased the number of employees with disabilities and have been committed to promoting inclusion and providing training and promotions.

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 informed 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. All of our products' nutritional information is on McDonald's owned websites and mobile apps. With respect to Happy Meal menus, since 2019, we have had a nutritional calculator on our website to complement nutritional transparency with a personalized tool to enable our customers to make informed choices about their food options. We also publish our complete list of ingredients for Happy Meal menus. In addition, in 2017, we developed our *Receta del Futuro*, which focuses, among other goals, on offering balanced meals that meet certain criteria regarding saturated fat, added sugar and sodium content. We also updated our Happy Meal menus in all of our markets between 2018 and 2019 by including more fruits and vegetables and reducing fat, sodium and added sugars. It now contains less than 600 calories in total and is comprised of the four basic food groups (fruits and vegetables, whole grains, lean proteins and dairy products), offering enhanced nutritional value for children.

We eliminated artificial color and flavors from our core and Happy Meal products and replaced them with natural ingredients. Despite the changes to our menu, we maintain our high standards of quality, including the use of 100% beef in our hamburgers and selected potatoes for our McFries.

As of August 2019, Happy Meal offerings in all of our markets complied with the nutritional criteria set by the Global McDonald's Happy Meal Nutrition Criteria. We presented important changes in our famous Happy Meal, such as the reduction of sodium, calories and fat, and included an option for fruit juice without added sugar to help promote the consumption of recommended food groups. These changes were endorsed by groups such as the Interamerican Society of Cardiology, the Brazilian Association of Nutrition, the Argentine Foundation of Cardiology, the Peruvian Society of Nutrition and the Uruguayan Association of Dieticians and Nutritionists. We continue with our responsible marketing practice complying with the Global Happy Meal Goals.

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 follow to the strictest food safety standards in the industry, closely monitoring and enforcing adherence to those standards. All of our restaurants are audited on a yearly basis by a third-party entity. In order to ensure the quality and safety of our products, we have also implemented a supplier audit program, held by an independent audit firm, which includes Supplier Workplace Accountability (SWA), Supplier Quality Management System (SQMS) and Packaging Supplier Quality Management System Paper (PQMS).

As part of our commitment to safeguarding the well-being of Arcos Dorados employees, guests and third-party operators, we continue to reinforce our product and service safety program called McProtegidos, or McSafe, which establishes a guide that combines strict hygiene, cleanliness and sanitation protocols that have characterized our brand throughout the COVID-19 pandemic. In addition to reinforcing existing safety measures, such as requiring that our employees wash their hands at least every half hour and sanitize their hands every fifteen minutes, we implemented the use of personal protective equipment, such as masks and gloves, and ask our employees to maintain a safe distance with others while working. We placed communication materials in all areas of our restaurants to help employees and guests learn about our safety protocols and delivery procedures for drive-thru and takeout. Furthermore, hand sanitizer is made available at the entrance of our restaurants and other locations throughout the restaurants. Acrylic barriers have been installed in the drive-thru, front counter and delivery areas of our restaurants. We also encourage our customers to use contactless payment methods, such as credit cards. For McDelivery, we have designed specific safety procedures to help maintain a two meter separation between delivery drivers. For guests who enter our restaurants to place orders, floors have been marked to help them maintain a 1.5 meter separation from other customers while waiting in line to order. Additionally, we use double bags and triple sealing to ensure isolation of food for McDelivery and sanitize bags that transport food supplies to our restaurants. Arcos Dorados will continue to follow and implement all recommendations from local health authorities.

Prior to the pandemic, we established a “Puertas Abiertas” (“Open Doors”) program in the region, in which guests and key stakeholders were invited to visit our kitchens and other parts of our behind-the-counter operations. This program promotes greater transparency and has hosted over 15 million customers across the region since its creation in 2015. In 2020, due to the COVID-19 pandemic, the program was transformed into virtual tours with approximately 1 million customers virtually visiting our kitchens and verifying the implementation of the McProtegidos program.

Sustainable Development

As much as possible, Arcos Dorados seeks to carefully identify, control and minimize the environmental impact generated by its operation. Environmental management must permeate the entire supply chain, which is why we work with suppliers who have shared values, ensuring they comply with best practices, endorsed or recognized under international seals.

To implement these initiatives, we have developed strategic partnerships with prestigious organizations such as the World Wildlife Fund (“WWF”), the Nature Conservancy, the Rainforest Alliance the Forest Stewardship Council (“FSC”) and the Marine Stewardship Council (MSC).

In 2020, Arcos Dorados joined the Earth Hour for the 12th consecutive year, a worldwide initiative of the WWF, to raise the global population’s awareness and participation in environmental conservation and climate change prevention. All our restaurants and offices turn their external lights off for 60 minutes on this day.

In order to achieve reductions in our environmental impact at the restaurant level, we are taking specific actions, such as our Natal program, which is aimed at conserving and reducing our water consumption, especially in regions with limited access to water. In 2020, more than 330 restaurants participated in the program throughout Latin America and the Caribbean. In 2020, we saved and reused more than 90 million liters of water through our Natal program.

Climate Change

We are following McDonald’s Science Based Target commitment to reduce greenhouse gas (“GHG”) emissions by 2030 from 2015 levels. The commitment targets a 36% reduction in our restaurants and offices and a 31% reduction across our supply chain. Arcos Dorados has conducted its first GHG emissions inventory to monitor and measure its carbon footprint, in accordance with internationally recognized standards and methodologies. The total GHG emissions, Scope 1 & 2 for 2019 were 187,185 tons on a CO2-equivalent basis (37% of direct emissions and 63% of indirect emissions).

Arcos Dorados is aware of the impact its supply chain has on the sustainability of its business, and this is a priority for us. As a company, we are fully committed to the environment and to reducing the impact of our operation by means of our Recipe for the Future platform. For this reason, we actively work to identify, reduce and mitigate the social and environmental impacts, together with our suppliers, encouraging best practices in each stage of the supply chain. We participated in the Carbon Disclosure Program (CDP) Supply Chain Program as a member in 2020 for the fourth consecutive year. Arcos Dorados plays a leading role among the members of CDP Latin America, achieving the highest response rates from our suppliers in disclosing their environmental impacts through the CDP questionnaires. In 2020, Arcos Dorados achieved a 99% response rate from our suppliers who were asked to respond to three questionnaires: climate change, forests and water security. Our own 2020 CDP scores are as follows: for the Forest Program, C in cattle products, D in soy products and C in timber products; C for the Climate Change Program; and C for the Water Security Program. In 2020, our suppliers have had a total emission reduction in the last year of close to 20.4 million tons of CO_2-equivalent, which is equivalent to taking 640,000 cars off the road for one year.

We are also focused on reducing our GHG emissions through supplier-focused initiatives. To that end, more than 50% of supplier initiatives to reduce GHG emissions are focused on energy efficiency in production processes and energy efficiency in buildings. Our supplier initiatives also focus on water conservation, of these 67% focus on water efficiency in operations.

Packaging and Recycling

Our goal is to guarantee that 100% of our packaging comes from renewable, recycled or certified sources by 2025. Also, by 2025, we seek to offer recycling in all our restaurants. We understand that recycling infrastructure, regulations and consumer behaviors vary city to city and country to country, but we plan to be part of the solution and help influence powerful change.

Our strategy focuses on prioritizing certain processes: eliminating or minimizing the use of packaging through design innovation; recovering and recycling where possible; and aiming to close the loop by using more recycled materials, including recycled plastic, in our packaging and restaurants, which in turn helps to drive global demand for recycled materials. In 2020, we partnered with UBQ Materials, an Israeli company that has patented a technology, that converts household waste into a climate positive, bio-based thermoplastic, to replace plastic trays in 30 restaurants in Brazil. We plan to extend this partnership to all our restaurants in Brazil.

Arcos Dorados is strongly committed to reducing the use of plastic. To improve capture rates and reduce the impact on the environment as a result of plastic waste, Arcos Dorados has developed a series of initiatives over the last few years. Arcos Dorados' work to tackle plastic pollution began in 2018, with the "Straws on Demand" program through which restaurants stopped offering straws in nearly all markets and only provided straws upon customer request. To date, we have eliminated plastic straws in almost every market. Additionally, we streamlined a series of initiatives. The main actions contributing to this reduction are:

- Straw only upon customer request, with the additional removal of lids from hot and cold drinks served in restaurants and replacement of plastic cups in some markets.
- Cutlery redesign (the spoon delivered with desserts redesigned to reduce plastic per unit by 40%) or replacement with fiber-based material.
- Plastic salad bowls and breakfast containers which were replaced with a 100% biodegradable cardboard box.

As a result of these processes, we are happy to report that:

- In 2018, we removed 245 tons of single use plastic from our restaurants.
- In 2019, we removed 1,103 tons of single use plastic from our restaurants.
- In 2020, we removed 1,468 tons of single use plastic from our restaurants.

During this 3-year period, we have removed almost 40% of the total single use plastic from our restaurants. We will continue to move forward in becoming part of the solution and making sure these plastic items never return to our restaurants.

When it comes to fiber materials, it is important to ensure our fiber suppliers support deforestation-free supply chains. As an interim goal for 2025, we are focused on fiber-based packaging and committed to source 100% of primary fiber-based guest packaging from chain of custody certified or third-party verified recycled sources where no deforestation occurs. At the end of 2020, 92% of our fiber volume met this goal. With respect to facility-level certification, 98% of our suppliers are certified either FSC or PEFC.

Reverse logistics is another component of our recycling program. We are leveraging our logistics providers to recover cardboard from our restaurants, which is then recycled and reused in generating new packaging. The solution is being tested in several markets. In 2020, we recovered more than 45 tons of cardboard in Colombia, which were used again in our value chain, providing us with opportunities to recycle and reduce waste.

We also use reverse logistics for our used oil recycling program. We recycle used cooking oil in all our restaurants, which is then reused according to local regulations. For instance, in 2020, more than 2,000 tons of used cooking oil were recycled for further use, including as biodiesel.

The Arcos Dorados *Programa de Desarrollo Sustentable* is in its second year of implementation. In 2020 we reached more than 1,000 participating restaurants throughout Latin America and the Caribbean. The program monitors the environmental performance of the restaurants with respect to responsible consumption of natural resources, such as water and energy, waste segregation and aims to raise awareness for sustainable development among our employees and customers. Our goal is to transform our restaurants into centers of education for sustainable development for the community.

Sustainable and Responsible Sourcing of Materials

We work hard to continuously improve how we source our ingredients in a way that allows people, animals and the planet to thrive.

Arcos Dorados has supported sustainable food production and forest conservation efforts for years. Deforestation is one of the greatest threats facing our environment today, and we have been committed to do our part to support various local and global initiatives. In 1989, we joined McDonald's on its Amazon beef policy and Brazilian soy moratorium, and renewed our commitment in October 2011, when McDonald's signed a global moratorium against harvesting soy from the Amazon region. On a more local level, we have also been focused on the raw materials that we purchase, such as beef, chicken (including soy in feed), palm oil, coffee and fiber used in customer packaging, to develop strategies where we can have the greatest positive environmental impact. We are aligned with McDonald assessment to establish priority geographies, based on WWF's Living Forests Report 2015.

Over the last decade, Arcos Dorados has partnered with coffee suppliers to help advance coffee sustainability. We source coffee from suppliers that meet internationally certified sustainability standards. By the end of 2020, all of our coffee suppliers reached our approved sustainable source certifications. More than 80% of all the coffee served in our restaurants located in Argentina, Brazil, Chile, Uruguay, Costa Rica, Mexico, Colombia and Ecuador is now Rainforest Alliance certified.

In the markets where we sell fish products, the Marine Stewardship Council helps to identify ways to protect long term fish production and improve the marine ecosystem. Our suppliers are responsible for maintaining sustainably raised fish stocks, minimizing the impact of fishing and conserving the environment. In the markets where we sell fish products, the MSC certified 100% of our fish products.

While we don't use palm oil in our cooking processes, we work with our suppliers to guarantee that they use oil certified under the Roundtable on Sustainable Palm Oil (RSPO) standards. Additionally, we ask our chicken suppliers to source their chicken feed from low-deforestation regions or comply with certification requirements if it is sourced from countries where there are protected biomes, such as Brazil, Argentina and Paraguay.

In August 2016, we sourced the first certified, sustainably-produced beef in Latin America from the Novo Campo Project, which complies with the standards of the Brazilian Roundtable for Sustainable Beef (GTPS - *Grupo de Trabalho de Pecuaria Sustentavel*). We were the first restaurant in the QSR industry in Brazil to purchase beef from production cycles that meet global principles and criteria established by the Global Roundtable for Sustainable Beef (GRSB).

As one of the largest buyers of beef in the region, we are serious about our responsibility to help lead the industry toward more sustainable production practices. Our goal is to eliminate deforestation from our global supply chain by 2030. To that end, we comply with the "McDonald's Deforestation-Free Beef Procurement Policy", as the standard for purchasing beef in Brazil and Argentina, which allows us to ensure our direct beef supplies are traced and externally verified by Agrotools, a Brazilian ag-tech company and certified B-corp that provides advanced monitoring technology. Furthermore, we engage suppliers that have strong standards of animal welfare and meet McDonald's standards and policies. In 2014, we announced our plan to work with our pork suppliers to submit documented plans to limit the use of gestation crates for sows with plans for alternative group housing. We are actively working with our pork suppliers, producers and other stakeholders to strengthen this commitment and transition to this standard, including in our largest market Brazil.

In addition, we lead roundtables in Brazil and Argentina to identify livestock production solutions to reduce the impact of beef production and help make this process more environmentally sound, socially responsible and economically viable. We strive to use our positions in certain organizations, like the GTPS in Brazil and the Argentine Roundtable For Sustainable Beef (MACS), to help promote sustainable livestock and lead cross-cutting and technical discussions focused on topics such as the review of the Sustainable Livestock Indicators Guide within the scope of the GTPS in Brazil and the creation of sustainable beef indicators for Argentina. Both organizations were part of the Global Roundtable for Sustainable Beef (GRSB) and consist of representatives from different segments of the beef supply chain. We believe that we must support all stakeholders in the supply chain to achieve transformational change.

In 2016, we announced our commitment to source cage-free eggs throughout Latin America by 2025. In 2019, Brazil announced that it would begin purchasing cage-free eggs. Since then, the initiative has been treated as a priority inside and outside the Company, as we not only seek to expand and strengthen our operations, but also constantly influence our network of suppliers in Latin America and the Caribbean to seek more sustainable and responsible solutions. Some of our partners, such as Marfrig, BRF, Aryzta and Bimbo, have already publicly committed to purchasing cage-free eggs in Brazil.

Furthermore, 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 would 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 given 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. Based on the premise that our customers deserve high quality products originating from healthy animals, together with McDonald's, we have been pioneers in prioritizing animal welfare. We have a specific committee for animal welfare issues, which acts under the guidelines of the Professional Animal Auditor Certification Organization (PAACO), an animal welfare organization.

Sustainable Restaurants

Arcos Dorados has implemented a sustainable construction policy for its restaurants. This means all new projects include technologies and designs to drive efficiency in the use of energy and water, as well as the use of recycled materials and incorporating features to recycle waste.

Each type of restaurant has different sustainable initiatives, which are defined in Arcos Dorados sustainable design policy for restaurants, as follows:

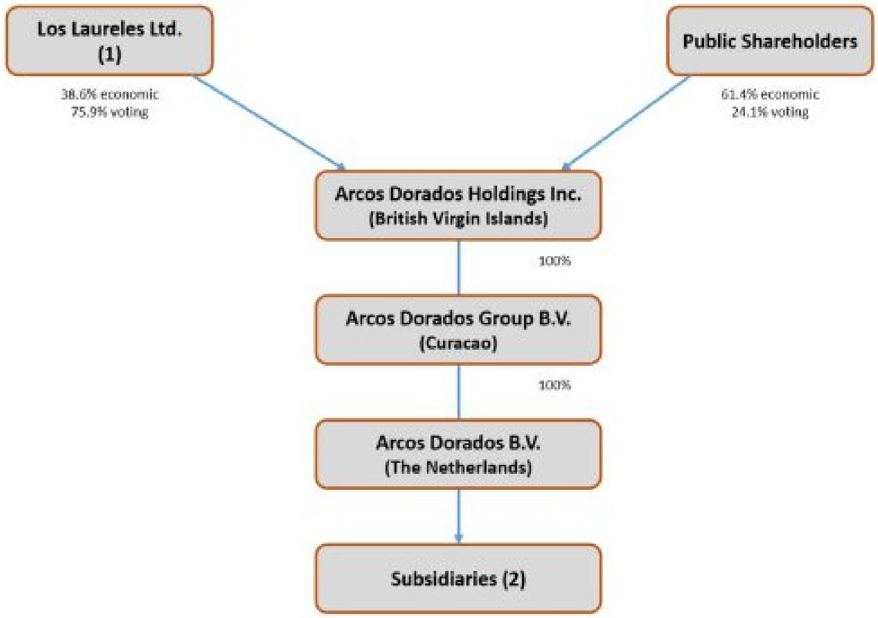
- Freestanding restaurant: 25 sustainable initiatives.
- In-store restaurant: 17 sustainable initiatives.
- Food court and mall restaurants: 9 sustainable initiatives.

In 2020, Arcos Dorados implemented 79% of these initiatives. As a result, restaurants are being designed and built to maximize energy efficiency and lower water usage by including low-consumption equipment, climate-efficient architecture and systems for reusable water, while at the same time, improving accessibility for our guests and employees. We also continue to work to improve processes, such as implementing responsible use and recycling of natural resources, promoting waste sorting and separation and encouraging the use of efficient air conditioning systems.

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. Woods 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 2021.



---

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

(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. Woods 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, 2020, we owned the land for 489 of our 2,236 restaurants (totaling approximately 1.1 million square meters). We owned the buildings for all but 9 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 São Paulo, Brazil; and regional offices in Mexico City, Mexico and Bogota, Colombia; (ii) distribution centers in the Caribbean; (iii) an industrial center called Food Town in São Paulo, Brazil, where our logistics operator is located; and (iv) training centers in São 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, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, 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 American division, or NOLAD, consisting of Costa Rica, Mexico and Panama; and the South Latin American division, or SLAD, consisting of Argentina, Chile, Ecuador, Peru and Uruguay. As of December 31, 2020, 46% of our restaurants were located in Brazil, 23% in NOLAD, 17% in SLAD and 14% 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 2020, sales by Company-operated restaurants and revenues from franchised restaurants represented 95.5% and 4.5% of our total revenues, respectively. In 2019 and 2018, sales by Company-operated restaurants and revenues from franchised restaurants represented 95.0% and 5.0% and 95.2% and 4.8% 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 gross 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 a certain percentage of their gross 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 statement of (loss) income. 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. In connection with the COVID-19 outbreak, McDonald's granted us a reduction of the advertising and promotion spending requirement from 5% to 4% of our gross sales for the full year 2020. Beginning on January 1, 2021, we resumed spending 5% of our gross sales on advertising and promotion.

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 (expenses) income, net, include gains and losses on asset acquisitions and dispositions, gains related to sales of restaurant businesses, write-offs 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) gain from derivative instruments relates primarily to the results of derivatives that are not designated for hedge accounting.

Gain from securities relates to transactions with certain securities.

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 contingencies, certain results related to tax credits, asset taxes 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 15 restaurants at December 31, 2020 (15 restaurants at December 31, 2019).

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 2019 and 2018, 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 from 2015 through 2019, 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, natural disasters and/or other circumstances such as the COVID-19 pandemic. 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 that sales in local currencies, including the Argentine *peso* and Venezuelan *bolivar*, are converted to U.S. dollar 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 by converting sales in local currencies, including the Argentine *peso* and Venezuelan *bolivar*, to U.S. dollar 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 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 of property and equipment and impairment of long-lived assets and goodwill that do not result in cash payments; reorganization and optimization plan expenses; 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 70.5% of our systemwide restaurants are Company-operated as of December 31, 2020.

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 and Argentine 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 statement of (loss) income.

Under U.S. GAAP, an economy is considered to be highly inflationary when its three-year cumulative rate of inflation meets or exceeds 100%. Since January 1, 2010 and July 1, 2018, Venezuela and Argentina, respectively, were considered to be highly inflationary, and as such, the financial statements of each of these subsidiaries are remeasured as if its functional currency was the reporting currency of the relevant subsidiary's immediate parent company (U.S. dollars for Venezuelan operations and Brazilian *reais* ("BRL") for Argentine operations from July 2018 to June 2020 and U.S. dollars since July 2020, as a result of a change in the subsidiary's immediate parent company). As a result, remeasurement gains and losses are recognized in earnings rather than in the cumulative translation adjustment component of "Accumulated other comprehensive loss" within shareholders' equity. See "Item 3. Key Information—A. Selected Financial Data—Exchange Rates and Exchange Controls" for information regarding exchange rates for the Argentine currencies.

Venezuela

Venezuela's exchange rate system is administered by the Central Bank of Venezuela, and currently consists of a unified foreign exchange market called DICOM, which operates through an auction mechanism and which was introduced in February 2018, replacing the previous dual exchange rate system. During 2018, the Company accessed to DICOM at an exchange rate greater than the one published by the governmental authorities. This rate is considered for remeasurements purposes.

On August 20, 2018, the Venezuelan government announced the removal of five zeros from the Venezuelan currency and renamed it the "Sovereign Bolivar" (VES). In addition, the new currency experienced devaluation from 2.48 to 59.93 VES per U.S. dollar. Since 2018, the Sovereign Bolivar has continued depreciating in value against U.S. dollar.

As of December 31, 2020, the Company did not have a material monetary position, which would be subject to remeasurement in the event of further changes in the exchange rate. In addition, Venezuela's non-monetary assets were $10.1 million (mainly fixed assets).

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

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 (including property and equipment, intangible assets with definite useful lives and lease right of use assets, net) 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, or when an impairment indicator exists. 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.

Leasing Arrangements

The Company leases locations through ground leases (the Company leases the land and owns the building) and through improved leases (the Company leases land and buildings). The operating leases are mainly related to restaurant and Dessert Center locations. The right-of-use assets and lease liabilities reflect the present value of the future minimum lease payments, which include renewal options provided by the agreement or government regulations, as they are reasonably certain to be exercised. Typically, renewal options are considered reasonably assured of being exercised if the associated asset lives of the building or leasehold improvements exceed the initial lease term, and the sales performance of the restaurant remains strong. Therefore, its associated payments are included in the measurement of the right-of-use asset and lease liability. As the interest rate implicit in the Company’s leases was not readily determinable, the Company utilizes its incremental borrowing rate to discount the lease payments.

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, 2020, 2019 and 2018 amounted to $235.2 million, $194.4 million and $219.9 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 2020, we recognized net loss amounting to $46.2 million as compared to net gains amounting to $23.9 million and $24.6 million in 2019 and 2018, respectively. 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.

As of December 31, 2020, there are certain matters related to the interpretation of income tax laws which could be challenged by tax authorities in an amount of $169 million, related to assessments for the fiscal years 2009 to 2015. No formal claim has been made for fiscal years within the statute of limitation 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.

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 its tax positions because the outcome of tax audits cannot be predicted with certainty. While the Company cannot estimate the impact that new information may have on its unrecognized tax benefit balance, it believes that the liabilities recorded are appropriate and adequate as determined under ASC 740.

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 in local currency for both periods being compared from their local currencies to the U.S. dollar using the same exchange rate.

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,	
	2020	2019	2018	2020(1)	2019(3)	2020(1)	2019(3)	2020(2)	2019(4)
	(in thousands of U.S. dollars, except percentages)								
Sales by Company-operated restaurants	1,894,618	2,812,287	2,932,609	(32.6) %	(4.1) %	(16.3) %	2,606.9 %	(19.1) %	2,649.4 %
Franchised sales(5)	740,044	1,189,533	1,200,112	(37.8) %	(0.9) %	(14.0) %	6,118.5 %	(13.2) %	6,040.1 %
Systemwide sales	**2,634,662**	**4,001,820**	**4,132,721**	**(34.2) %**	**(3.2) %**	**(15.6) %**	**3,626.7 %**	**(17.4) %**	**3,654.4 %**

(1) In nominal terms, sales decreased during 2020 due to the negative impact of the depreciation of currencies mainly in Brazil, Venezuela and Argentina against the U.S. dollar and due to a 17.4% decrease in comparable sales, mainly as a result of COVID-19 pandemic, which affected traffic in all Divisions. We had 1,576 Company-operated restaurants and 660 franchised restaurants as of December 31, 2020, compared to 1,580 Company-operated restaurants and 713 franchised restaurants as of December 31, 2019.

(2) Our comparable sales decrease on a systemwide basis in 2020 was driven by the decline in traffic due to the COVID-19 pandemic in the Territories. Venezuela was the only market that ended the period with positive comparable sales, which resulted mainly from price increases driven by the hyperinflation.

(3) In nominal terms, sales decreased during 2019 due to the negative impact of the depreciation of currencies mainly in Venezuela, Argentina and Brazil against the U.S. dollar. This was partially offset by comparable sales growth of 3,654.4%, as a result of hyperinflation in Venezuela. We had 1,580 Company-operated restaurants and 713 franchised restaurants as of December 31, 2019, compared to 1,540 Company-operated restaurants and 683 franchised restaurants as of December 31, 2018.

(4) Our comparable sales growth on a systemwide basis in 2019 was driven by the increase in average check, which resulted mainly from price increases in Venezuela and Argentina (driven by the hyperinflation), and from increased traffic at our restaurants, especially in Brazil.

(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,	
	2020	2019	2018	2020	2019	2020	2019	2020	2019
	(in thousands of U.S. dollars, except percentages)								
Sales by Company-operated restaurants:									
Brazil	$ 795,228	$ 1,283,005	$ 1,251,458	(38.0) %	2.5 %	(20.6) %	11.1 %	(22.4) %	9.5 %
Caribbean division	379,663	390,589	467,352	(2.8) %	(16.4) %	24.8 %	16,275.6 %	11.6 %	16,506.1 %
NOLAD	298,210	410,601	388,233	(27.4) %	5.8 %	(24.7) %	6.3 %	(26.2) %	5.3 %
SLAD	421,517	728,092	825,566	(42.1) %	(11.8) %	(26.0) %	27.0 %	(27.9) %	25.1 %
Total Sales by Company-operated restaurants	1,894,618	2,812,287	2,932,609	(32.6) %	(4.1) %	(16.3) %	2,606.9 %	(19.1) %	2,649.4 %
Franchised-sales: (3)									
Brazil	540,974	834,653	773,908	(35.2) %	7.8 %	(17.0) %	16.8 %	(20.7) %	9.8 %
Caribbean division	11,401	64,813	120,702	(82.4) %	(46.3) %	71.3 %	60,683.6 %	1,052.8 %	61,561.5 %
NOLAD	113,845	171,672	159,180	(33.7) %	7.8 %	(29.6) %	7.9 %	(29.1) %	4.3 %
SLAD	73,824	118,395	146,322	(37.6) %	(19.1) %	(17.7) %	26.9 %	(18.6) %	26.4 %
Total Franchised sales	740,044	1,189,533	1,200,112	(37.8) %	(0.9) %	(14.0) %	6,118.5 %	(13.2) %	6,040.1 %
Systemwide sales:									
Brazil	1,336,202	2,117,658	2,025,366	(36.9) %	4.6 %	(19.2) %	13.3 %	(21.8) %	9.7 %
Caribbean division	391,064	455,403	588,054	(14.1) %	(22.6) %	31.4 %	25,390.7 %	32.6 %	25,753 %
NOLAD	412,055	582,273	547,414	(29.2) %	6.4 %	(26.1) %	6.8 %	(27) %	5 %
SLAD	495,341	846,486	971,887	(41.5) %	(12.9) %	(24.8) %	27 %	(26.7) %	25.3 %
Total Systemwide sales	**2,634,662**	**4,001,820**	**4,132,721**	**(34.2)** %	**(3.2)** %	**(15.6)** %	**3,626.7** %	**(17.4)** %	**3,654.4** %

	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,		
	2020	2019	2018	2020	2019	2018	2017	2020(1)	2019(2)	2018(3)
	(in thousands of U.S. dollars, except for number of restaurants)									
Sales by Company-operated restaurants	$ 1,894,618	$ 2,812,287	$ 2,932,609	1,576	1,580	1,540	1,546	$ 1,202	$ 1,780	$ 1,901
Franchised sales(3)	740,044	1,189,533	1,200,112	660	713	683	642	1,121	1,688	1,811
Systemwide sales	**2,634,662**	**4,001,820**	**4,132,721**	**2,236**	**2,293**	**2,223**	**2,188**	**1,178**	**1,745**	**2,032**

(1) Our ARS decreased in 2020 due to a decrease in traffic as a result of the negative impact of the depreciation of currencies, mainly in Venezuela, Argentina and Brazil, against the U.S. dollar and lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic in all divisions. This was partially offset by an average check growth of 42.5%, mainly driven by Venezuela's hyperinflation and high inflation in Argentina.

(2) Our ARS decreased in 2019 due to the negative impact of the depreciation of currencies, mainly in Venezuela, Argentina and Brazil, against the U.S. dollar. This was partially offset by comparable sales growth of 3,654.4%, mainly driven by Venezuela´s hyperinflation.

(3) Our ARS decreased in 2018 due to the negative impact of the depreciation of currencies, mainly in Venezuela, Argentina and Brazil, against the U.S. dollar. This was partially offset by comparable sales growth of 1,778.1%, mainly driven by Venezuela´s hyperinflation.

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

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Set forth below are our results of operations for the years ended December 31, 2020 and 2019.

	For the Years Ended December 31,		% Change
	2020	2019	
	(in thousands of U.S. dollars)		
Sales by Company-operated restaurants	$ 1,894,618	$ 2,812,287	(32.6) %
Revenues from franchised restaurants	89,601	146,790	(39.0) %
Total revenues	**1,984,219**	**2,959,077**	**(32.9) %**
Company-operated restaurant expenses:			
Food and paper	(677,087)	(1,007,584)	(32.8) %
Payroll and employee benefits	(413,074)	(567,653)	(27.2) %
Occupancy and other operating expenses	(624,154)	(799,633)	(21.9) %
Royalty fees	(110,957)	(155,388)	(28.6) %
Franchised restaurants – occupancy expenses	(43,512)	(61,278)	(29.0) %
General and administrative expenses	(171,382)	(212,515)	(19.4) %
Other operating (expenses) income, net	(10,807)	4,910	(320.1) %
Total operating costs and expenses	**(2,050,973)**	**(2,799,141)**	**(26.7) %**
Operating (loss) income	**(66,754)**	**159,936**	**(141.7) %**
Net interest expense	(59,068)	(52,079)	13.4 %
(Loss) Gain from derivative instruments	(2,297)	439	(623.2) %
Gain from securities	25,676	—	100.0 %
Foreign currency exchange results	(31,707)	12,754	(348.6) %
Other non-operating income (expenses), net	2,296	(2,097)	(209.5) %
(Loss) income before income taxes	**(131,854)**	**118,953**	**(210.8) %**
Income tax expense	(17,532)	(38,837)	(54.9) %
Net (loss) income	**(149,386)**	**80,116**	**(286.5) %**
Less: Net income attributable to non-controlling interests	(65)	(220)	(70.5) %
Net (loss) income attributable to Arcos Dorados Holdings Inc.	**(149,451)**	**79,896**	**(287.1) %**

Set forth below is a summary of changes to our systemwide, Company-operated and franchised restaurant portfolios in 2020 and 2019.

Systemwide Restaurants	For the Years Ended December 31, 2020	2019
Systemwide restaurants at beginning of period	2,293	2,223
Restaurant openings	9	90
Restaurant closings	(66)	(20)
Systemwide restaurants at end of period	2,236	2,293

Company-Operated Restaurants	For the Years Ended December 31, 2020	2019
Company-operated restaurants at beginning of period	1,580	1,540
Restaurant openings	3	65
Restaurant closings	(56)	(17)
Net conversions of franchised restaurants to Company-operated restaurants	49	(8)
Company-operated restaurants at end of period	1,576	1,580

Franchised Restaurants	For the Years Ended December 31, 2020	2019
Franchised restaurants at beginning of period	713	683
Restaurant openings	6	25
Restaurant closings	(10)	(3)
Net conversions of franchised restaurants to Company-operated restaurants	(49)	8
Franchised restaurants at end of period	660	713

Revenues

	For the Years Ended December 31, 2020	2019	% Change
	(in thousands of U.S. dollars)		
Sales by Company-operated restaurants			
Brazil	$ 795,228	$ 1,283,005	(38.0) %
Caribbean division	379,663	390,589	(2.8) %
NOLAD	298,210	410,601	(27.4) %
SLAD	421,517	728,092	(42.1) %
Total	**1,894,618**	**2,812,287**	**(32.6) %**
Revenues from franchised restaurants			
Brazil	67,520	102,561	(34.2) %
Caribbean division	1,427	8,662	(83.5) %
NOLAD	13,677	20,665	(33.8) %
SLAD	6,977	14,902	(53.2) %
Total	**89,601**	**146,790**	**(39.0) %**
Total revenues			
Brazil	862,748	1,385,566	(37.7) %
Caribbean division	381,090	399,251	(4.5) %
NOLAD	311,887	431,266	(27.7) %
SLAD	428,494	742,994	(42.3) %
Total	**1,984,219**	**2,959,077**	**(32.9) %**

Sales by Company-operated Restaurants

Total sales by Company-operated restaurants decreased by $917.7 million, or 32.6%, from $2,812.3 million in 2019 to $1,894.6 million in 2020. This decrease was mainly driven by a decrease in traffic in the Territories as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which led to a decrease in comparable sales by Company-operated restaurants of $540.9 million. In addition, the depreciation of currencies against the U.S. dollar caused sales to decline by $459.2 million, mainly in Brazil, Argentina and Venezuela. This was partially offset by the conversion of 41 franchised restaurants into Company-operated restaurants, the opening of 68 Company-operated restaurants and the closing of 73 Company-operated restaurants since January 1, 2019, which contributed $82.4 million to sales.

In Brazil, sales by Company-operated restaurants decreased by $487.8 million, or 38.0%, to $795.2 million. This was primarily a consequence of comparable sales decline of 22.4%, mainly driven by the decrease in traffic as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which caused sales to decrease by $285.3 million. In addition, the depreciation of the Brazilian *real* against the U.S. dollar, caused sales to decrease by $223.1 million. This was partially offset by 33 net restaurants openings, partly offset by the conversion of 7 Company-operated restaurants into franchised restaurants since January 1, 2019, that caused sales to increase by $20.6 million.

In the Caribbean division, sales by Company-operated restaurants decreased by $10.9 million, or 2.8%, to $379.7 million. The hyperinflationary environment in Venezuela caused a $5.0 million net negative impact on sales by Company-operated restaurants in 2020 compared to 2019. In the other markets of the Caribbean division, sales by Company-operated restaurants decreased by $5.9 million mainly due to a decrease in traffic as a result of lockdowns and capacity limits at our restaurants as a result of COVID-19 pandemic, which led to a decrease in comparable sales growth of $44.5 million. In addition, the depreciation of currencies against the U.S. dollar caused sales to decrease by $5.7 million. This was partially offset by the conversion of 33 franchised restaurants into Company-operated restaurants, the opening of 2 Company-operated restaurants and the closing of 17 Company-operated restaurants since January 1, 2019, which contributed $44.3 million to sales.

In NOLAD, sales by Company-operated restaurants decreased by $112.4 million, or 27.4%, to $298.2 million. This was a consequence of comparable sales decline of 26.2%, driven by the traffic decrease as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which caused sales to decrease by $105.4 million and the depreciation of local currencies, which had a negative impact of $11.0 million in sales. This was partially offset by the conversion of 8 franchised restaurants into Company-operated restaurant, the opening of 18 Company-operated restaurant and closure of 35 Company-operated restaurants since January 1, 2019, which contributed in $4.0 million to sales.

In SLAD, sales by Company-operated restaurants decreased by $306.6 million, or 42.1%, to $421.5 million. This was a consequence of decline in traffic in the SLAD division as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which led to a decrease in comparable sales of $201.0 million, coupled with the depreciation of currencies against the U.S. dollar, in particular the Argentine *peso*, which caused sales to decrease by $117.2 million. This was partially offset by the conversion of 7 franchised restaurants into Company-operated restaurants, the opening of 11 Company-operated restaurants and closure of 17 Company-operated restaurants since January 1, 2019, which contributed $11.6 million to the increase in sales.

Revenues from Franchised Restaurants

Our total revenues from franchised restaurants decreased by $57.2 million, or 39.0%, from $146.8 million in 2019 to $89.6 million in 2020. The decrease in revenues was mainly driven by the depreciation of currencies against U.S. dollar, which caused revenues to decrease by $35.4 million, coupled with a decrease in traffic in the Territories as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which caused revenues to decrease by $16.7 million. In addition, the decrease in rent income to support franchisees during the COVID-19 pandemic had a $2.9 million negative effect, together with the conversion of 41 franchised restaurants into Company-operated, partially offset by the net opening of 18 franchised restaurants, which decreased revenues by $2.2 million.

In Brazil, revenues from franchised restaurants decreased by $35.0 million, or 34.2%, to $67.5 million primarily due to comparable sales decrease of 20.7% due to a decline in traffic in Brazil as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which decreased revenues by $21.7 million as well as the depreciation of the *real* against the U.S. dollar, which decreased revenues by $19.0 million. This was partially offset by the net opening of 19 franchised restaurants and the conversion of 7 Company-operated restaurants into franchised restaurants, since January 1, 2019, which caused revenues from franchised restaurants to increase by $4.0 million. In addition, an increase in rental income as a percentage of sales contributed $1.7 million to revenues.

In the Caribbean division, revenues from franchised restaurants decreased by $7.2 million, or 83.5%, to $1.4 million. The conversion of all 33 franchised restaurants into Company-operated restaurants in Puerto Rico and the net closure of 4 franchised restaurants caused non-comparable sales and rental income to decrease, which led to a decrease in revenues of $5.8 and $0.7 million respectively. In addition, the sharp currency depreciation in Venezuela more than offset the hyperinflationary environment, causing a $0.7 million net negative impact on revenues from franchised restaurants.

In NOLAD, revenues from franchised restaurants decreased by $7.0 million, or 33.8%, to $13.7 million. This decrease was a result of comparable sales decline of 29.1%, which resulted in a $5.7 million decrease in revenues, coupled with the depreciation of local currencies, which had a negative impact of $0.8 million in revenues. In addition, the conversion of 8 franchised restaurants into Company-operated restaurants since January 1, 2019 caused revenues to decrease by $0.5 million.

In SLAD, revenues from franchised restaurants decreased by $7.9 million, or 53.2%, to $7.0 million. This decrease is mainly explained by the support given to franchisees during the COVID-19 pandemic, which caused rental income to decrease as a percentage of sales in the division, and reduced revenues by $3.7 million. In addition, the depreciation of currencies against the U.S. dollar in the division represented a decrease in revenues of $2.2 million, and the comparable sales decline due to a decrease in traffic in the SLAD division as a result of lockdowns and capacity limits at our restaurants due to the COVID-19 pandemic caused revenues to decrease by $1.9 million. The conversion of 7 franchised restaurants into Company-operated restaurants, partially offset by the opening of 3 franchised restaurants, since January 1, 2019, also caused revenues from franchised restaurants to decrease by $0.1 million.

Operating Costs and Expenses

Food and Paper

Our total food and paper costs decreased by $330.5 million, or 32.8%, to $677.1 million in 2020, as compared to 2019. As a percentage of our total sales by Company-operated restaurants, food and paper costs decreased 0.1 percentage points to 35.7%.

In Brazil, food and paper costs decreased by $158.9 million, or 36.2%, to $280.5 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased by 1.0 percentage points to 35.3%, primarily as a result of important cost increases that could not be fully transferred to prices in the division.

In the Caribbean division, food and paper costs decreased by $7.9 million, or 5.7%, to $131.5 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 1.1 percentage points to 34.6%, primarily due to a favorable product mix in Colombia, Puerto Rico and Venezuela.

In NOLAD, food and paper costs decreased by $44.2 million, or 27.9%, to $114.2 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 0.3 percentage points to 38.3%. The decline in food and paper costs in NOLAD were primarily driven by a favorable product mix in Mexico and improved inventory and waste management in Mexico and Panama.

In SLAD, food and paper costs decreased by $119.5 million, or 44.2%, to $150.9 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 1.3 percentage points to 35.8%, mainly due to higher price increases than cost increases particularly in Argentina, but also in Chile and Uruguay that coupled with a favorable product mix could decrease the food and paper cost over sales.

Payroll and Employee Benefits

Our total payroll and employee benefits costs decreased by $154.6 million, or 27.2%, to $413.1 million in 2020, as compared to 2019. As a percentage of our total sales by Company-operated restaurants, payroll and employee benefits costs increased 1.6 percentage points to 21.8%. The increase was mostly attributable to lower productivity of our employees, especially during the months that our stores were fully or partially closed as a result of the COVID-19 pandemic, as there is a minimum number of hours the Company must guarantee to its employees, that varies among markets, as well as higher management payroll as a percentage of sales in every division, explained by a decrease in traffic in the Territories. This was partly offset by subsidies provided by governments in some markets.

The decrease in traffic in both cases was due to lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which led to lower absorption of fixed costs. This was partly offset by an average check increase above regular crew hour rates, which increased in most markets.

In Brazil, payroll and employee benefits costs decreased by $83.7 million, or 31.3%, to $183.8 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased by 2.3 percentage points to 23.1%, mainly as a result of lower productivity due to the decrease in traffic in the division as a result of lockdowns and capacity limits at our restaurants due to the COVID-19 pandemic. In addition, management payroll costs increased as a percentage of sales due to the decrease in sales, also driven by the COVID-19 pandemic.

In the Caribbean division, payroll and employee benefits costs increased by $1.3 million, or 1.5%, to $85.5 million primarily due to the net conversion of 33 franchised restaurants into Company-operated restaurants that increased payroll expenses. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased by 1.0 percentage points to 22.5%, mainly due to management payroll costs, which increased as a percentage of sales due to the decrease in sales, driven by the COVID-19 pandemic.

In NOLAD, payroll and employee benefits costs decreased by $13.6 million, or 20.5%, to $52.8 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased by 1.5 percentage points to 17.7%, mainly due to a decrease in productivity, coupled with an increase in management payroll as a percentage of sales due to lower sales in the division, all related to a decrease in traffic as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, partially offset by an increase in the average check above the regular crew hour rate in Costa Rica.

In SLAD, payroll and employee benefits costs decreased by $58.6 million, or 39.2%, to $91.0 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits increased by 1.0 percentage points to 21.6% mainly as a result of a decrease in traffic in the division as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which had a negative impact in sales, increasing management payroll and decreasing productivity.

Occupancy and Other Operating Expenses

Our total occupancy and other operating expenses decreased by $175.5 million, or 21.9%, to $624.2 million in 2020, as compared to 2019. As a percentage of our total sales by Company-operated restaurants, occupancy and other operating expenses increased 4.5 percentage points to 32.9%, mainly as a consequence of the decrease in sales due to the COVID-19 pandemic, which led to lower absorption of fixed costs. Additionally, there were higher depreciation and amortization expenses in Brazil and Uruguay, coupled with higher delivery costs in every division and utilities expenses in Brazil and Argentina. This was partially offset by a reduction of advertising and promotion expenses by 1.0 percentage point of sales in every market, according to an agreement with McDonald's we entered into at the beginning of the pandemic to reduce our advertising and promotion spending from 5% to 4% of our gross sales for the year 2020.

In Brazil, occupancy and other operating expenses decreased by $94.6 million, or 26.8%, to $258.3 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased by 5.0 percentage points to 32.5%, due to the COVID-19 pandemic, which led to lower sales that had a negative impact on the absorption of fixed costs, mainly utilities and occupancy expenses. This increase was also caused by higher delivery costs due to a higher participation of delivery in sales driven by circulation restrictions. In addition, there was higher depreciation and amortization related to the reinvestment plan and to the opening of restaurants and Dessert Centers mainly in previous years.

In the Caribbean division, occupancy and other operating expenses decreased by $5.3 million, or 4.6%, to $110.6 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased 0.6 percentage points to 29.1%, mainly due to reduction of costs such as advertising and promotion, maintenance and repair of stores and other expenses, together with savings in rent.

In NOLAD, occupancy and other operating expenses decreased by $22.7 million, or 17.1%, to $110.3 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased by 4.6 percentage points to 37.0% due to lower absorption of fixed costs, such as utilities due to the COVID-19 pandemic, which had a negative impact on sales, coupled with higher depreciation and amortization expenses in the division. Also, delivery expenses increased driven by an increase in sales through our delivery channel in connection with the COVID-19 pandemic.

In SLAD, occupancy and other operating expenses decreased by $56.3 million, or 27.9%, to $145.6 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased by 6.8 to 34.5%, due to a decrease in sales as a result of the COVID-19 pandemic, which had a negative impact on fixed costs absorption such as IT services, utilities, maintenance and repair and insurance. Additionally, delivery expenses increased as this segment participation grew during the COVID-19 pandemic. Also, there was higher depreciation and amortization.

Royalty Fees

Our total royalty fees decreased by $44.4 million, or 28.6%, to $111.0 million in 2020, as compared to 2019. As a percentage of sales, royalty fees increased by 0.3 percentage points to 5.9% mainly due to the absence of growth support funding from McDonald's Corporation in 2020 compared to 2019.

In Brazil, royalty fees decreased by $20.9 million, or 31.1%, to $46.3 million in 2020. As a percentage of sales, royalty fees increased 0.6 percentage points to 5.8% due to the absence of growth support funding from McDonald's Corporation in 2020 compared to 2019.

In the Caribbean division, royalty fees decreased by $0.3 million, or 1.5%, to $22.4 million in 2020, as compared to 2019. As a percentage of sales, royalty fees increased 0.1 percentage points to 5.9% due to due to an increase in sales subject to royalty fees.

In NOLAD, royalty fees decreased by $6.5 million, or 26.9%, to $17.6 million in 2020, as compared to 2019. As a percentage of sales, royalty fees remained flat.

In SLAD, royalty fees decreased by $16.8 million, or 40.4%, to $24.7 million in 2020, as compared to 2019. As a percentage of sales, royalty fees increased by 0.2 percentage points to 5.9%, as a result of absence of growth support funding from McDonald's compared to the same period of 2019.

Franchised Restaurants—Occupancy Expenses

Occupancy expenses from franchised restaurants decreased by $17.8 million or 29.0%, to $43.5 million in 2020, as compared to 2019, mainly due to the depreciation of currencies, especially in Venezuela, Brazil and Argentina against the U.S. dollar, together with lower allowances for doubtful accounts in Puerto Rico as all restaurants in this market have been Company-operated since May 31, 2020.

In Brazil, occupancy expenses from franchised restaurants decreased by $10.5 million, or 22.2%, to $36.7 million in 2020, as compared to 2019, primarily due to the depreciation of the Brazilian *real* against the U.S. dollar.

In the Caribbean division, occupancy expenses from franchised restaurants recorded a positive variation of $4.6 million, from an expense of $0.6 million to an income of $4.0 million. This was mainly explained by the reduction of the allowance for doubtful accounts, in Puerto Rico, due to a settlement agreement with the remaining Puerto Rican franchisees in the market and the subsequent conversion of all restaurants in this market to Company-operated restaurants. This was partially offset by the depreciation of the Venezuelan *bolivar* against the U.S. dollar, which decreased occupancy expenses from franchised restaurants.

In NOLAD, occupancy expenses from franchised restaurants decreased by $1.9 million, or 20.7%, to $7.4 million in 2020, as compared to 2019, mainly due to lower rent expenses for leased properties, as a consequence of negotiations with lessors mainly in Mexico to provide financial support by deferring or reducing rental payments during the COVID-19 pandemic. In addition, depreciation of currencies against the U.S. dollar decreased expenses from franchised restaurants.

In SLAD, occupancy expenses from franchised restaurants decreased by $1.3 million, or 28.1%, to $3.4 million in 2020, as compared to 2019, mainly due to the depreciation of the Argentinean *peso* against the U.S. dollar, coupled with lower rent expenses for leased properties that had a variable component over sales, as a consequence of the decrease in comparable sales from franchised restaurants, related to lockdowns and circulation restrictions in connection with the COVID-19 pandemic.

Set forth below are the margins for our franchised restaurants in 2020, as compared to 2019. 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,	
	2020	2019
Brazil	45.7 %	54.0 %
Caribbean Division	377.1 %	93.1 %
NOLAD	45.9 %	54.9 %
SLAD	51.4 %	68.4 %
Total	**51.4 %**	**58.3 %**

General and Administrative Expenses

General and administrative expenses decreased by $41.1 million, or 19.4%, to $171.4 million in 2020. This is explained primarily by the depreciation of currencies, especially the Argentine peso and the Brazilian real, that contributed $35.8 million to the reduction in general and administrative expenses, together with a net reduction of expenses in Venezuela of $1.2 million. In addition, there were efforts to reduce expenses in every division. Brazil and NOLAD decreased their general and administrative expenses by $6.3 million, primarily in bonuses and other variable compensation, travel and outside services expenses. Also, the Caribbean decreased their general and administrative expenses in $0.3 million mainly because of lower travel and outside services expenses. These reductions were partially offset by an increase in general and administrative expenses in Corporate and SLAD amounting $2.6 million, mainly in payroll, related to the high inflation in Argentina.

In Brazil, general and administrative expenses decreased by $17.8 million, or 26.8%, to $48.8 million in 2020, as compared to 2019. The decrease resulted from the depreciation of the Brazilian *real* against the U.S. dollar amounting to $14.1 million, and lower bonuses and other variable compensation for $4.1 million. In addition, we had lower expenses related to travel amounting $1.1 million, coupled with lower other expenses for $0.9 million. This was partially offset by higher occupancy expenses for an amount of $2.4 million.

In the Caribbean division, general and administrative expenses decreased by $2.0 million, or 7.7%, to $23.8 million in 2020, as compared to 2019. The sharp currency depreciation in Venezuela caused a net decrease of general and administrative expenses of $1.2 million. Moreover, in the other markets in this division, general and administrative expenses decreased by $0.8 million as compared to 2019. This reduction is mainly explained by lower outside services amounting $0.7 million, together with lower travel expenses for an amount of $0.5 million, and the depreciation of various currencies against the U.S. dollar decreased general and administrative expenses by $0.5 million. These effects were partially offset by higher payroll expenses and bonuses and other variable compensation amounting $0.4 million and $0.4 million respectively related to the conversion of 33 franchised restaurants into Company-operated restaurants.

In NOLAD, general and administrative expenses decreased by $3.8 million, or 15.8%, to $20.5 million in 2020, as compared to 2019. This decrease is a result of the depreciation of the Costa Rica colon and the Mexican peso against the U.S. dollar amounting to $1.2 million, together with lower bonuses and other variable compensations amounting to $1.2 million. In addition, there were lower outside services expenses for $0.9 million and lower travel and occupancy expenses amounting $0.6 million and $0.3 million respectively. These effects were partially offset by higher payroll for an amount of $0.4 million.

In SLAD, general and administrative expenses decreased by $5.0 million, or 17.8%, to $23.1 million in 2020, as compared to 2019. This decrease was mostly due to the depreciation of various currencies against the U.S. dollar, mainly the Argentine *peso*, amounting to $5.9 million, coupled with lower bonuses and other variable compensation amounting to $1.1 million. In addition, there were lower occupancy expenses for $0.9 million, together with lower travel expenses and other expenses, amounting to $0.6 million and $0.3 million respectively. This was partially offset by higher payroll expenses amounting to $3.1 million, mainly in Argentina amounting to $1.8 million due to Argentina's inflationary environment, coupled with higher outside services amounting $0.7 million.

General and administrative expenses for Corporate and others decreased by $12.5 million, or 18.4%, to $55.1 million in 2020, as compared to 2019. This decrease was mostly due to the depreciation of currencies against the U.S. dollar, especially the Argentine *peso* and the Brazilian *real*, amounting to $14.2 million, coupled with lower bonuses and other variable compensations for an amount of $3.7 million. In addition, there were lower travel expenses for $3.1 million, together with lower outside services expenses and other expenses of $0.9 million and $0.2 million respectively. This was partially offset by higher payroll related to Argentina's inflation, as a portion of our corporate expenses are nominated in Argentine *pesos*, amounting to $6.0 million, coupled with higher occupancy expenses amounting $3.6 million.

Other Operating (Expenses) Income, net

Other operating (expenses) income, net decreased by $15.7 million, to a loss of $10.8 million in 2020 from a gain of $4.9 million in 2019. This decrease was primarily attributable to positive results in 2019 related to the refranchising of some company-operated restaurants amounting to $5 million and the recovery in provision for contingencies in Brazil, as a result of a positive outcome in legal proceeding, amounting to $4.3 million. In addition, during 2020 there was an increase in inventory write-off of about $4.7 million mainly related to the food waste caused by the closing of our restaurant at the beginning of the COVID-19 outbreak in the region.

Operating (Loss)/Income

	For the Years Ended December 31,		
	2020	2019	% Change
	(in thousands of U.S. dollars)		
Brazil	$ 16,121	$ 164,342	(90.2) %
Caribbean division	4,494	(1,100)	(508.6) %
NOLAD	(16,680)	16,539	(200.8) %
SLAD	(16,626)	42,410	(139.2) %
Corporate and other and purchase price allocation	(54,063)	(62,255)	(13.2) %
Total	**(66,754)**	**159,936**	**(141.7) %**

Operating (loss) income decreased by $226.7 million, or 141.7%, to a loss of $66.8 million in 2020 from a gain of $159.9 million in 2019, as a result of the foregoing.

Net Interest Expense

Net interest expense increased by $7 million, or 13.4%, to $59.1 million in 2020, as compared to 2019. The increase was primarily explained by higher interest expense on new short-term debt drawn to maintain liquidity at the beginning of the COVID-19 pandemic amounting to $5.7 million. In addition, there was an increase in interest expenses due to the aggregate principal amount of 2027 Notes of $4.7 million, partially offset by a reduction in 2023 Notes interest expense of $2.2 million.

(Loss) gain from Derivative Instruments

(Loss) gain from derivative instruments decreased by $2.7 million to a loss of $2.3 million in 2020, from a gain of $0.4 million in 2019, attributable to the results of derivatives instruments not designated as hedge accounting.

Gain from Securities

Gain from securities was $25.7 million in the full year ended December 31, 2020.

Foreign Currency Exchange Results

Foreign currency exchange results decreased by $44.5 million, from a gain of $12.8 million in 2019 to a loss of $31.7 million in 2020. The variation was primarily attributable to the impact of a higher depreciation of the Brazilian reais of 29% in comparison with 4% in 2019.

Other Non-operating Income (Expenses), Net

Other non-operating income (expenses), net increased by $4.4 million to a $2.3 million gain in 2020, as compared to a $2.1 million loss in 2019, primarily related to an income tax credit generated by dividend distributions between subsidiaries.

Income Tax Expense

Income tax expense decreased by $21.3 million, from $38.8 million in 2019 to $17.5 million in 2020, mainly related to changes in pre-tax (loss) income. The consolidated effective tax rate was (13.3)% in 2020, as compared to 32.6% in 2019, primarily explained by the change in the weighted-average statutory income tax rate (which amounted to 22.9% in 2020 as compared to 37% in 2019) related to the weighting of the results of certain markets over the total result; changes in valuation allowance of deferred tax assets, a result of net operating losses, which increased income tax by $3.0 million in 2020 compared to a decrease by $24.9 million in 2019, the latter mainly related to expiration of tax loss carryforwards. In addition, non-deductible expenses, non-taxable income and withholding taxes from intercompany transactions increased income tax by $ 18.6 million in 2020 and $ 12.6 million in 2019, impacting negatively the effective rate.

See Note 16 to our consolidated financial statements for additional information

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests was $0.07 million in the full year ended December 31, 2020.

Net (loss) Income Attributable to Arcos Dorados Holdings Inc.

As a result of the foregoing, net (loss) income attributable to Arcos Dorados Holdings Inc. decreased by $229.3 million from a gain of $79.9 million in 2019, to a loss of $149.5 million in 2020.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

For a discussion of our results of operations for the year ended December 31, 2019 compared to the year ended December 31, 2018, please see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Year Ended December 31, 2019 Compared to Year Ended December 31, 2018" of our annual report on Form 20-F for the year ended December 31, 2019.

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.

Although we had a very comfortable cash balance, with no short-term debt drawn, as of December 31, 2020, our liquidity and capital resources could be negatively impacted if government restrictions on mobility to stem the spread of COVID-19 become as strict as the previous year. If needed, we can rely on short term funding from several uncommitted lines of credit. Any unavailability of such credit lines may also negatively impact our liquidity in 2021 and capital resources.

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 reinvestment 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 and/or reinvestment plan to adapt to changes in economic or political conditions.

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. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Operations—The spread of COVID-19 has materially and adversely affected our business, results of operations and cash flows, and may continue to do so" and "—Risks Related to Our Results of Operations and Financial Condition—We use non-committed lines of credit to partially finance our working capital needs."

Overview

Net cash provided by operations decreased by $207.5 million, from $223.5 million in 2019 to $16.0 million in 2020. Cash used in our investing activities was $88.7 million in 2020, compared to $261.0 million in 2019. Cash provided by financing activities was $126.0 million in 2020, compared to cash used in financing activities of $29.6 million in 2019. Cash provided by financing activities included $153.4 million from the issuance of 2027 notes, partially offset by net short-term borrowings of $10.6 million and dividend payments of $10.2 million.

Net cash provided by operations increased by $43.8 million, from $179.7 million in 2018 to $223.5 million in 2019. Cash used in our investing activities was $261.0 million in 2019, compared to $163.8 million in 2018. Cash used in financing activities was $29.6 million in 2019, compared to $73.4 million in 2018. Cash used in financing activities was primarily used for the purchase of treasury stock amounting to $14.0 million and the payments of dividends of $22.4 million. This was partially offset by cash inflows of $13.2 million from net short-term borrowings.

At December 31, 2020, our total financial debt was $673.3 million, consisting of $776.6 million in long-term debt (of which $215.9 million related to the 2023 notes, including the original issue discount, $549.2 million related to 2027 notes, including the original issue discount, $10.2 million in other long-term borrowings, and $5.9 million in finance lease obligations, partially offset by $4.6 million related to deferred financing costs) the amount of which was offset by $103.3 million related to the fair market value of our outstanding derivative instruments.

At December 31, 2019, our total financial debt was $595.8 million, consisting of (i) $626.8 million in long-term debt (of which $346.5 million related to the 2023 notes, including the original issue discount, $265.0 million related to 2027 notes, $13.3 million in other long-term borrowings, and $5.4 million in finance lease obligations, partially offset by $3.4 million related to deferred financing costs) the amount of which was offset by $44.3 million related to the fair market value of our outstanding derivative instruments and (ii) $13.3 million in short-term debt.

Cash and cash equivalents were $166.0 million at December 31, 2020 and $121.9 million at December 31, 2019.

Comparative Cash Flows

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

	For the Years Ended December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Net cash provided by operating activities	$ 15,966	$ 223,481	$ 179,731
Net cash used in investing activities	(88,706)	(260,991)	(163,784)
Net cash provided by (used) in financing activities	126,009	(29,632)	(73,442)
Effect of exchange rate changes on cash and cash equivalents	(9,160)	(8,260)	(53,714)
Increase (Decrease) in cash and cash equivalents	**44,109**	**(75,402)**	**(111,209)**

Operating Activities

	For the Years Ended December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Net (loss) income attributable to Arcos Dorados Holdings Inc.	$ (149,451)	$ 79,896	$ 36,847
Non-cash charges and credits	172,201	117,498	121,448
Changes in assets and liabilities	(6,784)	26,087	21,436
Net cash provided by operating activities	**15,966**	**223,481**	**179,731**

For the year ended December 31, 2020, net cash provided by operating activities was $16.0 million, compared to $223.5 million in 2019. The $207.5 million decrease was mainly explained by the negative impact of COVID-19 disruptions on our operations.

For the year ended December 31, 2019, net cash provided by operating activities was $223.5 million, compared to $179.7 million in 2018. The $43.8 million increase is attributable to the increase in net income and the positive change in assets and liabilities of $47.7 million and a decrease of non-cash charges of $4.0 million.

Investing Activities

Investments in new restaurants and the modernization of existing restaurants 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 (used in) provided by investing activities by type:

	For the Years Ended December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
Property and equipment expenditures	$ (86,311)	$ (265,235)	$ (197,041)
Purchases of restaurant businesses paid at acquisition date	(3,833)	(2,658)	—
Proceeds from sales of property and equipment and related advances	800	3,340	2,891
Proceeds from sales of restaurant businesses and related advances	—	4,818	10,158
Recovery of short-term investments	—	—	19,588
Others, net	638	(1,256)	620
Net cash used in investing activities	**(88,706)**	**(260,991)**	**(163,784)**

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

	For the Years Ended December 31,		
	2020	2019	2018
	(in thousands of U.S. dollars)		
New restaurants	$ 19,345	$ 88,427	$ 55,982
Existing restaurants	49,457	149,681	107,202
Other(1)	17,509	27,127	33,857
Total property and equipment expenditures	**86,311**	**265,235**	**197,041**

(1) Primarily corporate equipment and other office expenditures.

In 2020, net cash used in investing activities was $88.7 million, compared to $261.0 million in 2019. This $172.3 million decrease was primarily attributable to a decrease in property and equipment expenditures of $178.9 million, due to our decision to reduce property and equipment expenditures after mid-March when the COVID-19 pandemic spread to Latin America and the Caribbean (in 2020, we opened 9 restaurants and closed 66 restaurants).

Proceeds from sales of restaurant businesses and related advances decreased by $4.8 million, mainly as a result of a lower rate of conversion of company-operated restaurants into franchised restaurants in 2020 compared with 2019.

In 2019, net cash used in investing activities was $261.0 million, compared to $163.8 million in 2018. This $97.2 million increase was primarily attributable to an increase in property and equipment expenditures of $68.2 million, the recovery of short-term investments in 2018 for $19.6 million, a decrease in proceeds from sale of restaurant businesses and related advances of $5.3 million, the purchases of restaurant businesses for $2.7 million and a decrease in other investing activities of $1.9 million. This was partially offset by the increase in proceeds from sales of property and equipment and related prepayments of $0.4 million.

Property and equipment expenditures increased by $68.2 million, from $197.0 million in 2018 to $265.2 million in 2019. The increase in property and equipment expenditures is explained by an increase in investment in new restaurants of $32.4 million, as well as in existing restaurants of $42.5 million, and a decrease in corporate equipment and other office expenditures of $6.7 million. In 2019, we opened 90 restaurants and closed 20 restaurants.

Proceeds from sales of restaurant businesses and related advances decreased by $5.3 million, mainly as a result of a lower rate of conversion of company-operated restaurants into franchised restaurants in 2019 compared with 2018.

Financing Activities

	For the Years Ended December 31,		
	2020	**2019**	**2018**
	(in thousands of U.S. dollars)		
Dividend payments to Arcos Dorados Holdings Inc. shareholders	$ (10,220)	$ (22,425)	$ (20,937)
Issuance of 2027 Notes	153,375	—	—
Treasury stock purchases	—	(13,965)	(46,035)
Net short-term borrowings	(10,578)	13,159	—
Other financing activities	(6,568)	(6,401)	(6,470)
Net cash provided by (used in) financing activities	**126,009**	**(29,632)**	**(73,442)**

Net cash provided by financing activities was $126.0 million in 2020, compared to net cash used in financing activities of $29.6 million in 2019. The $155.6 million decrease in the amount of cash used in financing activities was primarily attributable to cash inflows of $153.4 million from the issuance of the 2027 notes in 2020.

Net cash used in financing activities was $29.6 million in 2019, compared to $73.4 million used in 2018. The $43.8 million decrease in the amount of cash used in financing activities was primarily attributable to lower purchase of treasury stock amounting to $32.1 million and issuance of short-term debt for $13.2 million.

Revolving Credit Facilities

In 2011, we and Arcos Dorados B.V. entered into revolving credit facilities in order to borrow money from time to time to cover our working capital needs and for other lawful general corporate purposes.

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. We renewed this loan annually between 2015 and 2019, including most recently on August 2, 2019 for $25 million maturing on August 2, 2020, with an annual interest rate equal to LIBOR plus 2.40%. We repaid amounts due under this revolving credit facility in full upon maturity on August 2, 2020. This revolving credit facility was not renewed after its maturity.

On December 11, 2019, the Company entered into a revolving credit facility with JPMorgan Chase Bank, N.A. for up to $25 million maturing on December 11, 2020. On December 11, 2020 the Company entered into an amended and restated credit agreement with JPMorgan Chase Bank, N.A. Pursuant to this agreement, we are required to comply with a net indebtedness (including interest payable) to EBITDA ratio of 9.50 to 1 as of the last day of the fiscal quarter ended December 31, 2020, 15.25 to 1 as of the last day of the fiscal quarter ending on March 30, 2021, 5.25 to 1 as of the last day of the fiscal quarter ending on June 30, 2021 and 4.25 to 1 as of the last day of the fiscal quarter ending on September 30, 2022. In addition, we are required to comply with a liquidity covenant requiring the Company and its subsidiaries to maintain at all times at least $50 million in unrestricted cash, cash equivalents and/or marketable securities. Each loan made to the Company, under this amended and restated agreement bears interest at an annual rate equal to LIBOR plus 3.00% that will be payable on the date of any prepayment or at maturity.

The obligations of Company under the revolving credit facility are jointly and severally guaranteed by certain of the Company's subsidiaries on an unconditional basis. Furthermore, the revolving credit facility includes customary covenants including, among others, restrictions on the ability of the Company, 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; and (vi) engage in transactions that violate certain anti-terrorism laws. The revolving credit facility provides for customary events of default, which, if any of them occurs, would permit or require JPMorgan to terminate its obligation to provide loans under the revolving credit facility and/or to declare all sums outstanding under the loan documents immediately due and payable.

As of December 31, 2020, our net indebtedness to EBITDA ratio was 7.62 and as such we were in compliance with such ratio.

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 (the "2016 Tender Offer") 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 the 2016 Tender Offer, 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 2016 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 December 31, 2019, $348.1 million aggregate principal amount of the 2023 notes was outstanding.

On September 15, 2020, we launched an offer to exchange any and all of our outstanding 2023 notes for an additional issuance of our 2027 notes (as defined below) (the “2020 Exchange Offer”) that expired on October 13, 2020 (the “expiration date”). The purpose of the exchange offer was to extend the maturity profile of the Company’s long-term debt. The settlement date was on October 15, 2020. Eligible holders who validly tendered their 2023 notes for exchange prior to September 28, 2020 (the “early participation date”), received $1,055 (expressed as whole number) of 2027 notes per $1,000 (expressed as whole number) of 2023 notes at the settlement date. Eligible holders who validly tendered their 2023 notes for exchange after the early participation date, but on or prior to the expiration date received $1,005 (expressed as whole number) of 2027 notes per $1,000 (expressed as whole number) of 2023 notes at the settlement date. In addition, any fractional portion of the 2027 notes less than $1,000 (expressed as whole number) and accrued and unpaid interest were paid in cash. As of September 28, 2020, the early participation date, the Company accepted to exchange $126.80 million 2023 notes, representing 36.43% of the outstanding principal amount of the 2023 notes. In addition, on October 13, 2020, the Company accepted to exchange $4.67 million, representing 1.34% of the outstanding principal amount of 2023 notes.

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.

In September 2020, we announced a reopening of the 2027 notes and issued an additional $150.0 million in aggregate principal amount of the 2027 notes. The notes were issued at a price of 102.250% plus accrued interest from April 4, 2020 and will mature, along with the previously issued 2027 notes, on April 24, 2027. The proceeds from the issuance of the additional 2027 notes were used to repay short-term indebtedness and for general corporate purposes. In addition, on September 15, 2020, we announced the commencement of the 2020 Exchange Offer. In connection with the 2020 Exchange Offer, we issued an additional $138.4 million in aggregate principal amount of the 2027 notes.

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. Within Arcos Dorados, we also have a "Menu Innovation Team" that develops new menu items at a divisional/local level.

D. Trend Information

Our business and results of operations have been impacted by increasingly negative macroeconomic and consumer trends in some of our main markets, which caused us to close or reduce the operations of a significant percentage of our restaurants during 2020, led to a significant decline in sales and disrupted our supply chain. Although we saw some recovery in economic growth and consumer consumption rates towards the end of 2020, there was a significant spike in COVID-19 cases in certain regions in which we operate in the first few months of 2021 and there can be no guarantee that such recovery will continue. As a result, we expect some of these trends to continue until the COVID-19 pandemic is brought under control, which cannot be predicted at this time. Moreover, if the impacts of the COVID-19 pandemic become other than temporary, we may also need to consider it as an indicator of impairment in future quarters, which could further negatively impact our financial condition.

In response to the COVID-19 pandemic and related disruption in regional and global economic activity, we drew on our available revolving credit facilities and short-term lines of credit to stabilize our cash flow and had to obtain waivers for our compliance with financial ratio covenants from our lenders for certain periods in 2020.

Although we stabilized our cash flow in 2020 and successfully re-financed our short-term indebtedness, we may need to draw on our available revolving credit facility short-term credit lines in the future if our liquidity continues to be impacted by the COVID-19 pandemic and we are unable to find alternative sources of funding. In addition, we are required to remain compliant with certain financial ratios under our revolving credit facility. Any default under our lines of credit or revolving credit facility and any inability to draw upon our non-committed lines of credit and revolving credit facility in the future could have an adverse effect on our liquidity, working capital, financial condition and results of operations. See "D. Risk Factors—Risks Related to Our Business and Operations—The spread of COVID-19 has materially and adversely affected our business, results of operations and cash flows, and may continue to do so."

Our business and results of operations have also 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.

- *Nutrition & Healthier products*: Growing interest for products that are perceived to be healthy. Consumers are looking for more information regarding nutritional facts and demanding healthier products.

- *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.

- *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.

- *Social unrest:* Towards the end of 2019, there was a significant uptick in social unrest in several countries in which we operate. There were large social protests against inequality in many of these countries, and certain of our properties were damaged. Although social unrest had generally calmed down by the end of 2019 and most of our losses were covered by our insurance, any continuation of or increase in social unrest in 2020 could lead to further damage to our properties, a decline in sales or otherwise negatively impact our results.

- *Environmental Consciousness*: Over the last few years, our customers have demonstrated a growing interest in sustainable practices, including as it relates to limiting food waste and sourcing our ingredients and paper and packaging costs. In particular, movements such as the anti-plastic movement have gained momentum in recent years and caused us to make changes in the sourcing of our raw materials. We may need to make further changes in our supply chain and food and paper costs in the future in order to adequately respond to our customers' focus on sustainability.

- *Changing Consumer Trends*: In 2020, as a result of the COVID-19 pandemic, we saw a significant change in consumer trends whereby demand has focused on cleaner and more hygienic public places. There has also been a shift in consumer habits to eating at home, demanding healthier food options, choosing money-saving options and focusing on relaxing activities.

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, 2020.

Contractual Obligations	Payment Due by Period Total	2021	2022	2023	2024	2025	Thereafter
	(in thousands of U.S. dollars)						
Finance lease obligations(1)	$ 9,770	$ 939	$ 857	$ 857	$ 857	$ 875	$ 5,385
Operating lease obligations	$ 1,415,322	128,202	121,246	115,914	112,145	107,585	830,230
Contractual purchase obligations(2)	$ 100,991	55,382	18,773	13,676	10,260	2,224	676
2023 and 2027 notes(1)(3)	$ 1,024,308	46,859	46,859	263,452	32,510	32,510	602,118
Other long-term borrowings(1)	$ 11,744	3,330	4,206	2,422	1,786	—	—
Derivative instruments	$ (103,342)	4,024	5,412	(71,479)	2,203	1,830	(45,332)
Total	**$ 2,458,793**	**$ 238,736**	**$ 197,353**	**$ 324,842**	**$ 159,761**	**$ 145,024**	**$ 1,393,077**

(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 $11.6 million of contractual obligations for 2021 only.

(3) Does not include the impact of the deferred financing costs and the net discount related to the issue of the 2023 and 2027 notes.

The table set forth above excludes projected payments on our restaurant opening plans 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 ten members, four of whom are independent directors. 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.

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 28, 2021, our shareholders re-elected Mr. Woods Staton, Mr. Sergio Alonso and Mr. Francisco Staton to serve as Class I directors. Mr. Ricardo Gutiérrez Muñoz, whose term expired at the annual meeting of shareholders held on April 28, 2021, did not seek reelection.

The classes are currently composed as follows:

- Mr. Hernández-Artigas, Mrs. Franqui, Mr. Rabach and Mrs. Presz Palmaka De Luca are Class II directors, whose term will expire at the annual meeting of shareholders to be held in 2022;

- 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 2023; and

- Mr. Woods Staton, Mr. Alonso and Mr. Francisco Staton are Class I directors, whose term will expire at the annual meeting of shareholders to be held in 2024.

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	71
Marcelo Rabach	CEO	51
Sergio Alonso	Director	57
Annette Franqui	Director	59
Carlos Hernández-Artigas	Director	56
Michael Chu	Director	72
José Alberto Vélez	Director	71
José Fernández	Director	58
Francisco Staton	Divisional President – Caribbean	40
Cristina Presz Palmaka De Luca	Director	53

* Mr. Ricardo Gutiérrez Muñoz served on the Board of Directors until the annual meeting of shareholders on April 28, 2021, when his term expired.

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 our Executive Chairman. He was our Chairman and Chief Executive Officer from 2007 through October 2015. Mr. Staton holds an MBA from the International Institute for Management Development (IMD) in Switzerland and a Bachelor's degree in economics from Emory University in Atlanta. As McDonald's joint venture partner, Mr. Staton opened the first McDonald's restaurant in Argentina in 1986 and later served as President of McDonald's South Latin American Division. He founded Arcos Dorados in 2007 when he led a consortium of investors in the purchase of McDonald's operations in Latin America. Mr. Staton is co-founder of Endeavor Argentina, an organization for promoting entrepreneurship. He is a member of the Latin America Advisory Board of Harvard Business School and is also a Board Member of the IMD Foundation in Lausanne, Switzerland. In addition, he serves as Chair of the Advisory Board of the Latin American Program at the Woodrow Wilson International Center for Scholars and is also on the Chairman's International Advisory Council of the Americas Society/Council of the Americas.

Marcelo Rabach. Mr. Rabach, 51, has been our Chief Executive Officer since July 2019. Prior to his appointment, he was the Chief Operating Officer from August 2015 to July 2019, Divisional President for NOLAD from 2013 to August 2015, 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 20 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.

Sergio Alonso. Mr. Alonso has been a member of our board of directors since 2010. Mr. Alonso was our Chief Executive Officer from 2015 to 2019 and was, prior to his appointment as such, our Chief Operating Officer from 2007 to 2015. 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. In addition, in July 2017, Mr. Alonso was appointed as a member of the board of directors of Loma Negra Compañía Industrial Argentina S.A., a leading cement producer 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 a board member of many of its portfolio companies as well as of LatAm, LLC. She is the Chairman of the Board of AARP on a volunteer basis.

Carlos Hernández-Artigas. Mr. Hernández-Artigas has been a member of our board of directors since 2007 and is Chairman of the Compensation and Nomination Committee. He graduated from the Escuela de Derecho at Universidad Panamericana, 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 Sur Partners in Miami, Florida and is currently a board member of MAC Hospitales in Mexico and board member of CrowdVision, a leading automated pedestrian analysis and insights company with global presence.

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 firm 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 and participated in the founding and governance of various banks in Latin America. Mr. Chu currently holds an appointment as Senior Lecturer at the Harvard Business School, where he is the Faculty Chair for Latin America, and is Managing Director and cofounder of the IGNIA Fund, a venture capital firm dedicated to investing in disruptive business models serving the emerging middle class and low-income populations in Mexico and Latin America. He was a founding partner of, and continues to serve as Senior Advisor to, Pegasus Group, a private equity firm in Buenos Aires. He also serves on the board of Takeoff Technologies, Inc, a private company in Boston, Massachusetts.

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 degree in Engineering 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 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 and infrastructure concessions (roads and airports). 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 is member of the Latin American Chapter of the Wilson Center in Washington D.C.

José Fernández. Mr. Fernandez has been an independent member of our board of directors since October 1, 2013 and is a member of the Compensation and Nomination Committee. 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. In August 2019, Mr. Fernández was appointed as a member of the board of directors of Cencosud Shopping S.A. in Chile.

Francisco Staton. Mr. Francisco Staton has been a member of our board of directors since April 2018. Mr. Francisco Staton is Divisional President for the Caribbean. Prior to his appointment as such in 2019, he was Arcos Dorados' Managing Director for Colombia, Aruba, Curaçao and Trinidad & Tobago. He joined the Arcos Dorados executive team in 2013 as Senior Manager of Business Development for our NOLAD Division. Prior to serving as Senior Manager of Business Development for our NOLAD Division, he held different operating roles within the organization and also worked as a consultant at the Boston Consulting Group office in Buenos Aires. He completed his undergraduate studies at Princeton University in 2003, and subsequently earned an MBA from Columbia Business School in 2010. He has served on the board of Princeton in Latin America since 2015. Mr. Francisco Staton is the son of our Executive Chairman, Woods Staton.

Cristina Presz Palmaka De Luca. Ms. Palmaka has been an independent member of our board of directors since November 12, 2019. Ms. Palmaka has been the President of SAP Latin America since August 2020, following 7 years as President of SAP Brazil. Ms. Palmaka also sits on C&A board of directors and on Eurofarma advisory board. Ms. Palmaka holds an accounting degree from Fundação Álvares Penteado (Brazil) and received her MBA from Fundação Getúlio Vargas (Brazil). She also holds a master's degree in International Business & Marketing from the University of Texas.

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. Marcelo Rabach, 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. Rabach, as they 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
Marcelo Rabach	Chief Executive Officer	2019	1990
Luis Raganato	Chief Operating Officer	2019	1991
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
Gustavo Pascualino(1)	Divisional President—NOLAD	2021	1989
Francisco Staton	Divisional President—Caribbean	2019	2013
Sebastian Magnasco	Vice President of Development	2007	1994
Santiago Blanco	Chief Marketing and Digital Officer	2019	2019
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
David Grinberg	Vice President of Corporate Communications	2018	2010
Marco Cordón	Chief Transformation Officer	2019	2019
Daniel Schleiniger	Vice President of Investor Relations	2020	2020
Gabriel Serber	Director of Social Impact and Sustainable Development	2021	1990

(1) Rogerio Barreira served as our Divisional President for NOLAD until March 31, 2021, when he was replaced by Gustavo Pascualino.

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.

Luis Raganato. Mr. Raganato, 50, has been our Chief Operating Officer since July 2019. Prior to his appointment as such, he was the Divisional President for the Caribbean, and before that, 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, a Master's degree in Marketing and Business Development from Escuela Superior de Estudios de Marketing de Madrid and an MBA from Universidad de Piura, Peru.

Mariano Tannenbaum. Mr. Tannenbaum, 47, 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 in Switzerland, 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, 53, is our Chief Legal Counsel. He attended Universidad Pontificia Bolivariana in Colombia, where he received a Law Degree in 1989. He graduated in 1990 as a Business Law Specialist from the same university. He also pursued postgraduate studies in Business Administration at New York University, which he completed in 1994. He also graduated in 2000 from the International Business program at EAFIT University and from the Senior Management Program at Los Andes University, which he completed in 2009 in Colombia. He also attended the Executive Directors Training Program from IAE Business School in Argentina (2017). 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, 53, 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 holds a postgraduate degree in Business Administration from Mackenzie University in São Paulo, and also holds an MBA from Universidad Europea de Madrid.

Alejandro Yapur. Mr. Yapur, 53, 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 holds a Master’s degree in Communications from Universidad Austral in Buenos Aires, Argentina. He has also received executive training from IAE Business School in Argentina, IPADE Business School in Mexico and IESE Business School in Spain. Mr. Yapur has also completed the Digital Business Management Program at the San Andres University in Buenos Aires.

Gustavo Pascualino. Mr. Pascualino, 52, was appointed Divisional President for NOLAD in April 2021. Prior to his promotion, Mr. Pascualino served as Operations Vice President for the Brazil Division, beginning in 2016. He began his career in 1989 as a crew member at the iconic Florida Street restaurant in Buenos Aires, Argentina. In addition to his most recent role in Brazil, Mr. Pascualino held various leadership positions in operations, including Operations Director for Puerto Rico and the Caribbean Division and Corporate Operations Development Director. Mr. Pascualino has a degree in Marketing from Universidad de Morón in Buenos Aires, Argentina, and has also received executive training from the IAE Business School in Argentina and the University of Miami.

Sebastian Magnasco. Mr. Magnasco, 51, is our Vice President of Development and served, prior to his appointment as such in 2007, in the same capacity in SLAD. He graduated in 1990 with a degree in Engineering from Instituto Tecnológico Buenos Aires and completed a post graduate Management Development Program in Business from I.A.E. Management and Business School in 2001. 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.

Santiago Blanco. Mr. Blanco, 50, is our Chief Marketing and Digital Officer. He joined the company in 2019 and is responsible for designing and implementing the marketing and digital strategy. Prior to joining Arcos Dorados, he served as Chief Marketing, Digital & Communications Officer at ALSEA from 2017 to 2019. Mr. Blanco holds a Bachelor’s degree in Marketing from the Instituto Tecnológico de Monterrey and an MBA from University of Texas at Austin.

Diego Benenzon. Mr. Benenzon, 54, is our Vice President for Human Resources. He joined the Company in June 2009. He has extensive experience as an executive of high responsibility in multinational companies. 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 postgraduate degrees on strategic consultancy and organizational behaviors. He also graduated from the Management Development Program at IAE Business School.

José Valledor. Mr. Valledor, 54, 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, 59, is Corporate Vice President for Government Relations. Prior to joining Arcos Dorados in 2009, she served as an elected Member of the House of Representatives in Bolivia where she held various leadership positions, including Ambassador of Bolivia to the United States of America, Ambassador to the Organization of American States, Ambassador to the Government of Italy and Representative of Bolivia to different specialized agencies of the United Nations. She was also Bureau Chief and Main Political Correspondent for CNN Spanish in Washington, D.C. Ms. Fernandez holds a Master of Science in Broadcast Journalism from Boston University, graduated Summa Cum Laude from the Universidad Argentina John. F. Kennedy and has completed courses in Finance for Executives, Strategic Communications, Conflict Resolution and Negotiations in Conflict at Harvard University.

David Grinberg. Mr. Grinberg, 42, is our Vice President of Corporate Communications. Mr. Grinberg joined Arcos Dorados in 2010, as Sports Marketing Director to coordinate our sponsorship of the FIFA World Cup Brazil 2014 and 2016 Rio Olympic Games. He later served as Corporate Communications Director for the Brazil Division, before assuming his current role. Mr. Grinberg came from Samsung of Brazil where he led the Sports Marketing and Communications team. Prior to that, he served as Corporate Communications Director, Brazil Division of Nike. Mr. Grinberg holds a Bachelor's Degree in Social Communication from FIAM in São Paulo, Brazil and a Master's Degree in Corporate Communication & Public Affairs from the Cásper Líbero Foundation, also in São Paulo, Brazil.

Marco Cordón. Mr. Cordón, 52, was appointed as our Chief Technology Officer in October 2019. Mr. Cordón has more than 30 years of experience in the restaurant industry, and held various leadership positions at McDonald's Mesoamerica, which covers Guatemala, El Salvador, Honduras and Nicaragua, between 1997 and 2019, including Operations Manager, Director of Operations and Vice President from 2013 to 2019. Mr. Cordón holds a degree in Industrial engineering from the University of San Carlos de Guatemala and an MBA from Pontificia Universidad Católica de Chile.

Daniel Schleiniger. Mr. Schleiniger, 47, is our Vice President of Investor Relations. He joined Arcos Dorados in 2014 and, after leaving us for fifteen months to serve as Vice President of Investor Relations for BrightView Holdings, Inc., Mr. Schleiniger rejoined the Company in January 2020. Prior to joining Arcos Dorados, he worked at the Cisneros Group from 2000 to 2014, holding positions in investor relations, finance and treasury. Mr. Schleiniger's experience also includes equity research at Morgan Stanley corporate banking with Unibanco and consulting work for Wharton Econometric Forecasting Associates (WEFA). He holds a Bachelor of Science degree in chemistry as well as an MBA with a concentration in finance, both from the University of Delaware.

Gabriel Serber. Mr. Serber, 49, started his career in 1990 as a crew member in one of our restaurants in Buenos Aires, Argentina. He rose through the operation's ranks until 2002, where he moved to McDonald's global headquarters in Chicago to work as an operations manager, among other roles. He continued his tenure in Europe based in Paris where he was responsible for leading the deployment of several operational programs in Spain, Italy, Belgium, Holland, Portugal, Switzerland, Morocco and Greece. In 2008, he returned to Argentina in the role of Corporate Director of Operations Development. In 2013, he was transferred to Puerto Rico, where he was promoted to Managing Director for the Caribbean Region. In 2017, he returned to Argentina as Managing Director for that market. Finally, in 2019, he assumed the leadership of our Social Impact and Sustainable Development team, where he oversees all ESG matters for Arcos Dorados. Mr. Serber is a business graduate from Universidad Nacional de General San Martin in Buenos Aires, Argentina and has completed post graduate studies at the IAE Business School.

B. Compensation

Long-term and Equity Incentive Plans

Equity Incentive Plans

The 2011 Plan

In March 2011, we adopted an equity incentive plan (the "2011 Plan"), to attract and retain the most highly qualified and capable professionals and to promote the success of our business. 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.

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. In 2020, 472,130 class A shares were issued pursuant to the 2011 Plan.

We carried out a special grant of stock options and restricted share units in 2011 in connection with our initial public offering, which are fully vested. We also made recurring grants of stock options and restricted share units in each of the fiscal years from 2011 to 2019 (from 2015 to 2019 only restricted share units). Units granted from 2011 to 2015 are fully vested. 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, except for the 2019 award which vested on May 10, 2020. In the event of death, disability or retirement of the employee, any unvested portion of the annual award will fully vest. For all grants, each stock option granted represents the right to acquire one class A share at it's a strike price equal to fair market value, while each restricted share unit represents the right to receive one class A share when vested.

The following table shows unvested restricted share units as of December 31, 2020:

Date of the grant	Restricted share units
May 10, 2016	105.773
May 10, 2017	117.821
May 10, 2018	227.604

In addition, although all of the stock options issued under the 2011 Plan have vested, 176,768 stock options issued in 2014 remain outstanding and unexercised.

Phantom RSU Award

In May 2019, we implemented a new long-term incentive plan (the "Phantom RSU Plan") to provide employees the opportunity to share in the success of the Company. Through this plan, we grant phantom restricted share units ("Phantom RSUs"). When vested, Phantom RSUs entitle the employee to a cash payment equal to the closing price of one class A shares on the date of vesting, including any dividends declared and paid on the class A shares, if any, since the grant date. In the event of death, disability or retirement of the employee, any unvested portion of the annual amount will fully vest.

There are three types of Phantom RSUs:

- Type one Phantom RSUs vest over a requisite service period of five years as follows: 40% at the second anniversary of the date of grant and 20% at each of the following three years
- Type two Phantom RSUs vest 100% on the fifth anniversary of the grant date.
- Type three Phantom RSUs vest 100% on May 10th of the following year.

We recognize compensation expense related to these benefits 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 total compensation cost as of December 31, 2020 and 2019, relating to the Phantom RSUs amounted to $1.2 million and $2.1 million, respectively, and is recorded under "General and administrative expenses" within the consolidated statement of (loss) income. The accrued liability is remeasured at the end of each reporting period until settlement.

The following table shows Phantom RSUs outstanding as of December 31, 2020:

Date of the grant	Phantom RSU, Type 1	Phantom RSU, Type 2	Phantom RSU, Type 3
December 1, 2020	—	—	65,440
May 10, 2019	436,355	1,188,689	—

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

Compensation of Directors and Officers

General

The approximate aggregate annual total cash compensation for our executive officers in 2020, was $8.6 million. The approximate annual total cash compensation for our directors in 2020 was $1.1 million. We also issued an aggregate of 65,440 PRSUs to our directors in 2020.

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 two directors, Mr. Michael Chu (chairman of the committee) and Mr. José Alberto Vélez, 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 and Mr. Vélez are also "audit committee financial experts" as defined by the SEC. There is one vacancy on the audit committee, as Mr. Ricardo Gutiérrez Muñoz served on the Board of Directors until the annual meeting of shareholders on April 28, 2021, when his term expired and did not seek reelection. The Company intends to fill this position.

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. Carlos Hernández-Artigas (chairman of the committee), Ms. Annette Franqui and Mr. José Fernández. 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, 2020, we had a total of approximately 73,438 employees in Company-operated restaurants and staff throughout the Territories. Of this number, 81% were crew, 16% were restaurant managers and the remainder were professional staff. Approximately 42% 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 all of our employees have fixed work schedules due to a settlement signed with Labor Prosecutor Office of the State of Pernambuco. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings—Brazilian Labor Litigation." 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.

The following table illustrates the distribution of our employees by division and employee category as of December 31, 2020.

Division	Crew	Restaurant Managers	Professional Staff	Total
Brazil	24,381	5,499	688	30,568
Caribbean division	8,136	1,334	530	10,000
NOLAD	7,551	1,850	463	9,864
SLAD	19,448	2,713	483	22,644
Corporate and other	—	—	362	362
Total	**59,516**	**11,396**	**2,526**	**73,438**

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 2020, approximately 86,465 people attended different courses or events, in person or online, 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.

On November 11, 2017, an overhaul in the labor laws in Brazil (the "Labor Overhaul") entered into effect and brought significant changes to labor relations and labor law itself. Prior to the Labor Overhaul, the Consolidated Labor Statutes governed labor relations in Brazil. The Labor Overhaul introduces and changes several articles of the Consolidated Labor Statutes aiming to give more flexibility and legal certainty to the legal framework around labor relations thus meeting current demands of modern society. Out of several changes made in the Labor Overhaul, the most relevant for us is a change providing that collective labor agreements (CBAs or Collective Convention) will now prevail over statutory law in certain circumstances, giving priority to what has been agreed over what has been legislated and providing greater autonomy to the parties.

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[(1)]	Class B Shares	Percentage of Outstanding Class B Shares[(1)]	Total Economic Interest[(1)]	Total Voting Interest[(1) (2)]
Los Laureles Ltd.[(3)(4)]	—	—	80,000,000	100.00 %	38.60 %	75.86 %
Woods Staton[(4)]	50	—	—	—	—	—
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	*	*	—	—	*	*
Gustavo Pascualino[(5)]	*	*	—	—	*	*
Alejandro Yapur	*	*	—	—	*	*
Paulo Camargo	*	*	—	—	*	*
Santiago Blanco	*	*	—	—	*	*
David Grinberg	*	*	—	—	*	*
Francisco Staton	*	*	—	—	*	*
Marco Cordón	*	*	—	—	*	*
Daniel Schleiniger	*	*	—	—	*	*
Gabriel Serber	*	*	—	—	*	*

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

(1) Percentages are based on 127,265,773 class A shares issued and outstanding as of the date of this annual report and exclude 5,269,988 class A shares issued and held in treasury.

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

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

(4) In addition to the class B shares he beneficially owns through Los Laureles Ltd., Mr. Woods Staton beneficially owns 50 class A shares (excluding 25,046 unvested restricted share units) directly, and indirectly through Chablais Investments S.A. ("Chablais"). On a combined basis, Mr. Woods Staton is the beneficial owner of an aggregate of 38.60% of the total economic interests of Arcos Dorados and 75.86% of its total voting interests. The address of Mr. Woods 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.

(5) Rogerio Barreira served as our Divisional President for NOLAD until March 31, 2021, when he was replaced by Gustavo Pascualino.

As of the date of this annual report, our 16 officers had been granted (i) a total of 978,325 restricted share units 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 65,440 restricted share units, and 176,768 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 38.60% of our issued and outstanding share capital, and 75.86% 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 based on the most recent information available as of the date of this annual report:

Shareholder	Class A Shares	% of Outstanding Class A Shares	Class B Shares(1)	% of Outstanding Class B Shares(1)	Total Economic Interest(1)	Total Voting Interest(1) (2)
Los Laureles Ltd(3)(4)	—	—	80,000,000	100.0 %	38.60 %	75.86 %
Woods Staton(4)	50	—	—	—	—	—
TIAA Board of Overseers(5)	18,887,596	14.84 %	—	—	9.11 %	3.58 %
Invesco Ltd.(6)	18,043,437	14.18 %	—	—	8.71 %	3.42 %
Remaining Public Shareholders	90,334,690	70.98 %	—	—	43.58 %	17.13 %
Total(7)	**127,265,773**	**100.00%**	**80,000,000**	**100.00 %**	**100.00 %**	**100.00%(8)**

(1) Percentages are based on 127,265,773 class A shares issued and outstanding as of the date of this annual report and exclude 5,269,988 class A shares issued and held in treasury.

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

(3) 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. Woods 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."

(4) In addition to the class B shares he beneficially owns through Los Laureles Ltd., Mr. Woods Staton beneficially owns 50 class A shares (excluding 25,046 unvested restricted share units) directly, and indirectly through Chablais Investments S.A. ("Chablais"). On a combined basis, Mr. Woods Staton is the beneficial owner of an aggregate of 38.60% of the total economic interests of Arcos Dorados and 75.86% of its total voting interests. The address of Mr. Woods 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.

(5) TIAA Board of Overseers is the ultimate parent of four funds, which filed Form 13F with the SEC on February 12, 2021: Teachers Advisors, LLC, TIAA-CREF Investment Management LLC, Nuveen Asset Management LLC and US Bancorp Asset Management, Inc. Based solely on the disclosure set forth in such Form 13F, as of December 31, 2020, these four funds together had sole voting power with respect to 18,887,596 class A shares and sole dispositive power with respect to 18,887,596 class A shares. The address of TIAA Board of Overseers is 730 Third Avenue, New York, NY 10017-3206.

(6) Invesco Ltd. is the ultimate parent of four funds, which filed Form 13F with the SEC on February 12, 2021: Invesco Advisers, Inc., Invesco Asset Management Ltd., Invesco Canada Ltd. and Invesco Hong Kong Ltd. Based solely on the disclosure set forth in such Form 13F, as of December 31, 2020, these four funds together had sole voting power with respect to 18,043,437 class A shares and sole dispositive power with respect to 18,043,437 class A shares. The address of Invesco Ltd. is 1555 Peachtree Street NE, Suite 1800, Atlanta, GA 30309.

(7) Numbers do not sum to 100% due to the effects of rounding.

(8) Excludes 5,269,988 class A shares issued and held in treasury.

As of April 26, 2021, there were 7 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.

Los Laureles Ltd.

Los Laureles Ltd. is our controlling shareholder and is beneficially owned by Mr. Woods Staton, our Executive Chairman. Los Laureles Ltd. currently owns 38.60% of the economic interests of Arcos Dorados and 75.86% 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. Woods 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. Woods Staton is the sole director of Los Laureles (PTC) Limited. Without the consent of McDonald's, Mr. Woods 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. Woods Staton's death or during Mr. Woods Staton's incapacity, the voting committee will consist of (1) certain officers or directors of Arcos Dorados, (2) certain descendants of Mr. Woods 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. Woods 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. Woods Staton's descendants will have the tie-breaking vote.

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, Ecuador, 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.

During 2020, we incurred $24.3 million in total distribution fees payable to Axionlog, which accounted for approximately 4% 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, 2020 and 2019 and for the fiscal years ended December 31, 2020, 2019 and 2018.

Employment of Francisco Staton

Mr. Francisco Staton, Woods Staton's son, is Arcos Dorados' President of the Caribbean Division and a member of our board of directors. For his services as President of the Caribbean Division, 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 was appointed as a Board Member, Class I, at our Annual General (Shareholders) Meeting held on April 24, 2018.

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 purchased by the Company during the acquisition of the LatAm business (the "Puerto Rican franchisees lawsuit"). The claim sought declaratory judgment and damages in the aggregate amount of $66.7 million plus plaintiffs' attorney fees. During the years the lawsuit was in force, the Company believed that the probability of loss was remote. On December 28, 2019 and March 31, 2020, the Company reached confidential settlement agreements with Puerto Rican franchisees finalizing all controversies and disputes among the parties. All corresponding judicial documentation was filed to end the proceedings and the case was successfully dismissed by the Court, finalizing all controversies and disputes among the parties.

Additionally, 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 sought declaratory judgment and damages in the amount of $30 million plus plaintiffs' attorney fees. During December 2019, the franchisee reached a Confidential Settlement Agreement with the Company finalizing all controversies and disputes among them.

Furthermore, the Puerto Rico Owner Operator's Association ("PROA"), an association integrated by the Company's franchisees that met 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. During the years the lawsuit was in force, the Company believed that the probability of loss was remote. On December 28, 2019 and March 31, 2020 the Company reached confidential settlement agreements with Puerto Rican franchisees, sole members of PROA, finalizing all controversies and disputes among the parties. All corresponding judicial documentation was filed to end this proceeding and the case was successfully dismissed by the Court.

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, 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. In February 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.

We settled all of the pending claims with the Labor Prosecutor's Office in March 2013, other than the claim to guarantee the payment of the minimum wage independently of working hours. In connection with the payment of the minimum wage, the Labor Court denied this plea.

In parallel with the judicial case, in December 2016, an administrative assessment of compliance with our 2013 settlement was initiated by a team composed of Labor Prosecutors. Additional audits of our compliance with the 2013 settlement were performed in relation to the period from March 2013 to March 2017, and we entered into a new settlement agreement in August 2018, which included paying a fine of R$7 million that was already paid. Subsequent to this, the Labor Prosecutor began a new investigation of our compliance with the 2018 settlement, in relation to the period of April 2017 to July 2018. The Labor Prosecutor concluded its investigation in 2019 and alleged that we were not in compliance with the 2018 settlement and owed an additional R$15.8 million in fines. We submitted a petition for review, including documentation defending our compliance with the settlement. In 2019, we entered into a new settlement with the Labor Prosecutor. As part of the settlement agreement, the additional fines previously imposed were waived and we agreed to use paper liners for one month on trays in our restaurants beginning in the second quarter of 2020 to further protect the health and safety of our employees. The Labor Prosecutors informed us in 2020 that they do not intend to start a new investigation of our compliance with the settlement at this time. Our agreement with the Labor Prosecutor's Office remains in effect and we must continue to comply with the requirements thereunder.

Sinthoresp – Brasília

On February 23, 2015, a coalition of labor unions filed a lawsuit against us, alleging that we have defaulted on our obligations to our employees with a variety of inadequate working conditions such as an unhealthy working environment, failure to pay the legal minimum wage or wages established through collective bargaining agreements, time-card fraud, failure to grant legally-mandated meal and rest periods and failure to pay corresponding overtime, among other claims.

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 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 filed an appeal against it, and the Regional Labor Court determined to reopen the discovery phase for the parties to take depositions of witnesses, after which the 22nd DF Labor Court in Brasilia (first instance) will judge the claim again. We presented an appeal against this decision that was denied, and the discovery phase was reopened. A new discovery hearing was scheduled for May 4, 2020 but, due to the COVID-19 pandemic, the hearing was cancelled. The court scheduled a new discovery hearing for August 2, 2021.

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, and the final payment of the annual R$1,300,000 obligatory contribution to help finance campaigns against child labor was made in 2019. While we have paid all fines due under the agreement, our agreement with the Labor Prosecutor's Office remains in effect and we must continue to comply with the other requirements thereunder.

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. 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. We attended a series of hearings with the Labor Prosecutor's Office to discuss TAC compliance, Arcos' petition, and the possibility of entering into a new settlement in order to reduce the previous commitments and the fines assumed by us. A new hearing is expected to be scheduled soon.

Administrative Investigation under Labor Prosecutor's Office

The Labor Prosecutor's Office in Curitiba initiated an administrative procedure to investigate Arcos Dourados in May 2019, based on a complaint made by the General Union of Workers (UGT) that alleged systematic workplace harassment, moral and sexual harassment and racial discrimination. On July 2020, another administrative procedure was initiated by the Labor Prosecutor's Office in São Paulo, based on a compliant made by UGT, the Central Workers Union (CUT) and other workers unions that also alleged systematic workplace harassment. The procedures have now been joined under the second administrative procedure. In response to the allegations, Arcos Dourados has presented evidence of its good practices related to the subject, which it believes disproves the allegations of systematic discrimination, moral and sexual harassment. On January 25, 2021 the first hearing was held and a new hearing is expected to be scheduled this year. Isolated cases alleging discrimination and/or moral and sexual harassment are also being discussed within minor administrative investigations and individual labor claims filed in Brazil.

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, 2020 we maintained a provision for contingencies amounting to $35.1 million ($38.8 million as of December 31, 2019), which is disclosed net of judicial deposits amounting to $8.1 million ($12.7 million as of December 31, 2019) that we were required to make in connection with the proceedings. As of December 31, 2020, the net amount of $27 million included $24.9 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 of December 31, 2020, the provision for contingencies included $1.3 million ($1.6 million as of December 31, 2019) related to Brazilian claim that is covered by the indemnification agreement. As a result, we have recorded a non-current asset in respect of McDonald's Corporation's indemnity in our consolidated balance sheet.

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 the reopening of a 2009 amnesty granted by the Brazilian federal government, in which McDonald's 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, 2020, 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 $226 million and $249 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.

Since the Acquisition, we declared the following dividends (all dividends shown in the aggregate for all outstanding shares, other than per share figures):

- a stock dividend distribution to all class A and class B stockholders distributed on August 12, 2020 of one (1) share for every seventy-five (75) shares held by its shareholders of record at the close of business on August 3, 2020;
- a $10.2 million dividend paid on April 10, 2020;
- a $10.2 million dividend and two $6.1 million dividends in 2019;
- a $10.6 million and a $10.4 million dividend in 2018;
- 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.

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

Except as otherwise disclosed in this annual report, we are not aware of any significant changes that have occurred since December 31, 2020.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

See “—C. Markets.”

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.”

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, 127,265,773 class A shares and 80,000,000 class B shares are issued, fully paid and outstanding. In addition, 5,269,988 class A shares are issued and being held in treasury.

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.

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. Woods 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. Woods 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 American 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, LatAm, LLC (the "Master Franchisee"), our former wholly owned subsidiary Arcos Dorados Coöperatieve U.A., Arcos Dorados B.V., certain subsidiaries of the Master Franchisee, Los Laureles, Ltd. and McDonald's. On March 21, 2018, Arcos Dorados Group B.V. (together with Arcos Dorados B.V. and us, the "Owner Entities") replaced Arcos Dorados Coöperatieve U.A. as party to the MFA. On August 3, 2007, our subsidiary Arcos Dourados Comercio de Alimentos S.A., 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 years 2017, 2018 and 2019. The impact of this support resulted in an effective royalty rate of 5.2% in 2017, 5.4% in 2018 and 5.5% in 2019. McDonald's Corporation had previously agreed to provide growth support for the years 2020, 2021 and 2022. However, due to the business disruptions caused by the COVID-19 outbreak, we have agreed with McDonald's to withdraw our previously-approved 2020-2022 restaurant opening plan and reinvestment plan, agreeing in place of this obligation a plan for 2021 only. We expect to discuss our 2022 restaurant opening plan and reinvestment plan with McDonald's in the second half of 2021.

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. In connection with the COVID-19 pandemic, McDonald's has agreed to defer all franchise fee payments, whether they are related to company-operated or franchisee-operated restaurants, for March, April, May and June 2020 sales until 2021. If we are unable to pay such franchise fees when they are due, or we have further difficulty meeting our obligations in coming months and are unable to obtain a similar deferral, we will be in default under the MFAs. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and 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," "—Risks Related to Our Results of Operations and Financial Condition—We are subject to significant foreign currency exchange controls and depreciation in certain countries in which we operate" and "—Risks Related to Our Business and Operations—The spread of COVID-19 has materially and adversely affected our business, results of operations and cash flows, and may continue to do so."

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. Woods 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. In addition, we cannot transfer or encumber a significant portion 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 and/or reinvestment plan to adapt to changes in economic or political conditions.

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. In connection with the COVID-19 outbreak, we have agreed with McDonald's to reduce this spending requirement from 5% to 4% of our gross sales for the full year 2020. Beginning on January 1, 2021, we resumed spending 5% of our gross sales on advertising and promotion. Our advertising 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. Woods Staton or (y) the receipt by McDonald's of notice from Mr. Woods 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, 2020, we had more than 100 restaurants in operation in each of Argentina, Brazil, Mexico and Venezuela. In Puerto Rico, we had 96 restaurants in operation, and 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 1.50 and a leverage ratio (as defined therein) not in excess of 4.25. 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." As a consequence of the negative impacts of the COVID-19 pandemic on the Company's operations, during 2020, McDonald's Corporation granted us limited waivers from June 30, 2020 through and including December 31, 2021, during which time the Company is not required to comply with the financial ratios set forth in the MFA.

For the three-month periods ended from June 30, 2020. September 30, 2020 and December 31, 2020, we were not in compliance with the Fixed Charge Coverage Ratio and Leverage Ratio. The ratios for these periods were as follows:

Arcos Dorados Financial Ratios under the MFA

	Quarter ended				
	December 31, 2019	**March 31, 2020**	**June 30, 2020**	**September 30, 2020**	**December 31, 2020**
Leverage Ratio	3.77	4.15	5.37	6.31	7.71
Fixed Charge Coverage Ratio	1.86	1.74	1.35	1.15	0.96

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 September 30, 2022, April 24, 2021 and November 6, 2021, 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.

Although we do not have any amounts outstanding under our letters of credit at this time, any default under the letters of credit would also result in a material breach of our obligations under the MFAs. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Operations—The spread of COVID-19 has materially and adversely affected our business, results of operations and cash flows, and may continue to do so."

We received waivers from our lenders for any event of default which may have occurred related to compliance with the financial ratio covenants in our letters of credit, which are measured at the end of each quarter, through and including the first quarter of 2021, for Itaú and JPMorgan, and December 31, 2021 for Credit Suisse.

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 plan or restaurant opening plan, 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 2023 Notes and the 2027 Notes

For a description of 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."

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 an inter-governmental agreement to improve international tax compliance and the exchange of information with the United States (the "U.S. IGA"). The BVI has also signed, along with over 100 other countries, a multilateral competent authority agreement to implement the Organisation for Economic Co-Operation and Development (OECD) Standard for Automatic Exchange of Financial Account Information - Common Reporting Standard (the "CRS" and together with the U.S. IGA, "AEOI").

Amendments have been made to the Mutual Legal Assistance (Tax Matters) Act 2003 and orders have been made pursuant to this statute (the "BVI Legislation") to give effect to the terms of the U.S. IGA under BVI law. Guidance notes were published by the government of the BVI in March 2015 to provide practical assistance to entities and others affected by the U.S. IGA and the BVI Legislation (the "FATCA Guidance Notes"). Further amendments have been made to the BVI Legislation to give effect to the terms of the CRS, which took effect on January 1, 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. Additional guidance was issued by the BVI International Tax Authority (the "ITA") in October 2016 (and most recently updated by the ITA in February 2019) to aid with compliance with the BVI legislation relating to CRS (the "CRS Guidance Notes").

All BVI "Financial Institutions" are 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.

We do not believe we are classified as a "Foreign Financial Institution" or "Financial Institution" within the meaning of AEOI and the BVI Legislation. However, if we were to determine that our classification has changed, we may request additional information from any shareholder and its beneficial owners to identify whether shares in the Company are held directly or indirectly by "Reportable Persons" (as defined by AEOI). Information in respect of Reportable Persons would be disclosed to the ITA of the BVI. The ITA in turn is required under AEOI and the BVI Legislation to disclose information in respect of Reportable Persons to the foreign fiscal authorities relevant to such Reportable Persons.

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 shares, by vote or by value;
- 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 2020 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.

Backup withholding is not an additional tax. 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. The SEC maintains an Internet website that contains reports and other information filed by us 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 2020

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, such as the Brazilian *real* 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 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, a fluctuation in exchange rates could have a significant impact on our results through the recognition of foreign currency exchange losses in our consolidated (loss) income statement. To help mitigate some of these foreign currency exchange rate risks, we have entered into certain derivative instruments. See Note 13 to our consolidated financial statements for more details.

A depreciation of 10% in the value of the Brazilian *reais* against the U.S. dollar would result in a net foreign exchange loss totaling $12.9 million over (i) U.S. dollar-denominated intercompany loans held by our Brazilian subsidiary partially offset by derivatives of $135.5, (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$22.7 million including accrued interest), (iii) the Brazilian *reais*-denominated intercompany net receivable held by our subsidiaries, Arcos Dorados B.V. and LatAm LLC (R$45 million including accrued interest), (iv) the outstanding balance of the U.S. dollar-denominated intercompany net debt held by our Brazilian subsidiaries of $2.5 million as of December 31, 2020.

An appreciation of 10% in the value of the European euro against the U.S. dollar would result in a foreign exchange loss of $5 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Martinique of $46.4 million as of December 31, 2020.

An appreciation of 10% in the value of the Costa Rican colones against the U.S. dollar would result in a foreign exchange loss of $4.6 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Costa Rica of $42.3 million as of December 31, 2020.

An appreciation of 10% in the value of the Uruguayan peso against the U.S. dollar would result in a foreign exchange loss of $4.1 million mainly related to the outstanding U.S. dollar-denominated intercompany net receivable held by our subsidiaries in Uruguay of $36.8 million as of December 31, 2020.

A depreciation of 10% in the value of the Peruvian *peso* against the U.S. dollar would result in a foreign exchange loss of $2.2 million mainly related to the outstanding U.S. dollar-denominated intercompany payable held by our subsidiary in Peru of $24.5 million as of December 31, 2020.

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, 2020 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 devaluation 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 2019

A depreciation of 10% in the value of the Brazilian *real* against the U.S. dollar would result in a net foreign exchange loss totaling $4.5 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$115 million including accrued interest), (ii) the Brazilian *reais*-denominated intercompany net receivable held by our subsidiaries, Arcos Dorados B.V. and LatAm LLC (R$46 million including accrued interest), and (iii) the outstanding balance of the U.S. dollar-denominated intercompany net debt held by our Brazilian subsidiaries of $9.5 million as of December 31, 2019. In addition, since July 1, 2018, when the functional currency of our Argentine subsidiaries was changed to Brazilian *reais* as result of the highly inflationary environment in Argentina, an appreciation of the Argentine *peso* against the Brazilian *reais* would result in a foreign currency exchange loss as a result of remeasuring of our net monetary liability position denominated in Argentine *pesos*.

An appreciation of 10% in the value of the Mexican *peso* against the U.S. dollar would result in a foreign exchange loss of $1.1 million, mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Mexico of $9.8 million as of December 31, 2019.

An appreciation of 10% in the value of the Uruguayan *peso* against the U.S. dollar would result in a foreign exchange loss of $6.2 million over the outstanding U.S. dollar-denominated intercompany net receivable held by our subsidiaries in Uruguay of $56 million as of December 31, 2019.

An appreciation of 10% in the value of the Costa Rican *colones* against the U.S. dollar would result in a foreign exchange loss of $5.8 million mainly related to the outstanding U.S. dollar-denominated intercompany net receivable held by our subsidiary in Costa Rica of $52.4 million as of December 31, 2019.

An appreciation of 10% in the value of the European euro against the U.S. dollar would result in a foreign exchange loss of $3.9 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Martinique of $35 million as of December 31, 2019.

A depreciation of 10% in the value of the Colombian *peso* against the U.S. dollar would result in a foreign exchange loss of $4.2 million mainly related to the outstanding U.S. dollar-denominated intercompany payable held by our subsidiary in Colombia of $46 million as of December 31, 2019.

A depreciation of 10% in the value of the Peruvian *peso* against the U.S. dollar would result in a foreign exchange loss of $1 million mainly related to the outstanding U.S. dollar-denominated intercompany payable held by our subsidiary in Peru of $11.6 million as of December 31, 2019.

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, 2019 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 devaluation 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.

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, 2020, 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, 2020 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, 2020, based on the guidelines set forth by the COSO.

Based on this assessment, management believes that, as of December 31, 2020, 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, 2020.

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, 2020, 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.:

Opinion on Internal Control over Financial Reporting

We have audited Arcos Dorados Holdings Inc.'s internal control over financial reporting as of December 31, 2020, 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). In our opinion, Arcos Dorados Holdings Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, and the related consolidated statements of (loss) income, comprehensive (loss) income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements") and our report dated March 17, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's 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's 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ Pistrelli, Henry Martin y Asociados S.R.L.

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.

Member of Ernst & Young Global

Buenos Aires, Argentina
March 17, 2021

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 two directors, Mr. Chu and Mr. Vélez, 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 and Mr. Vélez 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. Our Standards of Business Conduct are an exhibit to this annual report.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table describes the amounts billed to us by the principal accountant, for audit and other services performed in fiscal years 2020 and 2019.

	2020	2019
	(in thousands of U.S. dollars)	
Audit fees	$ 2,036	$ 2,670
Audit-related fees	–	21
Tax fees	276	273
All other fees	–	22

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 2020 and 2019 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

On May 22, 2018, our Board of Directors approved the adoption of a share repurchase program, pursuant to which the Company may repurchase from time to time up to $60 million of issued and outstanding class A shares of the Company (the “Repurchase Program”). The Repurchase Program expired on May 22, 2019. In 2020, the Company did not purchase any class A shares. However, on August 12, 2020, the Company distributed 2,723,614 treasury shares to satisfy a stock dividend distribution.

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 filed with the SEC on April 28, 2014.
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, incorporated herein by reference to Exhibit 2.2 to the Company's Annual Report on Form 20-F for the year ended December 31, 2016 filed with the SEC on April 27, 2017.
2.3	Description of the Registrant's Capital Stock, incorporated herein by reference to Exhibit 2.3 to the Company's Annual Report on Form 20-F for the year ended December 31, 2019 filed with the SEC on April 29, 2020.
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 filed with the SEC on April 29, 2016.
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 filed with the SEC on April 29, 2015.
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 filed with the SEC on April 26, 2013.
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 filed with the SEC on April 26, 2013.
4.19	Guarantee dated as of April 20, 2012 of Arcos Dourados Comercio de Alimentos S.A. 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 filed with the SEC on April 26, 2013.
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 filed with the SEC on April 26, 2013.
4.21	Accession Agreement dated as of March 21, 2018 executed and delivered by Arcos Dorados Group B.V. pursuant to the Amended and Restated Master Franchise Agreement for McDonald's Restaurants, dated November 10, 2008, incorporated by reference to Exhibit 4.33 to the Company's Annual Report on Form 20-F for the year ended December 31, 2018 filed with the SEC on April 26, 2019.
4.22*	Continuing Standby Letter of Credit Agreement dated as of May 2, 2011 among Arcos Dorados B.V., as applicant, McDonald's Latin America, LLC, as beneficiary, and Itaú Unibanco S.A., New York Branch, as lender.
4.23*	Extension dated May 9, 2018 to the Continuing Standby Letter of Credit Agreement dated as of May 2, 2011 among Arcos Dorados B.V., as applicant, McDonald's Latin America, LLC, as beneficiary, and Itaú Unibanco S.A., New York Branch, as lender.
4.24*	ISDA Master Agreement dated as of September 6, 2013 between Citibank, N.A. and Arcos Dorados Holdings Inc.
4.25*	ISDA Schedule to the 2013 Master Agreement dated as of September 6, 2013 between Citibank, N.A. and Arcos Dorados Holdings Inc.

Exhibit No.	Description
4.26*	Application and Agreement for Irrevocable Standby Letter of Credit Agreement dated as of November 3, 2015 among Arcos Dorados B.V., as applicant, McDonald's Latin America, LLC, as beneficiary, and JPMorgan Chase Bank, N.A., as lender.
4.27*	Amendment No. 1 dated as of November 5, 2018 to the Application and Agreement for Irrevocable Standby Letter of Credit Agreement dated as of November 3, 2015 among Arcos Dorados B.V., as applicant, McDonald's Latin America, LLC, as beneficiary, and JPMorgan Chase Bank, N.A., as lender.
4.28*	Credit Agreement dated as of December 11, 2020 among Arcos Dorados Holdings Inc., as borrower, certain subsidiaries of the borrower, as guarantors and JPMorgan Chase Bank, N.A., as lender.
8.1*	List of subsidiaries.
11.1	Standards of Business Conduct of the Company, incorporated by reference to Exhibit 11.1 to the Company's Annual Report on Form 20-F for the year ended December 31, 2018 filed with the SEC on April 26, 2019.
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
104**	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* 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 29, 2021

Arcos Dorados Holdings Inc.

Consolidated Financial Statements

As of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements – Arcos Dorados Holdings Inc.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

ARCOS DORADOS HOLDINGS INC.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Arcos Dorados Holdings Inc. (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of (loss) income, comprehensive (loss) income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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) (PCAOB), the company´s internal control over financial reporting as of December 31, 2020, 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 17, 2021, expressed an unqualified opinion thereon.

Adoption of New Accounting Standards

As discussed in note 3 to the consolidated financial statements, the Company changed its method of accounting for leases. The Company adopted Accounting Standard Codification Topic 842, Leases (“ASC 842”), on January 1, 2019.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the account or disclosure to which they relate.

Impairment of long-lived assets for markets with impairment indicators

Description of the Matter

As of December 31, 2020, the carrying amount of long-lived assets is thousands of $1,618,946, including PPE, Leases right of use assets, net, and intangible assets. As a result of its impairment assessment exercise, the Company recorded a loss of thousands of $6,636, during 2020.

The Company operates in twenty countries in Latin America and the Caribbean with different economic and political circumstances. As explained in note 3 to the consolidated financial statements, management carries out an impairment assessment on long-lived assets annually, or whenever events or changes in circumstances indicate the carrying value of the asset may not be recoverable, that includes identifying the existence of impairment indicators at the country level. When impairment indicators are identified for any given country, an estimate of undiscounted future cash flows is prepared by the Company for each individual restaurant located in that country. The estimation of future cash flows requires management to make assumptions about the future business performance and other key inputs that entail significant judgments by management. These estimates can be significantly impacted by many factors, including changes in global and local business and economic conditions, including the effects of the COVID-19 outbreak mentioned in note 1, operating costs, inflation, competition and consumer and demographic trends.

Auditing this area is especially challenging because the process of estimation of undiscounted future cash flows implies the determination of key assumptions that are complex and highly judgmental. The key assumptions used by management in the impairment calculation include country economic indicators projections of sales, margin growth rates, capital expenditures and useful lives of long-lived assets. These key assumptions are forward looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested controls of the impairment calculation process. For example, we identified and tested the operating effectiveness of the Company’s controls around the consistency of the estimation model inputs with the accounting records and the evaluation of the key assumptions made by management.

To test management assessment of impairment of long lived assets our audit procedures included, among others, testing the macroeconomic variables used by management, such as inflation rates and GDP growth, assessing the consistency between the estimated cash flows in the model and the business plan approved by management, comparing the remaining life of fixed assets with the accounting records and the clerical accuracy of the computations. Additionally, we evaluated the valuation methods used by management, including the key assumptions used in determining the undiscounted future cash flows of each restaurant. We also involved our valuation specialists to assist in evaluating the methodology and the key assumptions used in the future cash flows estimation by management. We also compared forecasts to business plans and previous forecasts of projected cash flows to actual results to assess management estimation process.

We also assessed the completeness of the related disclosures in note 3 to the consolidated financial statements.

Tax and labor contingencies

Description of the Matter	The Company has operations in Brazil representing 43% of the revenues of the group for the year ended December 31, 2020 and maintains a provision for tax and labor contingencies in that country that represents a 74% of the provision for contingencies balance of the group as of December 31, 2020. As described in note 18, the Company assesses the likelihood of any adverse judgments in labor claims or outcomes on its tax positions, including income tax and other taxes, based on the technical merits of a tax position derived from legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position or labor claim. Auditing the measurement of tax and labor contingencies related to certain claims and transactions was challenging because their measurement is complex, highly judgmental, and is based on interpretations of tax laws, case-law jurisprudence and requires estimating the future outcome of individual claims.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls around identification of matters, evaluation of tax and labor opinions, and tested management's review controls over the assumptions made in the estimation of provisions and related disclosures. To test the labor and tax contingencies provision, our audit procedures included, among others, involving personnel with specialized knowledge to assess the technical merits of the Company's tax positions; assessing the Company's correspondence with the relevant tax authorities; evaluating third-party tax opinions obtained by the Company; separately corresponding with certain key external tax and legal advisors of the Company, inspecting the minutes of the meetings of the Audit Committee and Board of Directors; obtaining confirmation letters from the group's vice president of human resources and the group's tax director, and evaluating the application of relevant tax law in the Company's determination of its provision. As part of our evaluation, we have considered historical information to assess the assumptions made by management in relation to the potential outcomes. We also evaluated the completeness of Company's disclosures included in note 18 to the consolidated financial statements in relation to these matters.

/s/ Pistrelli, Henry Martin y Asociados S.R.L.

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global
We have served as the Company's auditor since 2007.

Buenos Aires, Argentina
March 17, 2021

Arcos Dorados Holdings Inc.

Consolidated Statements of (Loss) Income

For the fiscal years ended December 31, 2020, 2019 and 2018

Amounts in thousands of US dollars, except for share data and as otherwise indicated

REVENUES	2020	2019	2018
Sales by Company-operated restaurants	$ 1,894,618	$ 2,812,287	$ 2,932,609
Revenues from franchised restaurants	89,601	146,790	148,962
Total revenues	**1,984,219**	**2,959,077**	**3,081,571**
OPERATING COSTS AND EXPENSES			
Company-operated restaurant expenses:			
Food and paper	(677,087)	(1,007,584)	(1,030,499)
Payroll and employee benefits	(413,074)	(567,653)	(607,793)
Occupancy and other operating expenses	(624,154)	(799,633)	(803,539)
Royalty fees	(110,957)	(155,388)	(157,886)
Franchised restaurants – occupancy expenses	(43,512)	(61,278)	(67,927)
General and administrative expenses	(171,382)	(212,515)	(229,324)
Other operating (expenses) income, net	(10,807)	4,910	(61,145)
Total operating costs and expenses	**(2,050,973)**	**(2,799,141)**	**(2,958,113)**
Operating (loss) income	**(66,754)**	**159,936**	**123,458**
Net interest expense	(59,068)	(52,079)	(52,868)
(Loss) gain from derivative instruments	(2,297)	439	(565)
Gain from securities	25,676	—	—
Foreign currency exchange results	(31,707)	12,754	14,874
Other non-operating income (expenses), net	2,296	(2,097)	270
(Loss) income before income taxes	**(131,854)**	**118,953**	**85,169**
Income tax expense	(17,532)	(38,837)	(48,136)
Net (loss) income	**(149,386)**	**80,116**	**37,033**
Less: Net income attributable to non-controlling interests	(65)	(220)	(186)
Net (loss) income attributable to Arcos Dorados Holdings Inc.	**$ (149,451)**	**$ 79,896**	**$ 36,847**
(Loss) earnings per share information:			
Basic net (loss) income per common share attributable to Arcos Dorados Holdings Inc.	$ (0.73)	$ 0.39	$ 0.18
Diluted net (loss) income per common share attributable to Arcos Dorados Holdings Inc.	(0.73)	0.39	0.18

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statements of Comprehensive (Loss) Income
For the fiscal years ended December 31, 2020, 2019 and 2018
Amounts in thousands of US dollars

	2020	2019	2018
Net (loss) income	**$ (149,386)**	**$ 80,116**	**$ 37,033**
Other comprehensive (loss) income, net of tax:			
Foreign currency translation	(76,382)	(12,246)	(63,130)
Post-employment benefits (expenses):			
Loss recognized in accumulated other comprehensive loss	(195)	(55)	(418)
Reclassification of net loss to consolidated statement of income	236	864	494
Post-employment benefits (net of deferred income taxes of $70, $42 and $122).	41	809	76
Cash flow hedges:			
Net gain (loss) recognized in accumulated other comprehensive loss	54,287	(5,185)	13,888
Reclassification of net (gain) loss to consolidated statement of income	(43,324)	85	(23,887)
Cash flow hedges (net of deferred income taxes of $(2,582), $1,290 and $4,062)	10,963	(5,100)	(9,999)
Total other comprehensive (loss) income	**(65,378)**	**(16,537)**	**(73,053)**
Comprehensive (loss) income	**(214,764)**	**63,579**	**(36,020)**
Less: Comprehensive income attributable to non-controlling interests	(42)	(142)	(52)
Comprehensive (loss) income attributable to Arcos Dorados Holdings Inc.	**$ (214,806)**	**$ 63,437**	**$ (36,072)**

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Balance Sheet

As of December 31, 2020 and 2019

Amounts in thousands of US dollars, except for share data and as otherwise indicated

ASSETS	2020	2019
Current assets		
Cash and cash equivalents	$ 165,989	$ 121,880
Short-term investment	—	25
Accounts and notes receivable, net	94,249	99,862
Other receivables	19,946	28,174
Inventories	33,601	37,815
Prepaid expenses and other current assets	100,469	117,612
Derivative instruments	702	—
McDonald's Corporation's indemnification for contingencies	575	—
Total current assets	**415,531**	**405,368**
Non-current assets		
Miscellaneous	72,649	95,814
Collateral deposits	2,500	2,500
Property and equipment, net	796,532	960,986
Net intangible assets and goodwill	37,046	43,044
Deferred income taxes	55,567	68,368
Derivative instruments	121,901	57,828
McDonald's Corporation's indemnification for contingencies	1,259	1,612
Lease right of use asset, net	790,969	922,165
Total non-current assets	**1,878,423**	**2,152,317**
Total assets	**$ 2,293,954**	**$ 2,557,685**
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 209,535	$ 259,577
Royalties payable to McDonald's Corporation	44,779	17,132
Income taxes payable	34,447	61,982
Other taxes payable	56,837	61,823
Accrued payroll and other liabilities	79,218	86,379
Provision for contingencies	2,024	2,035
Interest payable	11,947	9,936
Short-term debt	—	13,296
Current portion of long-term debt	3,129	3,233
Derivative instruments	4,727	9,907
Operating lease liabilities	56,828	70,147
Total current liabilities	**503,471**	**595,447**
Non-current liabilities		
Accrued payroll and other liabilities	21,884	23,497
Provision for contingencies	24,924	24,123
Long-term debt, excluding current portion	773,445	623,575
Derivative instruments	14,534	3,598
Deferred income taxes	5,067	4,297
Operating lease liabilities	752,613	861,582
Total non-current liabilities	**1,592,467**	**1,540,672**
Total liabilities	**$ 2,095,938**	**$ 2,136,119**
Equity		
Class A shares of common stock	$ 386,603	$ 383,204
Class B shares of common stock	132,915	132,915
Additional paid-in capital	11,540	13,375
Retained earnings	290,895	471,149
Accumulated other comprehensive loss	(584,860)	(519,505)
Common stock in treasury	(39,547)	(60,000)
Total Arcos Dorados Holdings Inc. shareholders' equity	**197,546**	**421,138**
Non-controlling interests in subsidiaries	470	428
Total equity	**198,016**	**421,566**
Total liabilities and equity	**$ 2,293,954**	**$ 2,557,685**

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statements of Cash Flows

For the fiscal years ended December 31, 2020, 2019 and 2018

Amounts in thousands of US dollars

	2020	2019	2018
Operating activities			
Net (loss) income attributable to Arcos Dorados Holdings Inc.	$ (149,451)	$ 79,896	$ 36,847
Adjustments to reconcile net income attributable to Arcos Dorados Holdings Inc. to cash provided by operating activities:			
Non-cash charges and credits:			
Depreciation and amortization	126,853	123,218	105,800
Loss (gain) from derivative instruments	2,297	(439)	565
Amortization and accrual of letter of credit fees and deferred financing costs	3,505	3,190	3,189
Gain of property and equipment sales	(201)	(664)	(2,030)
Deferred income taxes	471	(7,974)	648
Foreign currency exchange results	35,928	(11,656)	(15,388)
Accrued net share-based compensation expense	1,360	4,060	2,638
Impairment of long-lived assets and goodwill	7,721	9,063	19,117
Write-offs of property and equipment	4,501	4,733	4,167
Gain on Sales of restaurants businesses	—	(5,078)	(6,154)
Others, net	(10,234)	(955)	8,896
Changes in assets and liabilities:			
Accounts payable	(23,993)	39,434	16,563
Accounts and notes receivable and other receivables	(13,210)	(27,988)	(35,770)
Inventories, prepaid and other assets	(25,032)	(21,802)	(12,074)
Income taxes payable	(5,825)	10,931	12,529
Other taxes payable	13,014	20,891	8,675
Interest payable	—	—	—
Accrued payroll and other liabilities and provision for contingencies	16,755	1,320	27,134
Royalties payable to McDonald’s Corporation	28,981	2,979	4,302
Others	2,526	322	77
Net cash provided by operating activities	**15,966**	**223,481**	**179,731**
Investing activities			
Property and equipment expenditures	(86,311)	(265,235)	(197,041)
Purchases of restaurant businesses paid at acquisition date	(3,833)	(2,658)	—
Proceeds from sales of property and equipment and related advances	800	3,340	2,891
Proceeds from sales of restaurant businesses and related advances	—	4,818	10,158
Recovery of short-term investments	—	—	19,588
Other investing activity	638	(1,256)	620
Net cash used in investing activities	**(88,706)**	**(260,991)**	**(163,784)**
Financing activities			
Issuance of 2027 Notes	153,375	—	—
Dividend payments to Arcos Dorados Holdings Inc.’ shareholders	(10,220)	(22,425)	(20,937)
Net short-term borrowings	(10,578)	13,159	—
Treasury stock purchases	—	(13,965)	(46,035)
Other financing activities	(6,568)	(6,401)	(6,470)
Net cash provided by used in financing activities	**126,009**	**(29,632)**	**(73,442)**
Effect of exchange rate changes on cash and cash equivalents	(9,160)	(8,260)	(53,714)
Increase (decrease) in cash and cash equivalents	**44,109**	**(75,402)**	**(111,209)**
Cash and cash equivalents at the beginning of the year	121,880	197,282	308,491
Cash and cash equivalents at the end of the year	**$ 165,989**	**$ 121,880**	**$ 197,282**
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 57,066	$ 52,458	$ 55,400
Income tax	22,502	34,092	32,188
Non-cash investing and financing activities:			
Stock dividend payments to Arcos Dorados Holdings Inc.’ Shareholders, at cost	20,453	—	—
Seller financing pending of payment and settlement of franchise receivables related to purchases of restaurant businesses	1,606	905	469

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statements of Changes in Equity

For the fiscal years ended December 31, 2020, 2019 and 2018

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		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Common Stock in treasury		Total	Non-controlling interests	Total
	Number	Amount	Number	Amount				Number	Amount			
Balances at December 31, 2017	**131,072,508**	**376,732**	**80,000,000**	**132,915**	**14,216**	**401,134**	**(429,347)**	**—**	**—**	**495,650**	**492**	**496,142**
Net income for the year	—	—	—	—	—	36,847	—	—	—	36,847	186	37,033
Other comprehensive loss	—	—	—	—	—	—	(72,919)	—	—	(72,919)	(134)	(73,053)
Dividends to Arcos Dorados Holdings Inc.'s shareholders ($0.10 per share)	—	—	—	—	—	(20,937)	—	—	—	(20,937)	—	(20,937)
Dividends on restricted share units under the 2011 Equity Incentive Plan	—	—	—	—	—	(174)	—	—	—	(174)	—	(174)
Issuance of shares in connection with the partial vesting of outstanding restricted share units under the 2011 Equity Incentive Plan	520,565	3,113	—	—	(3,113)	—	—	—	—	—	—	—
Stock-based compensation related to the 2011 Equity Incentive Plan	—	—	—	—	3,747	—	—	—	—	3,747	—	3,747
Treasury stock purchases	—	—	—	—	—	—	—	(6,360,826)	(46,035)	(46,035)	—	(46,035)
Dividends to non-controlling interests										—	(168)	(168)
Adoption of accounting standard ASC 606 - net of $1,555 of deferred income tax	—	—	—	—	—	(3,796)	—	—	—	(3,796)	—	(3,796)
Balances at December 31, 2018	**131,593,073**	**379,845**	**80,000,000**	**132,915**	**14,850**	**413,074**	**(502,266)**	**(6,360,826)**	**(46,035)**	**392,383**	**376**	**392,759**
Net income for the year	—	—	—	—	—	79,896	—	—	—	79,896	220	80,116
Other comprehensive (loss)	—	—	—	—	—	—	(16,459)	—	—	(16,459)	(78)	(16,537)
Dividends to Arcos Dorados Holdings Inc.'s shareholders ($0.11 per share)	—	—	—	—	—	(22,425)	—	—	—	(22,425)	—	(22,425)
Dividends on restricted share units under the 2011 Equity Incentive Plan	—	—	—	—	—	(176)	—	—	—	(176)	—	(176)
Issuance of shares in connection with the partial vesting of outstanding restricted share units under the 2011 Equity Incentive Plan	470,558	3,359	—	—	(3,359)	—	—	—	—	—	—	—
Stock-based compensation related to the 2011 Equity Incentive Plan					1,884					1,884		1,884
Treasury stock purchases	—	—	—	—	—	—	—	(1,632,776)	(13,965)	(13,965)	—	(13,965)
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(90)	(90)
Adoption of ASU 2017-12	—	—	—	—	—	780	(780)	—	—	—	—	—
Balances at December 31, 2019	**132,063,631**	**383,204**	**80,000,000**	**132,915**	**13,375**	**471,149**	**(519,505)**	**(7,993,602)**	**(60,000)**	**421,138**	**428**	**421,566**
Net loss for the year	—	—	—	—	—	(149,451)	—	—	—	(149,451)	65	(149,386)
Other comprehensive loss	—	—	—	—	—	—	(65,355)	—	—	(65,355)	(23)	(65,378)
Cash Dividends to Arcos Dorados Holdings Inc.'s shareholders ($0.05 per share)	—	—	—	—	—	(10,220)	—	—	—	(10,220)	—	(10,220)
Cash Dividends on restricted share units under the 2011 Equity Incentive Plan	—	—	—	—	—	(130)	—	—	—	(130)	—	(130)
Stock Dividends to Arcos Dorados Holdings Inc.'s shareholders (75 shares per share)	—	—	—	—	—	(20,453)	—	2,723,614	20,453	—	—	—
Issuance of shares in connection with the partial vesting of outstanding restricted share units under the 2011 Equity Incentive Plan	472,130	3,399	—	—	(3,399)	—	—	—	—	—	—	—
Stock-based compensation related to the 2011 Equity Incentive Plan	—	—	—	—	1,564	—	—	—	—	1,564	—	1,564
Balances at December 31, 2020	**132,535,761**	**386,603**	**80,000,000**	**132,915**	**11,540**	**290,895**	**(584,860)**	**(5,269,988)**	**(39,547)**	**197,546**	**470**	**198,016**

See Notes to the Consolidated Financial Statements.

1. Organization and nature of business

Arcos Dorados Holdings Inc. (the "Company") is a company limited by shares incorporated 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 through its wholly-owned Company Arcos Dorados Group B.V., 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).

COVID - 19

On March 11, 2020, a novel virus known as COVID-19 was declared by the World Health Organization's (WHO) as a pandemic, resulting in federal, state and local governments mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories, curfews and quarantining of people who may have been exposed to the virus. In order to comply with these government measures, some of our markets closed all restaurants for a period of time, especially from the end of March through the middle of April 2020. During that period, approximately 50% of our entire restaurant footprint was fully closed. These limitations have significantly disrupted the Company's business operations with a negative impact on the Company's financial results, including a decline in revenues as well as cash from operations. However, starting in the middle of April 2020, we began steadily re-opening restaurants and were able to resume operating at least one sales channel, such as drive-thru, delivery and/or take away, in nearly all restaurants, as well as, the vast majority of our dessert centers by December 31, 2020.

In order to mitigate the impact on Company's business, results of operations, financial conditions and outlook, the Company has implemented several cash preservation measures including, but not limited to, reducing costs and expenses, limiting capital expenditures and renegotiating terms and conditions with lessors and other suppliers of goods and services. The Company expects to continue with cash preservation measures while the environment remains dynamic. In addition, on July 6, 2020, the Company announced the cancellation of the two remaining cash dividend installments to be paid in August and December, 2020 and approved a stock dividend distributed on August, 2020. See note 23 for details. Moreover, McDonald's granted the Company a deferral of all the royalty payments due related to sales in March, April, May, June and July 2020 until the first half of 2021; a reduction in the advertising and promotion spending requirements from 5% to 4% for the annual period 2020 and the withdrawal of the previously-approved 2020-2022 restaurant opening plan and reinvestment plan, agreeing in place of this obligation a plan for 2021 only. In addition, McDonald's provided the Company with a growth support which is expected to result in a consolidated royalty effective rate of about 5.3% in 2021.See note 18 for details.

Furthermore, the Company had drawn short-term debt in most of its Territories, from March to September 2020, in order to maintain liquidity. Short-term debt was $136 million, $158.2 million, $11 million and $nil at the end of each quarter

COVID - 19 (continued)

during 2020. On September 11, 2020 the Company announced the issuance of $150 million aggregate principal amount of 2027 Notes. See Note 12 for further information. The proceeds from the aggregate 2027 Notes were used mainly to repay short-term indebtedness. As the cash flow from operations has been stabilized during the second quarter of the year and sequential sales recovery continue quarter by quarter, the Company does not expect significant increases in short-term debt. However, all short-term lines are available if needed. Additionally, in order to extend the maturity profile of the long-term debt, on September 15, 2020 the Company launched an offer to exchange any and all of the 2023 Notes for newly issued 2027 Notes. As a result of this exchange, the Company issued 2027 Notes for an aggregate principal amount of $138,354. See Note 12 for further information.

Additionally, the Company benefited from some government measures enacted in Latin America and the Caribbean to help companies deal with the economic fallout of the COVID-19 pandemic. Government measures include: modification of existing regulations to reduce workdays or tax costs, tax payment deferral and subsidies related to labor costs, among others. All subsidies granted were recognized on a systematic basis over the periods in which the related expenses were recorded, within "payroll and employee benefits" or "General and administrative expenses" in the consolidated statement of income. The Company fulfils all the terms and conditions required by the governments to maintain the benefits granted. Although as of December 31, 2020, some of the government measures continued in force, the Company cannot predict the extent or duration of current or forthcoming programs.

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

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").

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.

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 and Argentinian 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 sheet date exchange rates, and revenues, expenses and cash flow are translated at average rates prevailing during the periods. Translation adjustments are included in the "Accumulated other comprehensive loss" component of shareholders' equity. The Company includes foreign

3. Summary of significant accounting policies (continued)

Foreign currency matters (continued)

currency exchange results related to monetary assets and liabilities transactions, including intercompany transactions, denominated in currencies other than its functional currencies in its statements of (loss) income.

Since January 1, 2010 and July 1, 2018, Venezuela and Argentina, respectively, were considered to be highly inflationary, and as such, the financial statements of these subsidiaries are remeasured as if its functional currency was the reporting currency of the immediate parent company (US dollars for Venezuelan operation, Brazilian reais ("BRL") for Argentinian operation from July 2018 to June 2020 and US dollars since July 2020). As a result, remeasurement gains and losses are recognized in earnings rather than in the cumulative translation adjustment, component of "Accumulated other comprehensive loss" within shareholders' equity. In addition, in these territories, there are foreign currency restrictions. Since 2019, in Argentina several measures have been adopted including, among others: (i) limitation to hoarding and consumption in foreign currency for natural persons, (ii) taxes to increase the official exchange rate, (iii) approvals issued by the Central Bank of Argentina to access foreign currency to settle imports of goods or services, principal and interest from financial payables to foreign parties, profits and dividends. See Note 22 for information about foreign currency restrictions in Venezuela.

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 at the point of sale. 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. 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.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASC 606), "Revenue Recognition - Revenue from Contracts with Customers", which amends the guidance in former ASC 605, "Revenue Recognition", and requires entities to 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.

On January 1, 2018, the Company adopted this new accounting standard using modified retrospective method and concluded that the sole source of revenue affected is the initial franchise fee. The Company's previous accounting policy was to recognize it when a new restaurant opens or at the start of a new franchise term, however, in accordance with the new guidance, the initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement and should be treated as a single performance obligation. As such, initial franchise fees received are deferred over the term of the franchise agreement.

In accordance with the modified retrospective method, the Company recognized the cumulative effect of applying the new standard at the date of initial application with no restatement to the comparative information. Furthermore, the changes made to the consolidated balance sheet as of January 1, 2018 for the adoption of ASC 606 were as follows:

Amounts in thousands of US dollars, except for share data and as otherwise indicated

3. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Balance Sheet	Balance at December 31, 2017	Adjustments Due to ASC 606	Balance at January 1, 2018
ASSETS			
Non-current Assets			
Deferred income taxes	74,299	1,555	75,854
LIABILITIES AND EQUITY			
Current liabilities			
Accrued payroll and other liabilities	119,088	339	119,427
Non-current liabilities			
Accrued payroll and other liabilities	29,366	5,012	34,378
EQUITY			
Retained earnings	401,134	(3,796)	397,338

The disclosure of the impact of adoption on the consolidated balance sheet and income statements, as of December 31, 2018 and for the fiscal year ended December 31, 2018, were as follows:

	As of December 31, 2018		
Balance Sheet	**As Reported**	**Balances Without Adoption of ASC 606**	**Effect of Change**
ASSETS			
Non-current Assets			
Deferred income taxes	58,334	56,522	1,812
LIABILITIES AND EQUITY			
Current liabilities			
Accrued payroll and other liabilities	94,166	93,770	396
Non-current liabilities			
Accrued payroll and other liabilities	35,322	29,495	5,827
EQUITY			
Retained earnings	413,074	417,485	(4,411)

	For the fiscal year ended December 31, 2018		
Income Statement	**As Reported**	**Balances Without Adoption of ASC 606**	**Effect of Change**
Revenues from franchised restaurants	148,962	149,834	(872)
Income tax expense	(48,136)	(48,393)	257

3. Summary of significant accounting policies (continued)

Accounts and notes receivable and allowance for doubtful accounts

Accounts receivable primarily consist of royalty and rent receivables due from franchisees, debit, credit and delivery vendor 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 the expected credit losses. In judging the adequacy of the allowance for doubtful accounts, the Company follows ASC 326 "Financial Instruments - Credit Losses" considering, multiple factors including historical bad debt experience, the aging of the receivables, the current economic environment, remote risks of loss and future economic conditions.

Other receivables

As of December 31, 2020, other receivables primarily consist of related party receivables, value-added tax and other tax receivables, insurance claim receivables, amounting to $10,110. As of December 31, 2019, other receivables primarily consist of insurance claim receivables, value-added tax, other tax receivables and related party receivables, amounting to $17,046.

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 renewal options; and equipment 3 to 10 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.

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020

Amounts in thousands of US dollars, except for share data and as otherwise indicated

3. Summary of significant accounting policies (continued)

Intangible assets, net (continued)

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.

Impairment and disposal of long-lived assets

In accordance with the guidance within ASC 360-10-35, the Company reviews long-lived assets (including property and equipment, intangible assets with definite useful lives and lease right of use asset, net) 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.

The Company assessed all markets for impairment indicators during the fourth quarter of 2020, 2019 and 2018. However, as a consequence of the impact that the spread of COVID-19 caused in Company's operations, during 2020 the Company performed impairment testing of its long-lived assets in some territories in previous quarters; as well as it did during 2018 in Venezuela as a consequence of currency exchange rate changes. As a result of those assessments, the Company concluded that the second step was required to be performed as a component of the impairment testing of its long-lived assets on a per store basis, in: Ecuador, Puerto Rico, Mexico, Peru, Aruba, USVI, Venezuela, Colombia, Trinidad and Tobago, Curacao, Panama and Argentina for the fiscal years ended December 31, 2020; Curacao, Puerto Rico, Mexico, Peru, Aruba, USVI, Venezuela, Colombia and Trinidad and Tobago for the fiscal year ended December 31, 2019 and in Ecuador, Aruba, Puerto Rico, Mexico, Peru, USVI, Venezuela, Colombia and Trinidad and Tobago for the fiscal years ended December 31, 2018.

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 consolidated statements of income:

Fiscal year	Markets	Total
2020	Mexico, Puerto Rico, USVI, Peru, Aruba, Colombia, Venezuela, Ecuador, Panama and Argentina	$ 6,636
2019	Mexico, Puerto Rico, USVI, Peru, Aruba, Curacao, Colombia and Venezuela	8,790
2018	Mexico, Puerto Rico, USVI, Peru, Colombia, Venezuela and Trinidad and Tobago.	18,950

While the extent and duration of the economic fallout from the COVID-19 pandemic remains unclear, the Company will be monitoring the situation closely.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

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 during the fourth quarter, or when an impairment indicator exists. The impairment test 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 during the fiscal years 2020, 2019 and 2018, 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 (expenses) income, net on the consolidated statements of income:

Fiscal year	Markets	Total
2020	Mexico	$ 1,085
2019	Ecuador	273
2018	Peru	167

Advertising costs

Advertising costs are expensed as incurred. Advertising expenses related to Company-operated restaurants were $60,855, $115,568 and $120,839 in 2020, 2019 and 2018, 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 $26,486, $43,039 and $43,940 in 2020, 2019 and 2018, 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, an uncertain 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.

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020

Amounts in thousands of US dollars, except for share data and as otherwise indicated

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, 2020 and 2019, $13,354 and $8,896, 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 loss or net income 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 (loss) income

Comprehensive (loss) income 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 losses and gains, unrealized results on cash flow hedges as well as unrecognized post-retirement benefits as components of comprehensive (loss) income.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

3. Summary of significant accounting policies (continued)

Sales of property and equipment and restaurant businesses

The Company recognizes the sale of property and equipment when: (a) the profit is determinable, that is, the collectability 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, related to the refranchising of company-operated restaurants, 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 equipment 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 2020, 2019 and 2018, the Company recorded results from sales of property and equipment and restaurant businesses, amounting to $201, $6,415 and $8,184, respectively, included within “Other operating (expenses) income, net”.

Recent accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (ASC 842), which modifies lease accounting for lessees to increase transparency and comparability by recording a right-of-use asset and lease liability on their balance sheet for operating leases. Entities need to disclose qualitative and quantitative information about their leases, including characteristics and amounts recognized in the financial statements. This standard was effective for annual periods beginning after December 15, 2018, including interim periods.

The Company adopted ASU 2016-02 in its first quarter of 2019 utilizing the modified retrospective method, without restatement of comparative financial information periods, and applied the package of practical expedients permitted under the transition guidance within the standard which, among other things, allowed the Company to carry forward the historical lease classification. The adoption, and the ultimate effect on the consolidated financial statements, was based on an evaluation of the contract-specific facts and circumstances. The Company adoption of the standard resulted in the recognition of lease right-of-use assets and lease liabilities of $913 million, as of January 1, 2019. The right-of-use assets and lease liabilities were recognized at the commencement date based on the present value of the remaining future minimum lease payments, which include options that are reasonably assured of being exercised. As the interest rate implicit in the Company’s leases was not readily determinable, the Company utilizes its incremental borrowing rate to discount the lease payments.

Furthermore, the changes made to the consolidated balance sheet as of January 1, 2019 for the adoption of ASC 842 were as follows:

Consolidated Balance Sheet	**Balance at December 31, 2018**	**Adjustments Due to ASC 842**	**Balance at January 1, 2019**	
ASSETS				
Non-current assets				
Lease right of use asset, net	—	896,682	896,682	(i)
LIABILITIES AND EQUITY				
Current liabilities				
Operating lease liabilities	—	72,272	72,272	(ii)
Non-current liabilities				
Accrued payroll and other liabilities	35,322	(16,404)	18,918	(iii)
Operating lease liabilities	—	840,814	840,814	(iv)

Amounts in thousands of US dollars, except for share data and as otherwise indicated

3. Summary of significant accounting policies (continued)

Recent accounting pronouncements (continued)

(i) Represents capitalization of operating lease right of use assets of $913,086 net of the reclassification of straight-line rent accrual of $16,404.
(ii) Represents recognition of current portion of operating lease liabilities.
(iii) Represents reclassification of straight-line rent accrual to lease right of use asset, net.
(iv) Represents recognition of non-current portion of operating lease liabilities.

The standard did not have a significant impact on the Company's consolidated statements of income and cash flows, except for the exchange results related to lease liabilities denominated in other currencies than its functional one. The disclosure of the impact of adoption on the consolidated balance sheet and income statement, as of December 31, 2019 and for the fiscal year ended in December 31, 2019, were as follows:

	As of December 31, 2019		
Consolidated Balance Sheet	**As Reported**	**Balances Without Adoption of ASC 842**	**Effect of Change**
ASSETS			
Non-current assets			
Lease right of use asset, net	922,165	—	922,165
LIABILITIES AND EQUITY			
Current liabilities			
Operating lease liabilities	70,147	—	70,147
Non-current liabilities			
Accrued payroll and other liabilities	23,497	41,084	(17,587)
Operating lease liabilities	861,582	—	861,582
EQUITY			
Retained earnings	471,149	467,560	3,589
Accumulated other comprehensive loss	(519,505)	(523,939)	4,434

	For the fiscal year ended December 31, 2019		
Consolidated Statement of Income	**As Reported**	**Balances Without Adoption of ASC 842**	**Effect of Change**
Foreign currency exchange results	12,754	9,165	3,589

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." ASU 2017-12 expanded components of fair value hedging, specifies the recognition and presentation of the effects of hedging instruments, and eliminates the separate measurement and presentation of hedge ineffectiveness. The Company adopted the new standard during this year and applied the presentation and disclosure guidance on a prospective basis. The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which modifies the measurement and recognition of expected credit losses on financial assets. The Company adopted this guidance effective January 1, 2020, prospectively. The adoption of the new standard did not have a material impact on the Company's consolidated financial statements. The Company will continue to actively monitor the impact of the COVID-19 pandemic on expected losses.

3. Summary of significant accounting policies (continued)

Recent accounting pronouncements (continued)

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 was equal to 5% of the US dollar equivalent of the gross product sales of each of the franchised restaurants. This percentage increased to 6% for the subsequent 5-year period and will increase to 7% during the last 5-year period of the agreement. Payment of monthly royalties is due on the seventh business day of the next calendar month. As a consequence of the negative impacts of the spread of COVID-19 on the Company's operations, McDonald's granted the Company a deferral of all the royalty payments due related to sales in March, April, May and July 2020 until the first half of 2021.

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.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

4. Acquisition of businesses (continued)

Other acquisitions

During fiscal years 2020, 2019 and 2018, the Company acquired certain franchised restaurants in certain territories. Presented below is supplemental information about these acquisitions:

Purchases of restaurant businesses:	**2020**	**2019**	**2018**
Property and equipment	$ 16,756	$ 1,471	$ 413
Identifiable intangible assets	4,922	1,347	56
Goodwill	1,224	1,589	—
Assumed debt	—	(77)	—
Gain on purchase of franchised restaurants	(1,708)	(767)	—
Purchase price	**21,194**	**3,563**	**469**
Seller financing	(1,000)	—	—
Settlement of franchise receivables	(16,361)	(905)	(469)
Net cash paid at acquisition date	**$ 3,833**	**$ 2,658**	**$ —**

Since the acquisition of the McDonald’s business in Latin America and the Caribbean, Puerto Rican franchisees had filed some lawsuits against McDonald’s Corporation and certain subsidiaries purchased by the Company. On December 28, 2019 and March 31, 2020, the Company reached confidential settlement agreements with these franchisees, finalizing all controversies and disputes among the parties. As a consequence of the agreements, during January and May 2020, the Company acquired all the restaurants pertaining to the Puerto Rican franchisees, increasing its property and equipment in $14,290.

5. Accounts and notes receivable, net

Accounts and notes receivable, net consist of the following at year end:

	2020	**2019**
Receivables from franchisees	$ 45,427	$ 63,618
Debit and credit card receivables	38,388	43,741
Meal voucher receivables	4,857	13,017
Notes receivable	6,163	1,928
Allowance for doubtful accounts	(586)	(22,442)
	$ 94,249	**$ 99,862**

6. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following at year end:

	2020	**2019**
Prepaid taxes	$ 48,781	$ 73,932
Prepaid expenses	30,175	24,266
Promotion items and related advances	20,701	19,092
Others	812	322
	$ 100,469	**$ 117,612**

Amounts in thousands of US dollars, except for share data and as otherwise indicated

7. Miscellaneous

Miscellaneous consist of the following at year end:

	2020	2019
Judicial deposits	$ 36,943	$ 46,148
Tax credits	10,365	21,067
Prepaid property and equipment	5,967	7,770
Notes receivable	4,484	5,876
Rent deposits	2,991	3,196
Others	11,899	11,757
	$ 72,649	**$ 95,814**

8. Property and equipment, net

Property and equipment, net consist of the following at year-end:

	2020	2019
Land	$ 134,148	$ 146,517
Buildings and leasehold improvements	657,652	710,046
Equipment	734,995	784,181
Total cost	**1,526,795**	**1,640,744**
Total accumulated depreciation	(730,263)	(679,758)
	$ 796,532	**$ 960,986**

Total depreciation expense for fiscal years 2020, 2019 and 2018 amounted to $115,031, $111,638 and $94,490, respectively.

9. Net intangible assets and goodwill

Net intangible assets and goodwill consist of the following at year-end:

	2020	2019
Net intangible assets (i)		
Computer software cost	$ 69,999	$ 75,224
Initial franchise fees	14,223	16,146
Reacquired franchised rights	16,884	13,296
Letter of credit fees	940	940
Others	1,000	1,000
Total cost	**103,046**	**106,606**
Total accumulated amortization	(71,601)	(70,345)
Subtotal	**31,445**	**36,261**

Amounts in thousands of US dollars, except for share data and as otherwise indicated

9. Net intangible assets and goodwill (continued)

Goodwill (ii)	2020	2019
Brazil	3,196	4,124
Argentina	1,276	1,585
Chile	1,047	988
Colombia	82	86
Subtotal	**5,601**	**6,783**
	$ 37,046	**$ 43,044**

(i) Total amortization expense for fiscal years 2020, 2019 and 2018 amounted to $11,822, $11,580 and $11,310, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years and thereafter is as follows: $12,581 for 2021, $8,017 for 2022; $2,714 for 2023; $1,768 for 2024; $1,739 for 2025; and thereafter $4,626.

(ii) Related to the acquisition of franchised restaurants (Brazil, Argentina, Chile and Colombia) and non-controlling interests in Chile.

10. Accrued payroll and other liabilities

Accrued payroll and other liabilities consist of the following at year end:

	2020	2019
Current:		
Accrued payroll	$ 59,772	$ 77,087
Accrued expenses	14,993	6,586
Other liabilities	4,453	2,706
	$ 79,218	**$ 86,379**
Non-current:		
Phantom RSU award liability	$ 2,730	$ 2,102
Deferred revenues - Initial franchise fee	4,612	5,802
Deferred income	6,075	6,392
Security deposits	5,976	6,836
Other liabilities	2,491	2,365
	$ 21,884	**$ 23,497**

11. Short-term debt

Short-term debt consists of the following:

	2020	2019
Short-term bank loans (i)	—	10,794
Revolving Credit Facility (ii)	—	2,500
Bank overdrafts	—	2
	$ —	**$ 13,296**

Amounts in thousands of US dollars, except for share data and as otherwise indicated

11. Short-term debt (continued)

(i) Short-term bank loans

As of December 31, 2019, comprised two loans. In Brazil, granted by Banco Bradesco S.A, amounting to $7,454, which matured in February 2020 and the interest rate was the Interbank Market reference interest rate (known in Brazil as "CDI" Certificados de Depósitos Interbancários) plus 0.67% per year. In Argentina, granted by Banco de la Ciudad de Buenos Aires, amounting to $3,340 which matured in January 2020 and the interest rate was 54% per year. Brazilian and Argentinian loans were renewed during 2020 and cancelled in September 2020 and October 2020, respectively.

(ii) Revolving credit facility

On December 11, 2020, the Company renewed its committed revolving credit facility with JPMorgan Chase Bank, N.A (JPMorgan), for up to $25 million maturing on December 11, 2021. This revolving credit facility will permit the Company to borrow money from time to time to cover its working capital needs and for other general corporate purposes. Principal is due upon maturity. However, prepayments are permitted without premium or penalty. Each loan made under this agreement will bear interest annually at LIBOR plus 3% that will be payable on the date of any prepayment or at maturity.

The obligations of the Company under the revolving credit facility are jointly and severally guaranteed by certain of the Company's subsidiaries on an unconditional basis. The revolving credit facility includes customary covenants including, among others, restrictions on the ability of the Company, 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. In addition, the Company is required, among others, to: maintain unrestricted cash, cash equivalents and/or marketable securities in a minimum aggregate amount equal to $50 million.; and (ii) comply, as of the last day of each quarter during the agreement, with a consolidated net indebtedness (including interest payable) to EBITDA ratio lower than:

As of December 31, 2020	9.5
As of March 31, 2021	15.25
As of June 30, 2021	5.25
As of September 30, 2021	4.25

As of December 31, 2020, the Company's net indebtedness (including interest payable) to EBITDA ratio was 7.62 and thus it is currently in compliance with the ratio requirement.

The revolving credit facility provides 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 facility and/or to declare all sums outstanding under the loan documents immediately due and payable.

No amounts are due at the date of issuance of these consolidated financial statements in connection with this revolving credit facility. As of December 31, 2019, there was $2.5 million related to a previous committed revolving credit facility between ADBV and Bank of America that was not renewed after its maturity.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

12. Long-term debt

Long-term debt consists of the following at year-end:

	2020	2019
2027 Notes	$ 553,354	$ 265,000
2023 Notes	216,593	348,069
Finance lease obligations	5,941	5,419
Other long-term borrowings	10,199	13,284
Subtotal	**786,087**	**631,772**
Discount on 2023 Notes	(1,147)	(2,504)
Discount on 2027 Notes	(7,358)	—
Premium on 2023 Notes	427	937
Premium on 2027 Notes	3,206	—
Deferred financing costs	(4,641)	(3,397)
Total	**776,574**	**626,808**
Current portion of long-term debt	3,129	3,233
Long-term debt, excluding current portion	**$ 773,445**	**$ 623,575**

2027 and 2023 Notes

The following table presents additional information related to the 2027 and 2023 Notes (the "Notes"):

	Annual interest rate	Currency	Principal as of December 31, 2020	Principal as of December 31, 2019	Maturity
2027 Notes	5.875 %	USD	$ 553,354	$ 265,000	April 4, 2027
2023 Notes	6.625 %	USD	216,593	348,069	September 27, 2023

	Interest Expense (i)			DFC Amortization (i)			Amortization of Premium/Discount, net (i)		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
2027 Notes	$ 20,269	$ 15,569	$ 15,569	$ 402	$ 299	$ 299	$ 133	$ —	$ —
2023 Notes	20,882	23,060	23,060	294	323	323	371	402	397

(i) These charges are included within "Net interest expense" in the consolidated statements of income.

On September 27, 2013, the Company issued senior notes for an aggregate principal amount of $473.8 million, 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 Company incurred $3,313 of financing costs related to the cash issuance of 2023 Notes, which were capitalized as deferred financing costs ("DFC") and are being amortized over the life of the notes.

12. Long-term debt (continued)

2027 and 2023 Notes (continued)

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 16.90% 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.

Furthermore, on March 16, 2017, the Company launched a second cash tender offer to purchase $80,000 of its outstanding 2023 Notes, 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. The results related to the second cash tender offer and the accelerated amortization of the related DFC were recognized as interest expense within the consolidated statement of income.

On September 15, 2020 the Company launched an offer to exchange any and all of 2023 Notes for an additional issuance of 2027 Notes that expired on October 13, 2020 (the "expiration date"). The purpose of the exchange offer was to extend the maturity profile of the Company's long-term debt. The settlement date was on October 15, 2020. Eligible holders who validly tendered their 2023 Notes for exchange prior to September 28, 2020 (the "early participation date"), received $1,055 (expressed as whole number) of 2027 Notes per $1,000 (expressed as whole number) of 2023 Notes at the settlement date. Eligible holders who validly tendered their 2023 Notes for exchange after the early participation date, but on or prior to the expiration date received $1,005 (expressed as whole number) of 2027 Notes per $1,000 (expressed as whole number) of 2023 Notes at the settlement date. In addition, any fractional portion of the 2027 Notes less than $1,000 (expressed as whole number) and accrued and unpaid interest were paid in cash.

As of September 28, 2020, the early participation date, the Company accepted to exchange $126,801 of 2023 Notes, representing 36.43% of the outstanding principal amount of the 2023 Notes. In addition, on October 13, 2020, the Company accepted to exchange $4,675, representing 1.34% of the outstanding principal amount of 2023 Notes. On October 15, 2020, the Company issued $133,668 of 2027 Notes, paid $107.1 for fractional portion and $180.1 for accrued and unpaid interest related to the early participation and $4,686 of 2027 Notes, paid $12.4 for fractional portion and $7.1 for unpaid interest related to the exchange after the early participation date.

On April 2017, the Company issued senior notes for an aggregate principal amount of $265 million, which are due in 2027 (the "2027 Notes"). The proceeds from this issuance of the 2027 Notes were used to repay the Secured Loan Agreement, unwind the related derivative instruments, pay the principal and premium on the 2023 Notes (in connection with the aforementioned second tender offer) and for general purposes. In addition, on September 11, 2020, the Company issued additional 2027 Notes for an aggregate principal amount of $150 million at a price of 102.250%. The proceeds from the second issuance were used mainly to repay short-term indebtedness. Periodic payments of principal are not required, and interest is paid semi-annually commencing on October 4, 2017. The Company incurred $3,001 of financing costs related to the first issuance of 2027 Notes and $2,000 related to the second issuance, which were capitalized as DFC and are being amortized over the life of the notes.

The 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 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;

Amounts in thousands of US dollars, except for share data and as otherwise indicated

12. Long-term debt (continued)

2027 and 2023 Notes (continued)

(ii) will be effectively junior to all of the 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. In addition, the indenture governing the 2027 Notes, limits the Company's and its subsidiaries' ability to: incur in additional indebtedness and make certain restricted payments, including dividends. 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 Notes to be due and payable immediately.

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

Other required disclosure

At December 31, 2020, future payments related to the Company's long-term debt are as follows:

	Principal	Interest	Total
2021	$ 3,129	$ 47,999	$ 51,128
2022	4,126	47,796	51,922
2023	219,204	47,527	266,731
2024	2,204	32,949	35,153
2025	553	32,832	33,385
Thereafter	556,871	50,632	607,503
Total payments	**786,087**	**259,735**	**1,045,822**
Interest	—	(259,735)	(259,735)
Discount on 2023 Notes	(1,147)	—	(1,147)
Discount on 2027 Notes	(7,358)	—	(7,358)
Premium on 2023 Notes	427	—	427
Premium on 2027 Notes	3,206	—	3,206
Deferred financing cost	(4,641)	—	(4,641)
Long-term debt	**$ 776,574**	**$ —**	**$ 776,574**

13. Derivative instruments

The following table presents the fair values of derivative instruments included in the consolidated balance sheets as of December 31, 2020 and 2019:

Amounts in thousands of US dollars, except for share data and as otherwise indicated

13. Derivative instruments (continued)

Type of Derivative	Balance Sheets Location	Assets 2020	Assets 2019	Balance Sheets Location	Liabilities 2020	Liabilities 2019
Derivatives designated as hedging instruments						
Cash Flow hedge						
Forward contracts	Other receivables	$ —	$ 259	Accrued payroll and other liabilities	$ (1,264)	$ (532)
Cross-currency interest rate swap	Derivative instruments	86,534	37,219	Derivative instruments	(6,194)	(8,179)
Call spread	Derivative instruments	21,858	20,609	Derivative instruments	—	—
Coupon-only swap	Derivative instruments	3,591	—	Derivative instruments	—	(5,326)
Subtotal		**111,983**	**58,087**		**(7,458)**	**(14,037)**
Derivatives not designated as hedging instruments						
Forward contracts	Other receivables	—	20	Accrued payroll and other liabilities	—	—
Call spread	Derivative instruments	3,798	—	Derivative instruments	—	—
Coupon-only swap	Derivative instruments	202	—	Derivative instruments	(5,017)	—
Call Spread + Coupon-only swap	Derivative instruments	6,620	—	Derivative instruments	(8,050)	—
Subtotal		**10,620**	**20**		**(13,067)**	**—**
Total derivative instruments		**$ 122,603**	**$ 58,107**		**$ (20,525)**	**$ (14,037)**

Derivatives designated as hedging instruments

Cash flow hedge

Forward contracts

The Company has entered into various forward contracts in a few territories to hedge a portion of the foreign exchange risk associated with forecasted imports of goods. The effect of the hedges results 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, 2020, the Company had forward contracts outstanding with a notional amount of $20,276 that mature during 2021.

The Company made net collections totaling $1,757, $711 and $75 during fiscal years 2020, 2019 and 2018, respectively, as a result of the net settlements of these derivatives.

Cross-currency interest rate swap

The Company entered into four cross-currency interest rate swap agreements to hedge all the variability of the principal and interest collections of its BRL intercompany loan receivables with ADBV. The agreements were signed during November 2013 (amended in February 2017), June and July 2017 and October 2020. The following table presents information related to the terms of the agreements:

Amounts in thousands of US dollars, except for share data and as otherwise indicated

13. Derivative instruments (continued)

Derivatives designated as hedging instruments (continued)

Cash flow hedge (continued)

Cross-currency interest rate swap (continued)

	Payable			Receivable				
Bank	**Currency**	**Amount**	**Interest rate**	**Currency**	**Amount**	**Interest rate**	**Interest payment dates**	**Maturity**
JP Morgan Chase Bank, N.A.	BRL	108,000	13 %	$	35,400	4.38 %	March 31/ September 30	September 2023
JP Morgan Chase Bank, N.A.	BRL	98,670	13 %	$	30,000	6.02 %	March 31/ September 30	September 2023
Citibank N.A.	BRL	94,200	13 %	$	30,000	6.29 %	March 31/ September 30	September 2023
Citibank N.A.	BRL	112,738	13 %	$	20,049	8.08 %	March 31/ September 30	September 2023

During April 2017, the Company's Brazilian subsidiary entered into similar agreements in order to hedge all the variability in a portion (50%) of the principal and interest payable of certain intercompany loan payables nominated in US dollar.

The following table presents information related to the terms of the agreements:

	Payable			Receivable				
Bank	**Currency**	**Amount**	**Interest rate**	**Currency**	**Amount**	**Interest rate**	**Interest payment dates**	**Maturity**
BAML (i)	BRL	156,250	13.64 %	$	50,000	6.91 %	March 31/ September 30	April 2027
Banco Santander S.A.	BRL	155,500	13.77 %	$	50,000	6.91 %	June 30/ December 31	September 2023

(i) Bank of America Merrill Lynch Banco Múltiplo S.A.

The Company paid $4,031, $8,692 and $10,671 of net interest during the fiscal years ended December 31, 2020, 2019 and 2018, respectively.

Call spread

During April 2017, the Company's Brazilian subsidiary entered into two call spread agreements in order to hedge all variability in a portion (50%) of the principal of certain intercompany loan payables nominated in US dollar. Call spread agreements consist of a combination of two call options: the Company bought an option to buy US dollar at a strike price equal to the BRL exchange rate at the date of the agreements, and wrote an option to buy US dollar at a higher strike price than the previous one. Both pair of options have the same notional amount and are based on the same underlying with the same maturity date.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

13. Derivative instruments (continued)

Derivatives designated as hedging instruments (continued)

Cash flow hedge (continued)

Call spread (continued)

The following table presents information related to the terms of the agreements:

	Nominal Amount		Strike price		
Bank	**Currency**	**Amount**	**Call option written**	**Call option bought**	**Maturity**
Citibank S.A.	$	50,000	4.49	3.11	September 2023
JP Morgan S.A.	$	50,000	5.20	3.13	April 2027

Coupon-only swap

During April 2017, the Company's Brazilian subsidiary entered into two coupon-only swap agreements in order to hedge all the variability in a portion (50%) in the interest payable related to the intercompany loan aforementioned.

The following table presents information related to the terms of the agreements:

	Payable			Receivable				
Bank	**Currency**	**Amount**	**Interest rate**	**Currency**	**Amount**	**Interest rate**	**Interest payment dates**	**Maturity**
Citibank S.A.	BRL	155,500	11.08 %	$	50,000	6.91 %	June 30/ December 31	September 2023
JP Morgan S.A.	BRL	156,250	11.18 %	$	50,000	6.91 %	March 31/ September 30	April 2027

The Company paid $197, $2,036 and $2,900 of net interest during the fiscal years ended December 31, 2020, 2019 and 2018, respectively, related to these agreements.

Additional disclosures

The following table present the pretax amounts affecting income and other comprehensive income for the fiscal years ended December 31, 2020, 2019 and 2018 for each type of derivative relationship:

Amounts in thousands of US dollars, except for share data and as otherwise indicated

13. Derivative instruments (continued)

Derivatives designated as hedging instruments (continued)

Cash flow hedge (continued)

Additional disclosures (continued)

Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in Accumulated OCI on Derivative			(Gain) Loss Reclassified from Accumulated OCI into (loss) income (i)		
	2020	2019	2018	2020	2019	2018
Forward contracts	$ 904	$ (10)	$ 731	$ (1,895)	$ (711)	$ (75)
Cross-currency interest rate swaps	55,124	(8,506)	11,279	(37,376)	2,056	(18,888)
Call Spread	6,758	4,377	4,034	(18,153)	(3,561)	(15,421)
Coupon-only swap	8,604	(1,889)	1,864	(421)	1,860	2,415
Total	**$ 71,390**	**$ (6,028)**	**$ 17,908**	**$ (57,845)**	**$ (356)**	**$ (31,969)**

(i) The results recognized in income related to forward contracts were recorded as an adjustment to food and paper. The net gain (loss) recognized in income, related to cross-currency interest rate swaps is presented as follows:

Adjustment to:	2020	2019	2018
Foreign currency exchange results	$ 40,353	$ 6,346	$ 28,588
Net interest expense	(2,977)	(8,402)	(9,700)
Total	**$ 37,376**	**$ (2,056)**	**$ 18,888**

The results recognized in income related to call spread agreements and coupon-only swap agreements were recorded as an adjustment to foreign currency exchange and interest expense, respectively.

Derivatives not designated as hedging instruments

In October 2020, the Company's Brazilian subsidiary enters into certain derivatives that are not designated as hedge accounting, therefore the changes in the fair value of these derivatives are recognized immediately in earnings, within "Gain (loss) from derivative instruments". These agreements are:

- A call spread with JPMorgan. It consists of a combination of two call options likewise the ones previously mention. This agreement matures in April 2027.

The following table presents information related to the terms of the agreements:

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020
Amounts in thousands of US dollars, except for share data and as otherwise indicated

13. Derivative instruments (continued)

Derivatives not designated as hedging instruments (continued)

Nominal Amount		Strike price	
Currency	Amount	Call option written	Call option bought
$	30,000	8.20	5.62

– A coupon-only swap with JP Morgan that matures in April 2027.

The following table presents information related to the terms of the agreements:

Payable			Receivable			
Currency	Amount	Interest rate (i)	Currency	Amount	Interest rate	Interest payment dates
BRL	168,690	CDI plus 2.42%	$	30,000	5.46 %	April 30/ October 31

(i) "CDI" Certificados de Depósitos Interbancários

– A combination of call spread + coupon only swap into one agreement with Itaú Unibanco S.A, that matures in April 2027.
The following tables present information related to the terms of the agreements:

Nominal Amount		Strike price	
Currency	Amount	Call option written	Call option bought
$	50,000	8.20	5.62

Payable			Receivable			
Currency	Amount	Interest rate (i)	Currency	Amount	Interest rate	Interest payment dates
BRL	281,150	CDI plus 2.47%	$	50,000	5.46%	April 30/ October 31

(i) "CDI" Certificados de Depósitos Interbancários

In addition, during the fiscal years ended December 31, 2020, 2019 and 2018, the Company entered into certain forward contracts that generated net (payments) and collections for $(39), $787 and ($81).

Amounts in thousands of US dollars, except for share data and as otherwise indicated

14. Leases

The Company leases locations through ground leases (the Company leases the land and owns the building) and through improved leases (the Company leases land and buildings). The operating leases are mainly related to restaurant and dessert center locations. The average of lease's terms is about 15 years and, in many cases, include renewal options provided by the agreement or government's regulations, as there are reasonably certain to be exercised. Typically, renewal options are considered reasonably assured of being exercised if the associated asset lives of the building or leasehold improvements exceed the initial lease term, and the sales performance of the restaurant remains strong. Therefore, its associated payments are included in the measurement of the right-of-use asset and lease liability. Although, certain leases contain purchase options, is not reasonably certain that the Company will exercise them. In addition, many agreements include escalations amounts that vary by reporting unit, for example, 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. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. Furthermore, the Company is the lessee under non-cancelable leases covering certain offices and warehouses.

The right-of-use assets and lease liabilities are recognized using the present value of the remaining future minimum lease payments discounted by the Company's incremental borrowing rate. The Company has elected not to separate non-lease components from lease components in its lessee portfolio. For most locations, the Company is obliged for the related occupancy costs, such as maintenance.

In addition, 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 24th quarterly payment. On December 22, 2017, the Company signed an amendment, extending the term of the aircraft operating lease for an additional 10 years, with quarterly payments (retroactively effective as of December 5, 2017) of $442. The Company was required to make a cash collateral deposit of $2,500 under this agreement.

In order to mitigate the negative impact of COVID-19 on its financial results, the Company has been renegotiating terms and conditions with several lessors. The Company decided not to evaluate whether the potential concessions provided by the lessors are lease modifications under ASU No. 2016-02, Leases (Topic 842) according to the interpretive guidance issued by the FASB staff in April 2020.

At December 31, 2020, maturities of lease liabilities under existing operating leases are:

	Restaurant	Other	Total (i)
2021	$ 122,497	$ 5,705	$ 128,202
2022	117,025	4,221	121,246
2023	112,715	3,199	115,914
2024	109,398	2,747	112,145
2025	104,984	2,601	107,585
Thereafter	822,563	7,667	830,230
Total lease payments	**$ 1,389,182**	**$ 26,140**	**$ 1,415,322**
Lease discount			(605,881)
Operating lease liability			**$ 809,441**

Amounts in thousands of US dollars, except for share data and as otherwise indicated

14. Leases (continued)

(i) The Company has certain leases subject to index adjustments. As part of the adoption of ASC 842, the Company used the effective index rate at transition date in its disclosure and calculation of the lease liability. However, for leases entered into after January 1, 2019, the inflation index rate will be used to calculate the lease liability only when a lease modification occurs.

The Company maintains a few finance leases agreements, previously classified as capital leases. As of December 31, 2020 and 2019 the obligation amounts to $5,941 and $5,419 respectively, included within "Long-term debt" in the Consolidated Balance Sheet.

The following table is a summary of the Company´s components of lease cost for fiscal years 2020, 2019 and 2018:

Lease Expense	Statements of Income Location	2020	2019	2018
Operating lease expense - Minimum rentals:				
Company-operated restaurants	Occupancy and other operating expenses	$ (69,151)	$ (104,236)	$ (105,358)
Franchised restaurants	Franchised restaurants - occupancy expenses	(23,510)	(34,727)	(30,970)
General and administrative	General and administrative expenses	(7,062)	(7,614)	(7,610)
Subtotal		**(99,723)**	**(146,577)**	**(143,938)**
Variable lease expense - Contingent rentals based on sales:				
Company-operated restaurants	Occupancy and other operating expenses	(26,153)	(29,562)	(33,921)
Franchised restaurants	Franchised restaurants - occupancy expenses	(13,248)	(12,878)	(14,595)
Subtotal		**(39,401)**	**(42,440)**	**(48,516)**
Total lease expense		**$ (139,124)**	**$ (189,017)**	**$ (192,454)**

Other information	2020
Weighted-average remaining lease term (years)	
Operating leases	8
Weighted-average discount rate	
Operating leases	6.6 %

15. Franchise arrangements

Individual franchise arrangements generally include a lease, a license and provide for payment of initial franchise 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. At the end of the 20-year franchise arrangement, the Company maintains control of the underlying real estate and building and can either enter into a new franchise arrangement with the existing franchisee or a different franchisee, or close the restaurant. 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).

Amounts in thousands of US dollars, except for share data and as otherwise indicated

15. Franchise arrangements (continued)

At December 31, 2020 and 2019, net property and equipment under franchise arrangements totaled $92,354 and $123,832, respectively (including land for $24,661 and $32,373, respectively).

Revenues from franchised restaurants for fiscal years 2020, 2019 and 2018 consisted of:

	2020	2019	2018
Rent (i)	$ 89,123	$ 145,860	$ 148,094
Initial fees (ii) (iii)	203	287	195
Royalty fees (iv)	275	643	673
Total	**$ 89,601**	**$ 146,790**	**$ 148,962**

(i) Includes rental income of own buildings and subleases. As of December 31, 2020 and 2019 the subleases rental income amounted to $74,723 and $114,459, respectively.
(ii) Presented net of initial fees owed to McDonald's Corporation for $493, $1,456 and $1,323 in 2020, 2019 and 2018, respectively.
(iii) On January 1, 2018, the Company adopted ASC 606 "Revenue Recognition - Revenue from Contracts with Customers". As such, initial franchise fees received are deferred over the term of the franchise agreement. See Note 3 Revenue Recognition, for details.
(iv) Presented net of royalties fees owed to McDonald's Corporation for $36,554, $57,709 and $57,733 in 2020, 2019 and 2018, respectively. As a consequence of the negative impacts of the spread of COVID-19 in the operations, McDonald's granted a deferral of all the royalties payments due to sales in March, April, May, June and July 2020 until the first half of 2021.

At December 31, 2020, future minimum rent payments due to the Company under existing franchised agreements are:

	Owned sites	Leased sites	Total
2021	$ 3,312	$ 47,661	$ 50,973
2022	2,648	42,458	45,106
2023	2,413	36,985	39,398
2024	2,321	31,915	34,236
2025	2,315	28,547	30,862
Thereafter	9,754	135,349	145,103
Total	**$ 22,763**	**$ 322,915**	**$ 345,678**

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 2020, 2019 and 2018 were as follows:

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020
Amounts in thousands of US dollars, except for share data and as otherwise indicated

16. Income taxes (continued)

	2020	2019	2018
Puerto Rico	18.5%	18.5%	20.0%
Curacao	22.0%	22.0%	22.0%
USVI	22.5%	22.5%	22.5%
Aruba, Panama, Uruguay and Netherlands	25.0%	25.0%	25.0%
Ecuador	25.0%	25.0%	28.0%
Chile	27.0%	27.0%	27.0%
Martinique, French Guyana and Guadeloupe	28.0%	31.0%	33.3%
Peru	29.5%	29.5%	29.5%
Trinidad and Tobago	30.0%	25.0%	25.0%
Argentina Costa Rica and México	30.0%	30.0%	30.0%
Colombia	32.0%	33.0%	37.0%
Brazil and Venezuela	34.0%	34.0%	34.0%

Income tax expense for fiscal years 2020, 2019 and 2018 consisted of the following:

	2020	2019	2018
Current income tax expense	$ 17,061	$ 46,811	$ 47,488
Deferred income tax expense	471	(7,974)	648
Income tax expense	**$ 17,532**	**$ 38,837**	**$ 48,136**

Income tax expense for fiscal years 2020, 2019 and 2018, 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:

	2020	2019	2018
Pre-tax (loss) income	$ (131,854)	$ 118,953	$ 85,169
Weighted-average statutory income tax rate (i)	22.9 %	36.6 %	42.7 %
Income tax (benefit) expense at weighted-average statutory tax rate on pre-tax income (loss)	(30,226)	43,488	36,354
Permanent differences:			
Change in valuation allowance (ii)	2,958	(24,864)	(24,307)
Expiration and changes in tax loss carryforwards (iii)	13,820	17,799	18,599
Venezuelan remeasurement and inflationary impacts (iv)	1,682	1,743	16,857
Non-taxable income and non-deductible expenses	12,092	7,545	10,085
Tax benefits	(1,701)	(9,667)	(11,403)
Income taxes withholdings on intercompany transactions (v)	6,515	5,005	7,723
Differences including exchange rate, inflation adjustment and filing differences	6,684	(5,291)	(2,574)
Alternative Taxes	2,054	658	(1,283)
Others (vi)	3,654	2,421	(1,915)
Income tax expense	**$ 17,532**	**$ 38,837**	**$ 48,136**

Amounts in thousands of US dollars, except for share data and as otherwise indicated

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.
(ii) Comprises net changes in valuation allowances for the year, mainly related to net operating losses.
(iii) Expiration of loss tax carryforwards are mainly generated by Caribbean division.
(iv) Comprises changes in valuation allowance during 2020, 2019 and 2018 for $43,249, $983 and $(304), respectively.
(v) Comprises income tax withheld on the payment of interest on intercompany loans.
(vi) Mainly comprises income tax effects over intercompany transactions which are eliminated for consolidation purposes.

The tax effects of temporary differences and carryforwards that comprise significant portions of deferred tax assets and liabilities as of December 31, 2020 and 2019 are presented below:

	2020	2019
Tax loss carryforwards (i)	$ 186,781	$ 144,759
Purchase price allocation adjustment	12,247	15,158
Property and equipment, tax inflation	31,080	36,690
Other accrued payroll and other liabilities	29,622	33,065
Share-based compensation	1,719	2,062
Provision for contingencies, bad debts and obsolescence	4,621	2,534
Other deferred tax assets (ii)	75,121	56,927
Other deferred tax liabilities (iii)	(47,593)	(32,280)
Property and equipment - difference in depreciation rates	(7,902)	(418)
Valuation allowance (iv)	(235,196)	(194,426)
Net deferred tax asset	**$ 50,500**	**$ 64,071**

(i) As of December 31, 2020, the Company and its subsidiaries has accumulated net operating losses amounting to $656,119. The Company has net operating losses amounting to $145,127, expiring between 2021 and 2025. In addition, the Company has net operating losses amounting to $317,650 expiring after 2025 and net operating losses amounting to $193,342 that do not expire. Changes in tax loss carryforwards for the year relate to the creation of NOLs, mainly in Venezuela.
(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, 2020, this item includes: difference in depreciation of leases (related to differences between ASC842 and local tax regulation) for $51,772 in Brazil and provision for regular expenses for $10,098 in Brazil, Colombia and Argentina. For the Fiscal year ended December 31, 2019 this item includes difference in depreciation of leases in Brazil for $30,524, provision for regular expenses for $10,376, in Brazil, Mexico and Colombia and bad debt reserve in Puerto Rico for $4,218.
(iii) Primarily related to leases contracts (related to differences between ASC842 and local tax regulation).
(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 $50,500 for the year ended December 31, 2020, is presented in the consolidated balance sheet as non-current asset and non-current liability amounting to $55,567 and $5,067, respectively.

The total amount of $64,071 for the year ended December 31, 2019, is presented in the consolidated balance sheet as non-current asset and non-current liability amounting to $68,368 and $4,297, respectively.

16. Income taxes (continued)

Deferred income taxes have not been recorded for temporary differences related to investments in certain foreign subsidiaries. These temporary differences, comprise undistributed earnings considered permanently invested in subsidiaries amounted to $187,215 at December 31, 2020. 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.

As of December 31, 2020, and 2019, the Company has not identified unrecognized tax benefits that would favorably affect the effective tax rate if resolved in the Company's favor.

The Company account for uncertain tax positions by determining the minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. This determination requires the use of significant judgment in evaluating the tax positions and assessing the timing and amounts of deductible and taxable items. The Company is regularly under audit in multiple tax jurisdictions and is currently under examination in several jurisdictions. The Company is generally no longer subject to income tax examinations by tax authorities for years prior to 2014.

As of December 31, 2020, there are certain matters related to the interpretation of income tax laws which could be challenged by tax authorities in an amount of $169 million, related to assessments for the fiscal years 2009 to 2015. No formal claim has been made for fiscal years within the statute of limitation 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.

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 tax positions because the outcome of tax audits cannot be predicted with certainty. While the Company cannot estimate the impact that new information may have on their unrecognized tax benefit balance, it believes that the liabilities recorded are appropriate and adequate as determined under ASC 740.

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 2011.

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 2019 (from 2015 to 2019 only restricted share units). From 2011 to 2018, 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. The 2019 award vested on May 10, 2020. However, in the event of death, disability or retirement of the employee, any unvested portion of the annual award will be fully vested. 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 grant date. 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.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

17. Share-based compensation (continued)

2011 Equity Incentive Plan (continued)
On June 28, 2016, 1,117,380 stock options were converted to a liability award maintaining the original conditions of the 2011 Plan. There were not incremental compensation costs resulting from the modification. The employees affected by this modification were 104. The accrued liability was remeasured on a monthly basis until settlement. This liability award plan expired on May 2020.

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 related to this award in the amount of $1,564, $1,884 and $3,661 during fiscal years 2020, 2019 and 2018, respectively. Stock-based compensation expense is included within "General and administrative expenses" in the consolidated statements of income.

The Company recognized $(244), $(422) and $(175) of related income tax expense during fiscal years 2020, 2019 and 2018, respectively.

Stock Options

The following table summarizes the activity of stock options during fiscal years 2020, 2019 and 2018:

	Units	Weighted-average strike price	Weighted-average grant-date fair value
Outstanding at December 31, 2017	**634,489**	**14.28**	**4.28**
Expired (i)	(143,416)	21.20	5.89
Outstanding at December 31, 2018	**491,073**	**12.26**	**3.81**
Expired (i)	(216,633)	14.35	5.13
Outstanding at December 31, 2019	**274,440**	**10.62**	**2.77**
Expired (i)	(97,672)	14.31	4.19
Outstanding at December 31, 2020	**176,768**	**8.58**	**1.98**
Exercisable at December 31, 2020	**176,768**	**8.58**	**1.98**

(i) As of December 31, 2020, 2019 and 2018, additional paid-in capital included $409, $1,111 and $844, respectively, related to expired stock options.

The following table provides a summary of outstanding stock options at December 31, 2020:

	Vested (i)
Number of units outstanding	176,768
Weighted-average grant-date fair market value per unit	1.98
Total grant-date fair value	350
Weighted-average accumulated percentage of service	100 %
Stock-based compensation recognized in Additional paid-in capital	350

(i) Related to exercisable awards.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

17. Share-based compensation (continued)

Restricted Share Units

The following table summarizes the activity of restricted share units during fiscal years 2020, 2019 and 2018:

	Units	Weighted-average grant-date fair value
Outstanding at December 31, 2017	**1,736,845**	**6.65**
2018 annual grant	520,393	8.50
Partial vesting	(534,589)	6.01
Forfeitures	(117,600)	7.24
Outstanding at December 31, 2018	**1,605,049**	**7.41**
2019 annual grant	35,000	8.00
Partial vesting of 2014 grant	(38,222)	8.58
Partial vesting of 2015 grant	(115,634)	6.33
Partial vesting of 2016 grant	(134,501)	4.70
Partial vesting of 2017 grant	(174,232)	9.20
Forfeitures	(239,621)	7.74
Outstanding at December 31, 2019	**937,839**	**7.50**
Partial vesting of 2015 grant	(101,928)	6.33
Partial vesting of 2016 grant	(114,045)	4.70
Partial vesting of 2017 grant	(67,606)	9.20
Partial vesting of 2018 grant	(163,695)	8.50
Vesting of 2019 grant	(35,000)	8.00
Forfeitures	(4,367)	7.75
Outstanding at December 31, 2020	**451,198**	**7.80**
Exercisable at December 31, 2020	—	—

The total fair value of restricted share units vested during 2020, 2019 and 2018 was $3,475, $3,295 and $3,214, respectively. As of December 31, 2020 the Company issued 472,130 Class A shares. Therefore, accumulated recorded compensation expense totaling $3,399 was reclassified from “Additional paid-in capital” to “Common Stock” upon issuance. As of December 31, 2020, there were 10,392, 3,032 and $2,775 Class A shares, amounting to $76, $19 and $17, pending of issuance in connection with the partial vestings 2020, 2019 and 2018, respectively.

The following table provides a summary of outstanding restricted share units at December 31, 2020:

Amounts in thousands of US dollars, except for share data and as otherwise indicated

17. Share-based compensation (continued)

Restricted Share Units (continued)

Number of units outstanding (i)	451,198
Weighted-average grant-date fair market value per unit	7.80
Total grant-date fair value	3,519
Weighted-average accumulated percentage of service	80.44 %
Stock-based compensation recognized in Additional paid-in capital	2,831
Compensation expense not yet recognized (ii)	688

(i) Related to awards that will vest between fiscal years 2021 and 2023.
(ii) Expected to be recognized in a weighted-average period of 0.7 years.

Phantom RSU Award

In May 2019, the Company implemented a new long-term incentive plan (called Phantom RSU Award) to reward employees giving them the opportunity to share the success of the Company in the creation of value for its shareholders. In accordance with this plan, the Company granted units (called "Phantom RSU") to certain employees, pursuant to which they are entitled to receive, when vested, a cash payment equal to the closing price of one Class A share on the respective day in which this benefit is due and the corresponding dividends per-share (if any) formally declared and paid during the service period.

The award has two types of grant. Phantom RSU type one has 465,202 units which vest over a requisite service period of five years as follows: 40% at the second anniversary of the date of grant and 20% at each of the following three years. Phantom RSU type two has 1,207,455 units which vest 100% at the fifth anniversary from the date of grant. However, in the event of death, disability or retirement of the employee, any unvested portion of the annual award will be fully vested. The Company recognizes compensation expense related to these benefits 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 grant-date stock price of both types of grants was $6.78. On December 2020, the Company implemented a new Phantom RSU type two with 65,440 units at a price of $4.89 that vest 100% at May 2021.

The total compensation cost as of December 31, 2020 and 2019, amounts to $1,232 and $2,102 respectively, which has been recorded under "General and administrative expenses" within the consolidated statement of income. The accrued liability is remeasured at the end of each reporting period until settlement.

The following table summarizes the activity under the plan as of December 31, 2020:

	Units
Outstanding at December 31, 2019	**1661820**
Grant 2020	65,440
Partial vesting of 2019 Grant	(5,162)
Forfeitures	(31,614)
Outstanding at December 31, 2020	**1,690,484**
Exercisable at December 31, 2020	**—**

Amounts in thousands of US dollars, except for share data and as otherwise indicated

17. Share-based compensation (continued)

Phantom RSU Award (continued)

	Total Non-vested (i)
Number of units outstanding	1,690,484
Current share price	5.03
Total fair value of the plan	8,503
Weighted-average accumulated percentage of service	39.00 %
Accrued liability (ii)	3,316
Compensation expense not yet recognized (iii)	5,187

(i) Related to awards that will vest between May 2021 and May 2024.
(ii) Presented within "Accrued payroll and other liabilities" in the Company's current and non current liabilities balance sheet.
(iii) Expected to be recognized in a weighted-average period of 2.93 years.

18. Commitments and contingencies

Commitments

The MFAs require the Company and its MF subsidiaries, among other obligations:

(i) 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;
(ii) 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. Nevertheless, on occasions McDonald's provides support in royalties in order to encourage the Company´s growth plan;
(iii) to commit to funding a specified Strategic Marketing Plan; that includes the expenditure of 5% of the Company gross sales on Advertising and Promotion activities.
(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.

As a consequence of the negative impacts of the spread of COVID-19 on the Company's operations, during 2020, McDonald's granted the Company a deferral of all the royalty payments due related to sales in March, April, May, June and July 2020 until the first half of 2021; a reduction in the advertising and promotion spending requirements from 5% to 4% for the annual period 2020 and the withdrawal of the previously-approved 2020-2022 restaurant opening plan and reinvestment plan, agreeing in place of this obligation a plan for 2021 only. In addition, McDonald's provided the Company with a growth support which is expected to result in a consolidated royalty effective rate of about 5.3% in 2021.

For the three-month periods ended from March 31, 2020 to December 31, 2020, the Company was not in compliance with the ratio requirements mentioned in point (v) above. The ratios for the period mentioned, were as follows:

Amounts in thousands of US dollars, except for share data and as otherwise indicated

18. Commitments and contingencies (continued)

Commitments (continued)

	Fixed Charge Coverage Ratio	Leverage Ratio
March 31, 2020	1.74	4.15
June 30, 2020	1.35	5.37
September 30, 2020	1.15	6.31
December 31, 2020	0.96	7.71

However, McDonald’s Corporation granted the Company limited waivers from June 30, 2020 through and including December 31, 2021, during which time the Company is not required to comply with the financial ratios set forth in the MFA. After December 31, 2021, if the Company remains non-compliant with the financial requirements and is 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. Notwithstanding the foregoing, the Company does not expect any material adverse effect to its business, results of operations, financial condition or cash flows as a result of this situation.

In addition, ADBV 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 were issued by Credit Suisse amounting to $45 million, Itaú Unibanco S.A. (Itaú) amounting to $15 million and JPMorgan amounting to $20 million. They 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. The letters of credit contain a limited number of customary affirmative and negative covenants, including a maximum indebtedness to EBITDA ratio of 4.0 for Credit Suisse and Itaú letters and 4.5 for JPMorgan letter. As of December 31, 2020, ADBV was not in compliance with these ratios. However, ADBV received waivers from each of its lenders under these letters of credit if any event of default occurs for compliance with the applicable ratios. If ADBV is unable to comply with the conditions of the waivers or to obtain further waivers for future non-compliance with any terms of the letters of credit and its lenders terminate the letters of credit, we would be in breach of our obligations under the MFAs, if ADBV cannot replace the instrument or use cash as collateral.

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, 2020 and 2019, the Company maintains a provision for contingencies, net of judicial deposits, amounting to $26,948 and $26,158, respectively, presented as follow: $2,024 and $2,035 as a current liability and $24,924 and $24,123 as a non-current liability, respectively. The breakdown of the provision for contingencies is as follows:

Amounts in thousands of US dollars, except for share data and as otherwise indicated

18. Commitments and contingencies (continued)

Provision for contingencies (continued)

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, 2020:						
Tax contingencies in Brazil (i)	$ 10,595	$ 2,040	$ —	$ 435	$ (2,408)	$ 10,662
Labor contingencies in Brazil (ii)	16,839	12,087	(10,499)	—	(3,913)	14,514
Other (iii)	11,404	1,203	(1,421)	—	(1,279)	9,907
Subtotal	38,838	15,330	(11,920)	435	(7,600)	35,083
Judicial deposits (iv)	(12,680)	—	—	1,626	2,919	(8,135)
Provision for contingencies	**$ 26,158**	**$ 15,330**	**$ (11,920)**	**$ 2,061**	**$ (4,681)**	**$ 26,948**
Year ended December 31, 2019:						
Tax contingencies in Brazil (i)	$ 9,497	$ 1,455	$ —	$ —	$ (357)	$ 10,595
Labor contingencies in Brazil (ii)	21,108	12,916	(16,068)	—	(1,117)	16,839
Other (iii)	11,462	3,070	(1,700)	—	(1,428)	11,404
Subtotal	42,067	17,441	(17,768)	—	(2,902)	38,838
Judicial deposits (iv)	(13,558)	—	—	354	524	(12,680)
Provision for contingencies	**$ 28,509**	**$ 17,441**	**$ (17,768)**	**$ 354**	**$ (2,378)**	**$ 26,158**
Year ended December 31, 2018:						
Tax contingencies in Brazil (i)	$ 9,324	$ 1,805	$ —	$ —	$ (1,632)	$ 9,497
Labor contingencies in Brazil (ii)	21,061	20,785	(17,718)	—	(3,020)	21,108
Other (iii)	15,646	1,405	(1,984)	—	(3,605)	11,462
Subtotal	46,031	23,995	(19,702)	—	(8,257)	42,067
Judicial deposits (iv)	(18,075)	—	—	1,843	2,674	(13,558)
Provision for contingencies	**$ 27,956**	**$ 23,995**	**$ (19,702)**	**$ 1,843**	**$ (5,583)**	**$ 28,509**

(i) In 2020, 2019 and 2018, it includes mainly CIDE.
(ii) It primarily relates to dismissals in the normal course of business.
(iii) It relates to tax and labor contingencies in other countries and civil contingencies in all the countries.
(iv) It primarily relates to judicial deposits the Company was required to make in connection with the proceedings in Brazil.

As of December 31, 2020, there are certain matters related to the interpretation of tax, labor and civil 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 $226 million and $249 million.

During previous years, there was 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 sought declaratory judgment and damages in the aggregate amount of $66.7 million plus plaintiffs' attorney fees. During the years the lawsuit was in force, the Company believed that the probability of loss was remote. On December 28, 2019 and March 31, 2020, the Company reached confidential settlement agreements with Puerto Rican franchisees finalizing all controversies and disputes among the parties. All corresponding judicial documentation was filed to end the proceedings and the case was successfully dismissed by the Court, finalizing all controversies and disputes among the parties.

18. Commitments and contingencies (continued)

Provision for contingencies (continued)

Additionally, 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 sought declaratory judgment and damages in the amount of $30 million plus plaintiffs' attorney fees. During December 2019, the franchisee reached a Confidential Settlement Agreement with the Company finalizing all controversies and disputes among them.

Furthermore, the Puerto Rico Owner Operator's Association ("PROA"), an association integrated by the Company's franchisees that met 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. During the years the lawsuit was in force, the Company believed that the probability of loss was remote. On December 28, 2019 and March 31, 2020 the Company reached confidential settlement agreements with Puerto Rican franchisees, sole members of PROA, finalizing all controversies and disputes among the parties. All corresponding judicial documentation was filed to end this proceeding and the case was successfully dismissed by the Court.

Pursuant to Section 9.3 of the Stock Purchase Agreement, McDonald's Corporation indemnifies the Company for certain Brazilian claim. At December 31, 2020, the provision for contingencies includes $1,259 ($1,612 at December 31, 2019), related to this claim. As a result, the Company has recorded a non-current asset in respect of McDonald's Corporation's indemnity in the consolidated balance sheet.

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.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

19. Disclosures about fair value of financial instruments (continued)

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, 2020 and 2019:

	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,	Balance as of December 31,
	2020	2019	2020	2019	2020	2019	2020	2019
Assets								
Cash equivalents	$ 106,856	$ 49,038	$ —	$ —	$ —	$ —	$ 106,856	$ 49,038
Short-term Investments	—	25	—	—	—	—	—	25
Derivatives	—	—	122,603	58,107	—	—	122,603	58,107
Total Assets	**$ 106,856**	**$ 49,063**	**$ 122,603**	**$ 58,107**	**$ —**	**$ —**	**$ 229,459**	**$ 107,170**
Liabilities								
Derivatives	$ —	—	20,525	$ 14,037	$ —	$ —	20,525	14,037
Total Liabilities	**$ —**	**$ —**	**$ 20,525**	**$ 14,037**	**$ —**	**$ —**	**$ 20,525**	**$ 14,037**

The derivative contracts were valued using various pricing models or discounted cash flow analyses that incorporate observable market parameters, such as interest rate yield curves, option volatilities and currency rates 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, 2020, the fair value of the Company's long-term debt was estimated at $832,753, compared to a carrying amount of $788,521. 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.

19. Disclosures about fair value of financial instruments (continued)

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, 2020, 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. In addition, during 2020 the Company was affected by the spread of COVID-19 along the region. See Note 1 for additional information.

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.

The following table presents information about profit or loss and assets for each reportable segment:

Amounts in thousands of US dollars, except for share data and as otherwise indicated

21. Segment and geographic information (continued)

	For the fiscal years ended December 31,		
	2020	2019	2018
Revenues:			
Brazil	$ 862,748	$ 1,385,566	$ 1,345,453
Caribbean division	381,090	399,251	483,743
NOLAD	311,887	431,266	406,848
SLAD	428,494	742,994	845,527
Total revenues	**$ 1,984,219**	**$ 2,959,077**	**$ 3,081,571**
Adjusted EBITDA:			
Brazil	$ 76,155	$ 227,844	$ 218,391
Caribbean division	28,847	24,955	(8,281)
NOLAD	10,207	39,027	32,313
SLAD	3,272	63,120	73,670
Total reportable segments	**118,481**	**354,946**	**316,093**
Corporate and others (i)	(50,370)	(63,171)	(58,096)
Total adjusted EBITDA	**$ 68,111**	**$ 291,775**	**$ 257,997**

	For the fiscal years ended December 31,		
	2020	2019	2018
Adjusted EBITDA reconciliation:			
Total Adjusted EBITDA	**$ 68,111**	**$ 291,775**	**$ 257,997**
(Less) Plus items excluded from computation that affect operating (loss) income:			
Depreciation and amortization	(126,853)	(123,218)	(105,800)
Gains from sale or insurance recovery of property and equipment	4,210	5,175	4,973
Write-offs of property and equipment	(4,501)	(4,733)	(4,167)
Impairment of long-lived assets	(6,636)	(8,790)	(18,950)
Impairment of goodwill	(1,085)	(273)	(167)
Reorganization and optimization plan expenses	—	—	(11,003)
2008 Long-Term Incentive Plan incremental compensation from modification	—	—	575
Operating (loss) income	**(66,754)**	**159,936**	**123,458**
(Less) Plus:			
Net interest expense	(59,068)	(52,079)	(52,868)
(Loss) gain from derivative instruments	(2,297)	439	(565)
Gain from securities	25,676	—	—
Foreign currency exchange results	(31,707)	12,754	14,874
Other non-operating income (expenses), net	2,296	(2,097)	270
Income tax expense	(17,532)	(38,837)	(48,136)
Net income attributable to non-controlling interests	(65)	(220)	(186)
Net (loss) income attributable to Arcos Dorados Holdings Inc.	**$ (149,451)**	**$ 79,896**	**$ 36,847**

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020
Amounts in thousands of US dollars, except for share data and as otherwise indicated

21. Segment and geographic information (continued)

	For the fiscal years ended December 31,		
	2020	**2019**	**2018**
Depreciation and amortization:			
Brazil	$ 59,466	$ 63,467	$ 52,632
Caribbean division	20,742	18,481	22,835
NOLAD	22,200	21,422	20,829
SLAD	20,329	20,713	19,293
Total reportable segments	**122,737**	**124,083**	**115,589**
Corporate and others (i)	5,288	4,894	5,696
Purchase price allocation (ii)	(1,172)	(5,759)	(15,485)
Total depreciation and amortization	**$ 126,853**	**$ 123,218**	**$ 105,800**
Property and equipment expenditures:			
Brazil	$ 39,127	$ 146,322	$ 100,926
Caribbean division	9,582	15,934	18,640
NOLAD	9,627	32,662	24,145
SLAD	27,975	70,280	53,300
Others	—	37	30
Total property and equipment expenditures	**$ 86,311**	**$ 265,235**	**$ 197,041**

	As of December 31,	
	2020	**2019**
Total assets:		
Brazil	$ 1,102,009	$ 1,328,984
Caribbean division	420,481	429,170
NOLAD	412,045	458,235
SLAD	372,974	389,976
Total reportable segments	**2,307,509**	**2,606,365**
Corporate and others (i)	95,802	67,195
Purchase price allocation (ii)	(109,357)	(115,875)
Total assets	**$ 2,293,954**	**$ 2,557,685**

(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 31,2020 and 2019, corporate assets primarily include corporate derivatives, cash and cash equivalents and lease right of use.

(ii) Relates to the purchase price allocation adjustment made at corporate level, which reduces the accounting value of our long-lived assets (excluding Lease right of use) and goodwill and the corresponding depreciation and amortization. As of December 31,2020 and 2019 primarily related with the reduction of goodwill.

The Company's revenues are derived from two sources: sales by Company-operated restaurants and revenues from restaurants operated by franchisees. All of the Company's revenues are derived from foreign operations.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

21. Segment and geographic information (continued)

Long-lived assets consisting of property and equipment totaled $796,532 and $960,986 at December 31, 2020 and 2019, 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 or VES) 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.

Since February 2013, the Venezuelan government has announced several changes in the currency exchange regulations, including different mechanisms to access foreign currency. During 2018, the applicable system was DICOM that operated through an auction mechanism. The Company had access to DICOM at an exchange rate greater than the one published by the governmental authorities. Considering that under ASC 830, foreign currency transactions are required to be remeasured at the applicable rate at which a particular transaction could be settled, each time the Company accessed to DICOM at an exchange rate greater than the one published, this rate was considered for remeasurements purposes. Moreover, during 2019, the Central Bank of Venezuela permitted financial institution to participate as intermediaries in foreign currency operations.

On August 20, 2018, the Government announced the removal of five zeros from the Venezuelan currency and renamed it as "Sovereign Bolivar" (VES). In addition, the new currency devaluated from 2.48 to 59.93 VES per US dollar. Since that moment, the Sovereign Bolivar has been depreciating its value against US dollar.

The consequence of several reassessment of the exchange rate used for remeasurement purposes, the Company recognized negative impacts within the Consolidated Statement of Income, mainly related to the write down of certain inventories due to the impact on their net recoverable value, impairment of long-lived assets and foreign currency exchange results. The following table summarizes the impacts during fiscal years 2020, 2019 and 2018:

	2020	2019	2018
Write down of inventories (i)	$ (1,625)	$ (4,468)	$ (61,007)
Impairment of long-lived assets (i)	(904)	(2,123)	(12,089)
Foreign currency exchange income (loss) (ii)	27	(583)	5,061

(i) Presented within Other operating income (expenses), net.
(ii) Presented within Foreign currency exchange results.

Revenues and operating (loss) income of the Venezuelan operations were $4,494 and $(7,712), respectively, for fiscal year 2020; $10,184 and $(8,240), respectively, for fiscal year 2019; and $78,859 and $(52,054), respectively, for fiscal year 2018.

As of December 31, 2020, the Company did not have a material monetary position, which would be subject to remeasurement in the event of further changes in the exchange rate. In addition, Venezuela's non-monetary assets were $10.1 million (mainly fixed assets).

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. However, the Company was able to increase prices during the fiscal year ended December 31, 2020.

The Company's Venezuelan operations, continue to be impacted by the country's macroeconomic volatility, including the ongoing highly inflationary environment. Additionally, the operations would be further affected by more

22. Venezuelan operations (continued)

stringent controls on foreign currency exchange, pricing, payments, profits or imports; the continued migration or the high levels of unemployment. 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 a maximum of 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, 2017, the Company had 211,072,508 shares issued and outstanding with no par value, consisting of 131,072,508 class A shares and 80,000,000 class B shares.

During fiscal years 2020, 2019 and 2018, the Company issued 472,130, 470,558 and 520,565 Class A shares, respectively, in connection with the partial vesting of restricted share units under the 2011 Equity Incentive Plan.

On May 22, 2018, the Board of Directors approved the adoption of a share repurchase program, pursuant to which the Company may repurchase from time to time, along one year, up to $60,000 of issued and outstanding Class A shares of no par value of the Company.

As of February 15, 2019, the Company purchased 7,993,602 shares amounting to $60,000 and the program concluded. The shares reacquired were recorded at cost within "Common stock in treasury" in the Consolidated Statement of Changes in Equity.

On August 12, 2020, the Company used 2,723,614 of treasury shares to satisfy a stock dividend distribution.

As of December 31, 2020, 2019 and 2018 the Company had 207,265,773; 204,070,029 and 205,232,247 outstanding shares, consisting of 127,265,773; 124,070,029 and 125,232,247 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.

On March 3, 2020, the Company approved a cash dividend distribution to all Class A and Class B shareholders of $0.11 per share, to be paid in three installments, as follows: $0.05 per share on April 10, 2020, $0.03 per share on August 13, 2020 and $0.03 per share on December 10, 2020. On July 6, 2020, the Company cancelled the two remaining cash dividend payments of $0.03 cents per share each, scheduled for August 13 and December 10, 2020. As of December 31, 2020 the cash dividend paid was $10,204.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

23. Shareholders' equity (continued)

Distribution of dividends (continued)

On July 6, 2020, the Company approved a stock dividend to all Class A and Class B shareholders to be distributed on August 12, 2020. The Company distributed a dividend of one share for every seventy-five shares held by its shareholders and paid cash in lieu of fractional shares. Therefore, the Company distributed 2,723,614 repurchased shares, and paid cash $16 for fractional shares.

Accumulated other comprehensive income (loss)

The following table sets forth information with respect to the components of "Accumulated other comprehensive income (loss)" as of December 31, 2020 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
Balances at December 31, 2017	**$ (436,281)**	**$ 8,359**	**$ (1,425)**	**$ (429,347)**
Other comprehensive (loss) income before reclassifications	(62,996)	13,888	(418)	(49,526)
Net (income) loss reclassified from accumulated other comprehensive loss to consolidated statement of income	—	(23,887)	494	(23,393)
Net current-period other comprehensive (loss) income	(62,996)	(9,999)	76	(72,919)
Balances at December 31, 2018	**(499,277)**	**(1,640)**	**(1,349)**	**(502,266)**
Other comprehensive (loss) income before reclassifications	(12,168)	(5,185)	(55)	(17,408)
Net (income) loss reclassified from accumulated other comprehensive income to consolidated statement of income	—	85	864	949
Adoption of ASU 2017-12	—	(780)	—	(780)
Net current-period other comprehensive (loss) income	(12,168)	(5,880)	809	(17,239)
Balances at December 31, 2019	**(511,445)**	**(7,520)**	**(540)**	**(519,505)**
Other comprehensive loss before reclassifications	(76,359)	54,287	(195)	(22,267)
Net loss reclassified from accumulated other comprehensive loss to consolidated statement income	—	(43,324)	236	(43,088)
Net current-period other comprehensive (loss) income	(76,359)	10,963	41	(65,355)
Balances at December 31, 2020	**$ (587,804)**	**$ 3,443**	**$ (499)**	**$ (584,860)**

(i) Mainly 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.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

24. Earnings 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 income per common share attributable to Arcos Dorados Holdings Inc. for all years presented:

	For the fiscal years ended December 31,		
	2020	2019	2018
Net (loss) income attributable to Arcos Dorados Holdings Inc. available to common shareholders	$ (149,451)	$ 79,896	$ 36,847
Weighted-average number of common shares outstanding - Basic	205,417,516	204,003,977	209,136,832
Incremental shares from assumed exercise of stock options (i)	—	—	—
Incremental shares from vesting of restricted share units	287,965	664,375	983,634
Weighted-average number of common shares outstanding - Diluted	205,705,481	204,668,352	210,120,466
Basic net (loss) income per common share attributable to Arcos Dorados Holdings Inc.	**$ (0.73)**	**$ 0.39**	**$ 0.18**
Diluted net (loss) income per common share attributable to Arcos Dorados Holdings Inc.	**$ (0.73)**	**$ 0.39**	**$ 0.18**

(i) Options to purchase shares of common stock were outstanding during fiscal years 2020, 2019 and 2018. 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, Ecuador, Mexico, Peru, Uruguay and Venezuela (the "Axionlog Business"). Pursuant to this agreement Axionlog provides the Company distribution inventory, storage and transportation services in the countries in which it operates.

The following table summarizes the outstanding balances between the Company and the Axionlog Business as of December 31, 2020 and 2019:

	As of December 31,	
	2020	2019
Accounts and notes receivable, net	$ 272	$ 177
Other receivables	2,392	2,201
Miscellaneous	3,665	3,719
Accounts payable	(6,378)	(8,747)

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements
As of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020
Amounts in thousands of US dollars, except for share data and as otherwise indicated

25. Related party transactions (continued)

The following table summarizes the transactions between the Company and the Axionlog Business for the fiscal years ended December 31, 2020, 2019 and 2018:

	Fiscal years ended December 31,		
	2020	2019	2018
Food and paper (i)	$ (124,416)	$ (188,276)	$ (177,356)
Occupancy and other operating expenses	(3,667)	(7,252)	(5,322)

(i) Includes $24,303 of distribution fees and $100,114 of suppliers purchases managed through the Axionlog Business for the fiscal year ended December 31, 2020; $38,658 and $149,618, respectively, for the fiscal year ended December 31, 2019; and $41,633 and $135,723, respectively, for the fiscal year ended December 31, 2018.

As of December 31, 2020 and 2019, the Company had other receivables totaling $1,761 and $2,325, respectively, and accounts payable with Lacoop, A.C. and Lacoop II, S.C. totaling $(508) and nil, 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, 2020:					
Deducted from assets accounts:					
Allowance for doubtful accounts (iii)	$ 23,076	$ 937	$ (22,929)	$ (141)	$ 943
Valuation allowance on deferred tax assets	194,426	65,077	(18,870)	(5,437)	235,196
Reported as liabilities:					
Provision for contingencies	26,158	17,391	(11,920)	(4,681)	26,948
Total	**$ 243,660**	**$ 83,405**	**$ (53,719)**	**$ (10,259)**	**$ 263,087**
Year ended December 31, 2019:					
Deducted from assets accounts:					
Allowance for doubtful accounts (iii)	$ 25,539	$ 8,524	$ (10,892)	$ (95)	$ 23,076
Valuation allowance on deferred tax assets	219,920	2,375	(26,252)	(1,617)	194,426
Reported as liabilities:					
Provision for contingencies	28,509	17,795	(17,768)	(2,378)	26,158
Total	**$ 273,968**	**$ 28,694**	**$ (54,912)**	**$ (4,090)**	**$ 243,660**
Year ended December 31, 2018:					
Deducted from assets accounts:					
Allowance for doubtful accounts (iii)	$ 21,467	$ 6,064	$ (1,860)	$ (132)	$ 25,539
Valuation allowance on deferred tax assets	271,651	13,107	(37,718)	(27,120)	219,920
Reported as liabilities:					
Provision for contingencies	27,956	25,838	(19,702)	(5,583)	28,509
Total	**$ 321,074**	**$ 45,009**	**$ (59,280)**	**$ (32,835)**	**$ 273,968**

(i) Additions in valuation allowance on deferred tax assets are charged to income tax expense.

26. Valuation and qualifying accounts (continued)

Additions in provision for contingencies are explained as follows:

Fiscal years 2020, 2019 and 2018 – Relate to the accrual of $15,330, $17,441 and $23,995, respectively, and a reclassification of $2,061 and $354, during fiscal years 2020 and 2019, 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 amounting to $11,920; $17,768 and $19,702 during fiscal years 2020, 2019 and 2018, respectively. as discussed in Note 18.

Deductions in allowance for doubtful accounts during fiscal years 2020 and 2019 mainly relate to reductions in the accrual and the write-off of some receivables from franchisees in Puerto Rico as a consequence of the confidential settlement agreements reached in December 2020 and March 2021 with Puerto Rican franchisees. For details see note 18.

(iii) Presented in the consolidated balance sheet as follow: $585 and $22,442 at December 31, 2020 and 2019, respectively, within Accounts and notes receivable, net and $358 and $634 at December 31, 2020 and 2019, respectively, within Other receivables.

Exhibit 4.22

May 2, 2011

To:
Itaú Unibanco S.A. New York Branch
767 Fifth Avenue – 50th Floor
New York, NY 10153 USA
Attn.: Mr. Borhan Siddiqui

CONTINUING STANDBY LETTER OF CREDIT AGREEMENT

Dear Sir or Madam:

In consideration of the issuance by you, Itaú Unibanco S.A. New York Branch (the "Bank"), in your sole discretion, of an irrevocable standby letter of credit in order to secure any and all obligations of the undersigned, Arcos Dorados B.V. (the "Applicant", "us" or "we") to McDonald's Latin America, LLC (the "Beneficiary") arising upon the occurrence of any of the events expressly set forth under Section 7.9.2 of the Amended and Restated Master Franchise Agreement for McDonald's Restaurants among McDonald's Latin America, LLC, LatAm, LLC, the subsidiaries listed in Exhibit I thereto, Arcos Dorados Holdings Inc., Arcos Dorados Cooperatieve U.A., Arcos Dorados B.V. and Los Laureles Ltd., dated as of November 10, 2008 (the "Master Franchise Agreement" and the "Underlying Obligations", respectively), substantially in accordance with the terms and conditions provided by the Applicant in the application, duly executed by authorized signatories of the Applicant in the form of Exhibit A hereto (the "Application" and the irrevocable standby letter of credit issued in accordance with such conditions, the "Credit"), we hereby unconditionally agree with the terms and conditions of this Continuing Standby Letter of Credit Agreement (the "Agreement") with respect to the Credit. We understand and agree that you do not have an obligation to issue the Credit upon receipt of an Application.

1. Reimbursement

As to drafts, demands or drawings under the Credit which arc payable in United States currency, we agree to reimburse you, within 2 Business Days following our receipt of notice of such drafts, at your office in immediately available funds, the amount due on such draft. All amounts due to you, from us, shall be paid at account # 400-945-207 with JP MORGAN CHASE Bank, New York, New York, in favor of Itaú Unibanco S.A. New York Branch, 767 Fifth Avenue – 50th Floor, New York, NY 10153, USA (or at such other address or pursuant to such other payment instructions you notify to us in writing), without defense, set-off, cross-claim or counterclaim of any kind and free and clear of all present and future taxes, levies, imposts, deductions, charges and withholdings whatsoever.

2. Fees and Expenses

We agree to pay you free and clear of all present and future taxes, levies, imposts, deductions, charges and withholdings whatsoever, in respect of the Credit, the commission set forth in the Application (the "Fee") on the payment date(s) specified in such Application, and all reasonable charges and expenses of every kind (including legal services) paid or incurred by you or your correspondents (A) in connection with the Credit, including costs of reserve requirements, if any, and (B) relating to the enforcement of your rights hereunder and claims or demands by you against us (including, without limitation, reasonable attorney's fees) within 2 Business Days following our receipt of notice of such expenses. Additionally, if the Credit has to be re-issued due to the original Credit having been lost, stolen, mutilated or destroyed, the Applicant shall pay to you, as a condition precedent for the re-issuance of the Credit, an additional fee of 1% of the Fee.

The Fee shall be increased in accordance with the following conditions (it being understood, for the avoidance of doubt, that the amount of any such increase shall be payable on the payment date(s) following the delivery of written notice of such increase by you):

(a) if the Leverage Ratio calculated pursuant to our quarterly and/or annually consolidated financial statements is greater than 3.5:1.0, then, commencing on the date of such delivery until the delivery of succeeding financial statements with a Leverage Ratio equal to or less than 3.5:1.0, the Fee shall be increased automatically as set forth below:

Leverage Ratio	**Fee**
Greater than 3.5:1.0 but less than or equal to 3.75:1.0	Fee increased by 0.25% per annum
Greater than 3.75:1.0 but less than or equal to 4.00:1.0	Fee increased by 0.50% per annum
Greater than 4.00:1.0 but less than or equal to 4.50:1.0	Fee increased by 1.00% per annum
Greater than 4.50:1.0 but less than or equal to 5.00:1.0	Fee increased by 1.50% per annum
Greater than 5.00:1.00	Fee increased by 2.00% per annum

In this provision, the following capitalized terms shall have the respective meanings assigned below:

"Adjusted Consolidated EBITDA" shall mean, with respect to the Applicant and its subsidiaries on a consolidated basis for any period, Consolidated Net Income of the Applicant and its subsidiaries for such period plus (a) the sum of (in each case without duplication and to the extent the respective amounts described in subclauses (i) through (vii) of this clause (a) reduced such Consolidated Net Income for the respective period for which Adjusted Consolidated EBITDA is being determined):

(i) Consolidated Net Interest Expense of the Applicant and its subsidiaries for such period;

(ii) provision for taxes based on income, profits or capital of the Applicant and its subsidiaries for such period;

(iii) depreciation and amortization expense of the Applicant and its subsidiaries for such period;

(iv) restructuring charges or reserves (including restructuring costs related to acquisitions after the date hereof and to closure/consolidation of facilities and any fees payable in connection with any franchise disputes);

(v) any other non-operating and/or non-recurring charges, expenses or losses of the Applicant and its subsidiaries for such period;

(vi) any deductions attributable to minority interests;

(vii) the amount of fees and expenses paid in connection with this Agreement by the Applicant and its subsidiaries for such period;

minus (b) (in each case without duplication and to the extent the respective amounts described in this clause (b) increased such Consolidated Net Income for the respective period for which Adjusted Consolidated EBITDA is being determined) non-operating and/or non-recurring income or gains (less all fees and expenses related thereto) increasing Consolidated Net Income of the Applicant and the subsidiaries for such period.

"Capitalized Lease Obligations" shall mean, all rental obligations of the Applicant and its subsidiaries which, under U.S. GAAP, are or will be required to be capitalized on the books of the Applicant, in each case taken at the amount thereof accounted for as indebtedness in accordance with such principles.

"Consolidated Indebtedness" shall mean, at any time, the sum of (without duplication) (i) all Indebtedness of the Applicant and its subsidiaries (on a consolidated basis) as would be required to be reflected as debt or Capitalized Lease Obligations on the liability side of a consolidated balance sheet of the Applicant and its subsidiaries in accordance with U.S. GAAP, (ii) all Indebtedness of the Applicant and its subsidiaries of the type described in clauses (ii), (vii) and (viii) of the definition of Indebtedness and (iii) all Contingent Obligations of the Applicant and its subsidiaries in respect of Indebtedness of any third person of the type referred to in preceding clauses (i) and (ii); provided that (x) the aggregate amount available to be drawn (i.e., unfunded amounts) under all letters of credit, bankers' acceptances, bank guaranties, surety bonds and similar obligations issued for the account of the Applicant or any of its subsidiaries (but excluding, for avoidance of doubt, all unpaid drawings or other matured monetary obligations owing in respect of such letters of credit, bankers' acceptances, bank guaranties, surety bonds and similar obligations) shall not be included in any determination of "Consolidated Indebtedness" and (y) the amount of Indebtedness in respect of the Interest Rate Protection Agreements and Other Hedging Agreements shall be at any time the unrealized net loss position, if any, of the Applicant and/or its subsidiaries thereunder on a marked-to-market basis determined no more than one month prior to such time.

"Consolidated Interest Expense" shall mean, for any period, with respect to any Person and its consolidated subsidiaries, total interest expense, whether paid or accrued (including, without limitation, (i) the interest component of Capitalized Lease Obligations and Synthetic Lease obligations and (ii) the "deemed interest expense" (i.e., the interest expense which would have been applicable if the respective obligations were structured as on-balance sheet financing arrangements) with respect to Off Balance Sheet Liabilities (to the extent same does not arise from a financing arrangement constituting an operating lease)), including, without limitation, all commissions, discounts and other fees and charges owed with respect to letters of credit and amortization of discount, all as determined in accordance with U.S. GAAP.

"Consolidated Interest Income" shall mean, for any period, with respect to any Person and its consolidated subsidiaries, total interest income, whether paid or accrued, all as determined in accordance with U.S. GAAP.

"Consolidated Net Income" shall mean, for any period, the aggregate of the Net Income of the Applicant and its consolidated subsidiaries for such period, provided however, that

(i) any net after-tax extraordinary, special (to the reflected as a separate line item on a consolidated income statement prepared in accordance with U.S. GAAP on a basis consistent with historical practices) or non-recurring gain or loss (less all fees and expenses relating thereto) or income or expense or charge including, without limitation, any severance expense, and fees, expenses or charges related to any offering of Equity Interests of the Applicant, in each case shall be excluded;

(ii) any net after-tax income or loss from discontinued operations and any net after-tax gain or loss on disposal of discontinued operations shall be excluded; and

(iii) any net after-tax gain or loss (less all fees and expenses or charges relating thereto) attributable to business dispositions or asset dispositions other than in the ordinary course of business (as determined in good faith by the board of directors of the Applicant) shall be excluded. "Consolidated Net Interest Expense" shall mean for any period, the difference between (i) the sum, without duplication, of (x) Consolidated Interest Expense and (y) to the extent consisting of any net loss, any net losses resulting from Interest Rate Protection Agreements or Other Hedging Agreements entered into in the ordinary course of business to the extent that the nominal amount of the related Interest Rate Protection Agreement or Other Hedging Agreements does not exceed the principal amount of the related obligation hedged thereby and (ii) the sum of (x) the Consolidated Interest Income of the Applicant and its subsidiaries during such period and (y) to the extent consisting of a net gain, any net gains resulting from any net losses resulting from Interest Rate Protection Agreements or Other Hedging Agreements entered into in the ordinary course of business to the extent that the nominal amount of the related Interest Rate Protection Agreement or Other Hedging Agreements does not exceed the principal amount of the related obligation hedged thereby, all as determined in accordance with U.S. GAAP.

"Contingent Obligation" shall mean, any obligation of the Applicant and its subsidiaries, as a result of such Person being a general partner of any other Person, unless the underlying obligation is expressly made non-recourse as to such general partner, and any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefore, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation 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 by such Person in good faith.

"Equity Interests" of any Person shall mean any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interest in (however designated) equity of such Person, including, without limitation, any common stock, preferred stock, any limited or general partnership interest and any limited liability company membership interest.

“Governmental Authority” shall mean the government of the United States of America, any other nation or any political subdivision thereof, whether state, provincial 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.

“Indebtedness” shall mean, as to any Person, without duplication, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (ii) the maximum amount available to be drawn or paid under all letters of credit, bankers’ acceptances, bank guaranties, surety and appeal bonds and similar obligations issued for the account of such Person and all unpaid drawings and unreimbursed payments in respect of such letters of credit, bankers’ acceptances, bank guaranties, surety and appeal bonds and similar obligations, (iii) all indebtedness of the types described in clause (i), (ii), (iv), (v), (vi), (vii) or (viii) of this definition secured by any lien on any property owned by such Person, whether or not such indebtedness has been assumed by such Person (provided that, if the Person has not assumed or otherwise become liable in respect of such indebtedness, such indebtedness shall be deemed to be in an amount equal to the fair market value of the property to which such lien relates), (iv) all Capitalized Lease Obligations of such Person, (v) all obligations of such Person to pay a specified purchase price for goods or services, whether or not delivered or accepted, i.e., take-or-pay and similar obligations, (vi) all Contingent Obligations of such Person, (vii) all obligations under any Interest Rate Protection Agreement, any Other Hedging Agreement or under any similar type of agreement and (viii) all Off-Balance Sheet Liabilities of such Person. The Indebtedness of any Person shall include the Indebtedness of any other entity (including, without limitation, any partnership in which such Person is a general partner) to the extent such Person is directly liable therefor as a result of such Person’s ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor. Notwithstanding the foregoing, Indebtedness shall not include trade payables, accrued expenses and deferred tax and other credits or liabilities incurred by any Person in accordance with customary practices and in the ordinary course of business of such Person. For the avoidance of doubt, references herein to the principal amount of Indebtedness of any Person of the type referred to in clause (vii) above shall include the amount payable upon early termination of such Indebtedness.

“Interest Rate Protection Agreement” shall mean any interest rate swap agreement, interest rate cap agreement, interest collar agreement, interest rate hedging agreement or other similar agreement or arrangement.

“Leverage Ratio” means, as of the last day of any Leverage Ratio Test Period, the ratio of (i) Consolidated Indebtedness on such date to (ii) Adjusted Consolidated EBITDA for such Leverage Ratio Test Period.

“Leverage Ratio Test Period” means a period of four consecutive fiscal quarters of the Applicant (taken as one accounting period for which financial statements have been or are required to be delivered pursuant to Section 8(i)), provided that (i) no Leverage Ratio Test Period shall commence prior to October 1, 2010, and each Leverage Ratio Test Period ending on or prior to September 30, 2010, shall commence on October 1, 2010, and (ii) the results for each Leverage Ratio Test Period ending on or prior to June 30, 2011, shall be adjusted to obtain a result comparable to a result for four full fiscal quarters as follows: (x) any income statement items used in calculations for the Leverage Ratio Test Period ending December 31, 2010, shall be multiplied by four; (y) any income statement items used in calculations for the Leverage Ratio Test Period ending March 31, 2011, shall be multiplied by two; and (z) any income statement items used in calculations for the Leverage Ratio Test Period ending June 30, 2011, shall be multiplied by four-thirds.

“Net Income” shall mean, with respect to any Person, the net income (loss) of such Person, determined in accordance with U.S. GAAP.

“Off-Balance Sheet Liabilities” shall mean, with respect to any Person and its consolidated subsidiaries as of any date of determination, without duplication and to the extent not included as a liability on the consolidated balance sheet of such Person in accordance with U.S. GAAP: (a) with respect to any asset securitization transaction (including, without limitation, any accounts receivable purchase facility) (i) the unrecovered investment of purchasers or transferees of assets so transferred; and (ii) any other payment, recourse, repurchase, hold harmless, indemnity or similar obligation of such Person or any of its subsidiaries in respect of assets transferred or payments made in respect thereof, other than limited recourse provisions that are customary for transactions of such type and that neither (x) have the effect of limiting the loss or credit risk of such purchasers or transferees with respect to payment or performance by the obligors of the assets so transferred; nor (y) impair the characterization of the transaction as a true sale under applicable laws (including, without limitation, applicable bankruptcy laws); (b) the monetary obligations under any Synthetic Lease; (c) the monetary obligations under any sale and leaseback transaction which does not create a liability on the consolidated balance sheet of such Person and such subsidiaries; or (d) any other monetary obligation arising with respect to any other transaction which (i) upon the application of any applicable law to such Person or any of such subsidiaries, would be characterized as indebtedness; or (ii) is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the consolidated balance sheet of such Person and such subsidiaries (for purposes of this clause (d), any transaction structured to provide tax deductibility as interest expense of any dividend, coupon or other periodic payment will be deemed to be the functional equivalent of a borrowing).

"Other Hedging Agreements" shall mean any foreign exchange contracts, currency swap agreements, commodity agreements or other similar arrangements, or arrangements designed to protect against fluctuations in currency values or commodity prices.

"Person" shall mean any individual, partnership, joint venture, firm, corporation, association, limited liability company, trust or other enterprise or any Governmental Authority.

"Synthetic Lease" shall mean any financing lease or so-called "synthetic," tax retention or off-balance sheet lease transaction which, upon the application of any applicable law to such Person or any of such subsidiaries, would be characterized as indebtedness.

(b) upon the occurrence and during the continuance of an Event of Default (other than an Event of Default under Section 9(B) hereto arising from a default in respect of Section 8(xiv)) the Fee shall be increased automatically by 1.00% per annum (for the avoidance of doubt, an Event of Default shall not be deemed to have occurred hereunder until the relevant cure period shall have expired); and

(c) upon the occurrence and during the continuance of any default by us in the performance of any of the covenants set forth in Section 8 clauses (i)(a), (i) (b), (v), (vi) or (vii) (that shall continue to be unremedied for a period of 30 days from the occurrence of such default), the Fee shall be increased automatically by 0.50% per annum, provided that (a) if such event results from a default in the performance of any covenant set forth in Section 8 clauses (i)(a) or (i)(b) and it has not been cured within 60 days after it first occurred, the Fee shall be increased automatically by 0.75% per annum, and (b) if such event results from a default in the performance of any covenant under Section 8 clauses (i)(a) or (i)(b) and it has not been cured within 90 days after it first occurred, the Fee shall be increased automatically by 1.00% per annum.

Provided that, notwithstanding anything to the contrary set forth in the foregoing, in no event shall the Fee at any time exceed more than 2.00% per annum the level stated in the Application.

For purposes of the foregoing, (i) the Leverage Ratio shall be determined as of the end of each fiscal quarter of the Applicant's fiscal year, based upon the financial statements in respect of such period, and (ii) each change in the Fee resulting from a change in the Leverage Ratio shall be effective during the period commencing on and including the date of delivery to the Bank of the financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change.

The Fee shall be due notwithstanding any cancellation of the Credit prior to the scheduled expiry date thereof. In such case, you shall not be required to return any amounts to the Applicant.

3. Interest

From the date of payment of any draft, demand or drawing under the Credit by you to the Beneficiary, and until complete payment by us to you of any amounts due hereunder, if any amount, including without limitation principal, interest, fees, premiums, expenses or any other amount, is not paid when due (whether at maturity, by acceleration or otherwise), we agree to pay you interest per annum at a rate equal to the Libor for 180 day period, as it may change from time to time, plus 3.00% covering the period commencing on the day of your payment and ending on the day you receive our payment, computed on the basis of actual number of days elapsed over a 360-day year.

4. Acceptance

You may accept or pay any draft, document or other written or electronic demand for payment under the Credit, even if such demand is not in the form of a negotiable instrument, appearing on its face to substantially comply with the terms and conditions of the Credit and be signed or presented by the appropriate person, including, if any, the beneficiary's successors or any other person required by the Credit. You do not have a duty to grant our waivers of discrepancies, nor to seek waivers of discrepancies from us. You may honor (and shall be entitled to reimbursement plus interest, if any) a previously dishonored presentation under a Credit, whether pursuant to court order, to settle or compromise any claim that it was wrongfully dishonored or otherwise. You do not have a duty to extend the term of a Credit or issue a replacement Credit. None of these circumstances shall cause you or any of your affiliates or correspondents to be liable to us. You do not have any duty to notify us of your receipt of a demand presented under a Credit or of your decision to honor such demand, but you will notify us in case you decide not to honor a demand, within l (one) Business Day from such decision.

Additionally, due to the nature of the Credit, and regardless of any language included therein (or any interpretation thereof that could be made in that respect), you shall have no obligation or responsibility for (i) the verification of actual occurrence of any event regarding the Underlying Obligations, (ii) the verification of the actual default by the Applicant of any of the Underlying Obligations and/or (iii) due diligence over the documentation detailed in the Credit (other than verifying that the Sight Draft and the Drawing Certificate – as defined in the Credit – conform with the forms attached to the

Credit and all blanks thereto have been completed). In this respect, any declaration or statement of the Beneficiary (including the character of the "Authorized Officers" as defined in the Credit) shall be deemed as valid and undisputable under the Credit, without any duty of verification or due diligence whatsoever on your part.

Also, since the Credit creates a first demand payment obligation, any payment made by you to the Beneficiary shall be at all times regarded as valid and duly made in your respect. Any further claims shall be brought between the Beneficiary and us, it being understood that you will have duly complied with your duties under the Credit by delivering prompt payment to the Beneficiary.

5. Obligations

Our obligations under this Agreement (the "Obligations") shall be unqualified, absolute, unconditional, irrevocable and payable in the manner and method provided herein, irrespective of:

(a) any action taken or not taken or suffered by you or any of your correspondents or affiliates, if done in "good faith" as defined in Article 5 of the New York Uniform Commercial Code, in connection with any Credit or related drafts, documents or property,

(b) any lack of validity or enforceability of any document, instrument or agreement relating to the Underlying Obligations;

(c) any amendment or waiver of or any consent to departure from all or any of the provisions of any document, instrument or agreement relating to the Underlying Obligations;

(d) the existence of any claim, setoff, defense or other right which we or you may have at any time against the Beneficiary, against you or any other person or entity, whether in connection with this agreement or any document, instrument or agreement relating to the Underlying Obligations;

(e) any statement, draft or any other document presented under the Credit or in connection therewith proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(f) payment by you under the Credit against presentation of a demand or certificate that does not comply with the terms of such Credit, provided that neither your determination that documents presented under such Credit comply with the terms thereof, nor such payment, shall have constituted gross negligence or willful misconduct of your part, or failure to comply with the relevant standard of care prescribed by the Uniform Commercial Code; and

(g) any other act or omission to act or delay of any kind by you or any other person or any other event or circumstance whatsoever that might, but the provisions of this section, constitute a legal or equitable discharge or defense to our obligations hereunder.

We acknowledge that your rights and obligations under the Credit are independent of the existence, performance or nonperformance of any contract or arrangement underlying the Credit entered into between us and any other party other than you and that the Credit issued under this Agreement shall be irrevocable. Your responsibility concerning the payment in respect to the Underlying Obligations will not exceed the limit of Credit set forth in the Application.

Payment under certain earlier stand by letter of credit; as here declared by us, Credit Suisse has issued the Irrevocable Standby Letter of Credit, dated as of November 10, 2008, between Credit Suisse and McDonald's Latin America, LLC (the "CS SBLC") in similar terms as the Credit to be issued by you. To the extent the CS SBLC is then in effect we agree we shall use our commercially reasonable best efforts to cause the Beneficiary to make demands for drawings under the CS SBLC prior to any demands for drawings under the Credit.

6. Indemnification and Limitation on Liability

Unless otherwise provided herein, you may, without incurring any liability or impairing your entitlement to reimbursement under this Agreement, honor a Credit despite notice from us of, and without any duty to inquire into, any defense to payment or any adverse claims or other rights against the Beneficiary or any other person. You will not be regarded as the drafter of the Credit, even if you assisted in preparing the text of a Credit or amendments thereto. You will not be liable for any consequential or special damages, or for damages resulting from fluctuations in the value of foreign currency, goods, services or other property covered by a Credit.

We will indemnify and hold you, your correspondents and your officers, directors, affiliates, employees, attorneys and agents (collectively, the "Indemnitees") harmless from and against any and all claims, liabilities, losses, damages, costs and expenses, including reasonable attorney's fees and disbursements, other dispute resolution expenses and costs of collection that arise out of or in connection with: (A) the issuance of the Credit, (B) any payment, acceptance or action taken or not taken, (C) the enforcement of this Agreement or (D) any act or omission, whether rightful or wrongful, of any present or future *de jure or de facto* governmental authority or any other cause beyond your control or the control of your correspondents or agents, except with respect to clauses (A) to (C) above to the extent a court of competent jurisdiction finds, in a final, non-appealable judgment, that it resulted from such Indemnitees' gross negligence or willful misconduct. We will pay within 2 Business Days after the Applicant's receipt of notice of such due, all amounts owing under this Section.

Neither you nor your correspondents shall assume any liability to anyone for failure to pay or to accept a demand under the Credit if such failure is due to any applicable legal or regulatory restriction in force at the time and place of presentment. Unless otherwise provided herein, neither you nor your correspondents shall be responsible for (A) verifying the existence of any act, condition or statement made by any party in relation to their drawing or presentment under the Credit or in verifying or passing judgment on the reasonableness of any statement made by any party in relation to their drawing or presentment under the Credit or requesting or requiring the presentation of any document, including a default certificate, not required under the terms and conditions of the Credit, (B) the identity or authority of any signer or the form, validity, sufficiency, accuracy, legal effect or genuineness of documents presented under the Credit, including documents relating to transfer or assignment of rights under the Credit, if such documents on their face appear to comply with the terms of the Credit, even if such documents should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged, (C) each Credit's effectiveness or suitability for our purpose, (D) any delay or failure to give any notice, (E) any breach of contract between the Beneficiary and ourselves, (F) any act or failure to act by the Beneficiary or the solvency of the Beneficiary, (G) the failure to arrive of any drafts or other documents which have been sent to you, (H) errors, omissions, interruptions or delays in transmission or delivery of any message, advice, document or proceeds in connection with the Credit, by mail, courier, cable, telegraph, wireless, telex or otherwise, or for errors in interpretation of technical terms or in translation, whether or not they be in cipher, and (I) any error, neglect or default, suspension or insolvency of any of the correspondents you have selected in your commercially reasonable discretion. None of the above shall affect, impair, or prevent the vesting of any of your rights or powers hereunder.

7. Consents and Approvals

We agree to promptly procure any licenses or certificates that you may reasonably consider to be necessary in connection with the execution of the contract, agreement or understanding underlying the Credit, and to provide you with any copies of documents, agreements or evidence and information, including financial information regarding the undersigned, as you may reasonably require or request from time to time.

8. Covenants

We shall, until any and all of our obligations hereunder are paid in full;

(a) furnish to you, either electronically or in hard copies, (a) within 120 days after the close of each fiscal year, our consolidated balance sheet and the related consolidated statements of income and retained earnings and statements of cash flows for such year, certified by an independent public accountant, prepared in accordance with U.S. GAAP and fairly present in all material respect our financial condition as of such date, and (b) within 90 days after the close of each quarterly accounting period, our consolidated balance sheet and the related consolidated statements of income and retained earnings and statements of cash flows for such quarterly accounting period, prepared in accordance with U.S. GAAP and fairly representing in all material respect our financial condition as of such date and (c) together with the information detailed in (a) and (b) above, as the case may be, a certified statement regarding level of the Leverage Ratio.

(b) promptly, and in any event within 3 Business Days after we deliver the same to the Beneficiary, furnish to you copies of all certificates that we may deliver to the Beneficiary, in accordance with Section 7.19 of the Master Franchise Agreement.

(c) promptly, and in any event within 3 Business Days after any of our authorized officers (or those of our subsidiaries) obtains knowledge thereof, furnish to you notice of (i) the occurrence of any event which constitutes and Event of Default; (ii) the occurrence of any Effective Termination or an automatic termination pursuant to Section 22.5 of the Master Franchise Agreement and the date of such occurrence, (iii) any notice of any claim pending or threatened in writing (a) against ourselves, our controlling or holding entities or any of our subsidiaries party to the Master Franchise Agreement, which could reasonably be expected to have a Material Adverse Effect (as defined below) or (b) with respect to this Agreement or the Master Franchise Agreement, which could reasonably be expected to result in the exercise of any remedies under, or termination of, this Agreement or the Master Franchise Agreement.

(d) promptly, and in any event within 3 Business Days after we deliver the same to the Beneficiary under the Master Franchise Agreement, furnish to you notice of any pending or threatened environmental claim against ourselves or our subsidiaries.

(e) use our commercially reasonable efforts to ensure we retain our material rights (and those of our affiliates) under the Master Franchise Agreement taken as a whole.

(f) do, and cause each of our subsidiaries to do, all things necessary to preserve and keep in full force and effect our (and their) existence and material rights, franchises, licenses, permits, copyrights, trademarks and patents, provided however, that nothing in this provision shall (a) prevent our or any of our subsidiaries withdrawal of its qualification as a foreign company in any jurisdiction if such withdrawal could not, either individually or in aggregate, reasonably be expected to have a Material Adverse Effect; or (b) require us or any of our subsidiaries to preserve or keep in full force and effect any right, franchises, license, permits, copyrights, trademarks or patents, if the failure to do so would not individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(g) comply, and will cause each of our subsidiaries to comply, with all applicable laws of, and all applicable restrictions imposed by all governmental authorities in respect of the conduct of our business and the ownership of our property, except such noncompliance as could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(h) keep proper books of record and accounts in which full, true and correct entries in accordance with applicable GAAP and all requirements of law shall be made of all dealings and transactions in relation to our business and activities.

(i) perform all of our obligations under the terms of each mortgage, indenture, security agreement, loan agreement or credit agreement and each other agreement, contract or instrument by which we are bound (including, without limitation (a) all obligations under the Master Franchise Agreement and any other document relating thereto and (b) all claims of materialmen or warehousemen which, if unpaid, might by operation of the law give rise to a lien) except to extent that the failure to perform such obligations (a) could not reasonably be expected to have a Material Adverse Effect or (b) with respect to the payment, observance or performance of any indebtedness (other than our obligations hereunder) would not give rise to an Event of Default.

(j) pay and discharge all taxes, assessments and governmental charges or levies imposed upon us or our profits or income, or upon any of our property and all lawful claims, provided that we shall not be required to pay any such tax, assessment, charge, levy or claim to the extent that (a) the validity or amount thereof is being contested in good faith by appropriate proceedings diligently pursued, (b) we have maintained on our books adequate reserves with respect thereto in accordance with the applicable GAAP and (c) the failure to make payment pending such contest would not reasonably be expected to result in a Material Adverse Effect.

(k) regarding ourselves and our subsidiaries, to (a) keep property necessary to our business and such of our subsidiaries in good working order and condition, ordinary wear and tear excepted, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) maintain with financially sound and reputable insurance companies insurance on all such property and against all such risks as is consistent and in accordance with industry practice for companies similarly situated owning similar properties and engaged in similar businesses as we or our subsidiaries, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(l) not permit ourselves or any or our subsidiaries, on a consolidated basis, to cease to be solvent at any time.

(m) not (a) cause or permit any direct or indirect transfer, in whole or in part, of the Master Franchise Agreement and (b) amend, modify, change or waive any term or provision of the Master Franchise Agreement without your consent, unless such amendment, modification, change or other action could not reasonably be expected to be adverse in any material respect to your interests (it being understood that any amendment, modification or waiver to the Master Franchise Agreement that makes the terms of such agreement less restrictive to, or burdensome on, the Applicant shall be deemed not adverse to your interests).

(n) not permit the Leverage Ratio for any period ending on the last day of a fiscal quarter to be greater than 4.0:1.0.

(o) not, without your prior consent, take or cause to be taken any action to make a "Debt Assumption Election" (as defined in the Master Franchise Agreement) under Section 21.6.2. of the Master Franchise Agreement.

For the purposes of this clause "Material Adverse Effect" shall be understood as any material adverse effect on (a) our business, condition (financial or otherwise), operations, performance or properties or those of our subsidiaries, or (b) the ability of us or any of our subsidiaries to perform its duties under any document, instrument or agreement related to the Underlying Obligations.

9. Outstanding Amount, Events of Default

The outstanding amount under the Credit shall be reduced by the amount of any drawing under it, until the reimbursement of such amount and all other amounts then due and payable for which reasonably-detailed written invoices have been delivered to us, in which case the outstanding amount shall be increased (but in no event exceeding the Total Amount, as defined in the Application) in the amount of the reimbursed amounts detailed above only after 5 days from the receipt of such funds, at your satisfaction. The obligation of increasing the outstanding amount under the Credit shall not be binding against you if one of the following events of default (each of these, an "Event of Default") shall, in your sole reasonable opinion, have occurred and be continuing:

(i) a default in the payment of any amount due and payable to you, your assigns or successors, Itaú Unibanco S.A. or its subsidiaries, affiliates, controlled, controlling entities or entities under common control with Itaú Unibanco S.A. under this Agreement);

(ii) a material violation or breach of any of the other terms and conditions of this Agreement (including without limitation, a default in the performance of any of the covenants set for in Section 8 above, other than Section 8 clauses (i)(a), (i)(b), (v), (vi) and (vii).

(iii) an Event of Default under the Applicant's 7.50% Senior Notes due 2019, as defined in the terms and conditions applicable to such notes;

(iv) in respect to the Guarantee Letter (as defined below) if upon the occurrence of any of the following: (i) the aggregate revenues from the Subsidiary Guarantor (as defined below) and any Additional Subsidiary Guarantor (as defined in the Guarantee Letter) represent at any time less than 50% of total consolidated EBITDA of the Applicant, measured quarterly over consolidated financial statements of the Applicant; or (ii) a Convertibility Event (as defined in the Guarantee Letter), or (iii) any other event, circumstance or fact that directly or indirectly prevents the Subsidiary Guarantor from complying with its obligations under the Guarantee Letter or under the Guaranteed Obligations (as defined in the Guarantee Letter), as applicable, in the same terms and conditions as agreed in the Guaranteed Obligations; and with respect to each of the foregoing clauses (i), (ii) or (iii) an additional subsidiary guarantor has not been added to the Guarantee Letter, in accordance with its terms;

(v) the filing by ourselves of a petition or answer or consent seeking relief under Title 11 of the United States Code, as now or hereafter in effect, or the initiation of a similar or comparable proceeding under any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by us to the institution of proceedings under such Title 11 or a similar or comparable proceeding under any such other law or to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) with respect to ourselves or any part of our property, or the making by us of any assignment for the benefit of creditors, or our failure to generally pay our debts as they become due, or the taking of corporate or other action to authorize any of the foregoing;

(vi) the entry of a decree or order by a court having jurisdiction for relief in respect of ourselves under Title 11 of the United States Code, as now or hereafter in effect, or any similar or comparable action of any court having jurisdiction under any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of ourselves or any part of our properties, or ordering the winding-up or the liquidation of our affairs;

(vii) a proceeding or case shall be commenced, without the application or consent on our part in any court of competent jurisdiction, seeking (a) our liquidation, dissolution, arrangement or winding-up, or the composition or readjustment or our debts, (b) the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of ourselves or any part of our properties or our assets; or (c) similar relief in respect to ourselves under any law relating to bankruptcy, insolvency, winding-up, or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or any order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 45 days;

(viii) any material provision of the Agreement shall for any reason cease to be valid and binding on us or we shall so state in writing;

(ix) it is or will reasonably expected to become unlawful for us to perform or comply with any one or more of our material obligations under the Agreement;

(x) the occurrence and continuance of a Material Breach (as such term is defined in the Master Franchise Agreement) under the Master Franchise Agreement, which Material Breach shall continue for 90 days from the date such Material Breach first occurred and shall not have been waived;

(xi) the failure by the Master Franchisee (as such term is defined in the Master Franchise Agreement) to comply with any of its obligations under Section 7.20 of the Master Franchise Agreement; or

(xii) the occurrence of any of the above events to any person or entity that guarantees any of our obligations under this Agreement (including without limitation, the issuer of the Guarantee Letter),

Upon the occurrence of an Event of Default, you shall have the right to send to us a notice of Event of Default as detailed in the Credit. As long as the Event of Default is still continuing, there shall be no obligation on your part to increase the outstanding amount under the Credit.

10. Remedies

We agree that if at any time or from time to time you shall retain an attorney for the enforcement or protection of your rights hereunder, then upon each such retention, said reasonable attorney's fees will be immediately due and owing by us.

11. Amendments and Modifications

We agree that this Agreement shall be binding on us with respect to any extension of the maturity or time for presentment of drafts, or documents, any increase in the amount of the Credit or any other modification of the terms of any Credits, made at our request or with our consent. Our Obligations shall not be reduced or impaired in any way by any agreement you and the Beneficiary may make to extend your time to honor drafts or to give notice of discrepancies.

12. Waiver

You shall not be deemed to have any of your rights waived hereunder unless you or your authorized agent shall have signed such waiver in writing. No failure on your part to exercise and no delay in exercising any right, remedy or power hereunder shall operate as a waiver thereof nor shall any single or partial exercise by you of any right, remedy or power hereunder preclude any other or future exercise of any other right, remedy or power. We further agree that your rights, remedies, powers, security interests and liens hereunder shall continue unimpaired and that we shall be and remain obligated in accordance with the terms hereof notwithstanding the partial exercise by you of any right, remedy or power, at any time or times, or of any rights or interests therein, or any delay, extension of time, renewal, release, substitution or addition of parties, compromise or other indulgence granted by you, in reference to any of the Obligations, or any promissory note, draft, demand, document, bill of exchange or other instrument given in connection therewith, we hereby waive all notice of any delay, extension, release, substitution, renewal, compromise or other indulgence, and hereby consent to be bound as fully and effectually as if we had expressly agreed thereto in advance.

13. Successors and Assigns

The Obligations hereof shall continue in force, and apply, notwithstanding any change in our corporate structure, membership or ownership, and the Obligations hereof shall bind us and our representatives, successors and permitted assigns, and all rights, benefits and privileges hereby conferred on you shall be and hereby are extended to and conferred upon and may be enforced by your successors and assigns. Neither party may transfer or otherwise assign its rights and obligations hereunder, in whole or in part, without the consent of the other party hereto, except if an Event of Default has occurred under this Agreement and/or the Application, in which case you may freely transfer or otherwise assign your rights and obligations hereunder, without the need of prior notification or consent from us but with the prior written consent of the Beneficiary. However, you may grant participation in your rights and obligations hereunder without any prior notification or consent, provided that any such participation arrangement shall not in any way diminish your status or obligations under this Agreement or the Credit; *provided*, *further*, that we shall have no obligation to provide any notice or information pursuant to this Agreement to any person other than you and the terms and conditions applicable to us shall remain unchanged. You may disclose information pertaining to us, as it relates to this Agreement or the Credit, solely to actual or potential transferees, assignees affiliates or contractors provided that such parties agree to maintain the confidentiality of such information or as otherwise required by law.

14. Notice

Notices and demands under this Agreement shall be in writing, delivered by hand, courier, first class mail postage prepaid or registered mail and will be effective, if to you, when sent to your address appearing above, and if to us, when sent to our address appearing below with our signature, or any such other address as either party hereto may inform the other parties in writing. Notices to the Beneficiary shall be effective when sent to the address maintained in your records and we shall hold you harmless against any claim by the Beneficiary of non-receipt of any notice.

15. Promissory Note and Guarantee Letter, Representations and Warranties

The Applicant shall deliver to you (a) a promissory note evidencing its obligations hereunder (hereinafter referred to as "Promissory Note") issued by the Applicant in the form of Exhibit B hereto; and (b) a guarantee letter of May 2, 2011 (the "Subsidiary Guarantor") guarantying the full and punctual payment when due (whether at stated maturity, by acceleration or otherwise) of the Applicant's obligations and liabilities to you (whether such obligations and/or liabilities are presently due or will become due in the future, whether for principal, interest, fees, expenses, indemnification or otherwise) in respect of the Credit and this Agreement, including without limitation the Applicant's reimbursement obligations for payments made by you under the Credit (the "Guarantee Letter"). The failure of the Applicant to comply with any obligation to reimburse you for drawings under the Credit or with any obligation to pay the Fee, costs and/or taxes in respect to this Agreement, the Application or the Credit, when such amounts are due and payable, will entitle you to claim immediately the Promissory Note and/or the Guarantee Letter or resort any other remedies in order to receive payments in respect of the Credit, provided that you shall have the power to offset any of its credits hereunder with any credits or deposits the Applicant may have with you. For the avoidance of doubt, the right to offset any credits hereunder granted by the immediately preceding sentence shall not apply to any credits or deposits that any of the Applicant's affiliates or subsidiaries may have with you.

The Applicant represents and warrants that: (i) it has all necessary corporate or other power, authority and legal right to execute, deliver and perform its obligations under this Agreement and under the Promissory Note; (ii) the execution, delivery and performance by the Applicant of this Agreement and the Promissory Note have been duly authorized by all necessary action on the part of the Applicant; (iii) this Agreement, the Application and the Promissory Note have been duly executed and delivered by the Applicant, and constitute the Applicant's legal, valid and binding obligations, enforceable against the Applicant in accordance with their respective terms; and (iv) the obligations of the Applicant under the Agreement and under the Promissory Note do not require consent from any person pursuant to any applicable laws or, to the extent such consent is required, it has already been obtained, has not been revoked and is in full force and effect on the date hereof. The Applicant acknowledges that the Promissory Note is a condition precedent to you issuing the Credit in accordance with this Agreement.

16. Entire Agreement; Rights and Remedies Cumulative.

This Agreement constitutes the entire agreement between the parties concerning your issuance of the Credit for our account and supersedes all prior or simultaneous agreements. Each and every right, remedy and power hereby granted to you or allowed to you by law or other agreement shall be cumulative and not exclusive of any other and may be exercised by you from time to time.

17. Termination; Survival.

This is a continuing agreement and shall remain in effect until your receipt of our written notice of termination. Termination of this Agreement shall not release us from any existing liability for our Obligations, or resulting from or relating to the Credit.

It is expressly understood you shall be released from your obligations under the Credit upon occurrence of the earliest to occur of any of the expiry dates provided therein, but only to the extent that the Beneficiary has not presented to you before such date any proper demand for payment under the Credit which remains to be paid to the Beneficiary.

18. Defined terms; Interpretation; Severability.

The term "Application" as used in this Agreement means a written and signed application substantially in the form of Exhibit A attached hereto that we deliver to you or such other writing that we deliver to you with sufficient information to enable you to prepare and issue or amend a Credit for our account. The term "Business Day" as used in this Agreement means any day other than (a) a Saturday or Sunday or (b) a day on which commercial banks are required or authorized by law or by local proclamation to close in the city or cities specified herein or if no city is so specified, in New York City and in São Paulo. The word "property" as used in this Agreement includes cash proceeds, deposit accounts, goods and documents relative thereto, securities, funds, and any and all other forms of property, whether real, personal or mixed and any right or interest therein.

Headings are included only for convenience. The term “including” means “including without limitation”. If any provision of this Agreement is held illegal or unenforceable, the validity of the remaining provisions shall not be affected. Delivery of a signed signature page to this Agreement via fax shall be as effective as physical delivery of the signed original counterpart.

19. Governing Law; Service of Process; Waivers.

Each Credit shall be subject to the International Standby Practices 1998, International Chamber of Commerce (ICC) Publication 590 (ISP 98) in effect at the same time of the issuance of such Credit. This Agreement and the rights and obligations of all parties hereto shall be governed by the laws of the State of New York and applicable United States federal laws. The provisions herein are supplemental to, and not in substitution of the ISP 98 to the extent consistent with (and not in limitation of) the provisions of this Agreement.

We irrevocably submit to the non-exclusive jurisdiction of any state or federal court sitting in New York, New York and irrevocably waive any objection to venue or claim of inconvenience to such courts. We agree not to bring any action in connection herewith in any jurisdiction outside of New York, New York. We irrevocably consent to service of process by sending copies of such process to our notice address indicated near our signature below. Final judgment against us in any action or proceeding shall be enforceable against us in other jurisdictions in accordance with applicable law. We irrevocably waive any immunities from jurisdiction of any court or legal process that we (or our property) may now have or later acquire with respect to our Obligations.

WE, THE APPLICANT, AND YOU, EACH IRREVOCABLY WAIVE OUR RIGHTS TO A JURY TRIAL OF ANY CLAIM, COUNTERCLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE CREDIT OR ANY DEALINGS WITH ONE ANOTHER RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT.

Very truly yours,

Arcos Dorados B.V. (the “Applicant”)

By: /s/ Diego Pace

Corporate Finance Director

Itaú Unibanco S.A. and its branches, affiliates and subsidiaries offer financial services worldwide to a broad range of customers. Applicants acknowledge and accept that Itaú Unibanco S.A. or any of its branches, affiliates or subsidiaries may perform more than one role in relation to a certain Credit, including to advise the Credit.

For Bank Use Only

Itaú Unibanco S.A. New York Branch approval section

Signature /s/ Claudia Lopes
Claudia Lopes
Deputy General Manager

Signature /s/ Caio Kac
Caio Kac Sr Treasury & Business Development Officer

Exhibit A
Application for Standby Letter of Credit

Itaú Unibanco S.A. New York Branch
Attention: Operations Department

Applicant Name: Address:	Expiry Date (drafts must be presented on or before this date):
Advising Bank Name: Address:	Total Amount (the “Total Amount”):
Beneficiary: Name: Address:	Letter of Credit No. Date:

This Application is for the issuance of standby letter of credit so as to secure any and all obligations of the undersigned, Arcos Dorados B.V. (the “Applicant”) to McDonald’s Latin America, LLC (the “Beneficiary”) arising upon the occurrence of any of the events expressly set forth under Section 7.9.2 of the Master Franchise Agreement for McDonald’s Restaurants among McDonald’s Latin America, LLC, LatAm, LLC, the subsidiaries listed in Exhibit I thereto, Arcos Dorados Limited, Arcos Dorados Cooperatieve U.A., Arcos Dorados B.V. and Los Laureles Ltd., dated as of August 3, 2007 (the “Underlying Obligations”), substantially in the form of Exhibit I hereto (the “Credit”). and under and subject to the terms and conditions of the Continuing Standby Letter of Credit Agreement dated _______________, (the “Agreement”) to be available by sight payment with Itaú Unibanco S.A. New York Branch against presentation of (select all that apply):

_____1. A demand conforming with the requirements specified in the attached form of Standby Letter of Credit.

_____2. Additional terms and conditions:____ ______________________ (*if necessary, attach signed addendum to this Application*).

The Applicant shall pay Itaú Unibanco S.A. New York Branch on each anniversary from the date hereof a commission of 3.5% per annum (computed on the basis of actual number of days elapsed over a 360-day year), in advance, calculated over the Total Amount, even if at the due date of payment the outstanding amount under the Credit is less than such Total Amount (the “Fee”). Such Fee shall be paid on __________________________________ (*insert payment date*) together with the amounts corresponding to any applicable withholding tax.

The Credit shall be transmitted by SWIFT. All banking charges are for the account of the Applicant.

In consideration of the establishment of the Credit substantially as applied for herein, we have read the Agreement and agree that its terms and conditions are made a part of this Application and are hereby accepted by us.

Applicant's Name:	Applicant Address:
Date:	Date:

Applicant may submit an executed copy of this Application in original form to Itaú Unibanco S.A. New York Branch, 767 Fifth Avenue – 50th Floor, New York, NY 10153, USA and Applicant will be bound by such given instructions.

EXHIBIT B

Form of The **PROMISSORY NOTE**

Amount: US$______________
_______(*Date*)_____

FOR VALUE RECEIVED, the undersigned, ________________, a corporation organized and existing under the laws of [_____], registered under[_____] of the Registrar Office of [_____], with its principal offices located at ____ (the "Borrower"), **HEREBY IRREVOCABLY AND UNCONDITIONALLY PROMISES TO PAY AT SIGHT ("*A LA VISTA*")** to the order of **ITAÚ UNIBANCO S.A. New York Branch** (the "Lender"), the principal sum equal to the aggregate due and unpaid amount at any time regarding (i) the reimbursement of any drawings made under the Credit pursuant to Section 1 of the Agreement (as defined below) and (ii) the Fee, expenses and taxes pursuant to Section 2 of the Agreement. The Borrower also promises to pay interest on the outstanding principal amount hereof at the rates and payable at such times as are specified in the Agreement. Wherever used in this Promissory Note, unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Agreement.

Both principal and interest hereunder are payable in lawful money of the United States of America without setoff or counterclaim (in immediately available U.S. Dollars) to the Lender, no later than 12:00 noon (New York City time) at its Account Number: [ ], in favor of ITAÚ UNIBANCO S.A. New York Branch, free and clear of, and without deduction for, any and all present and future taxes, levies, imposts, deductions, charges and withholdings whatsoever.

In the event the principal amount of this Promissory Note is not paid in full when due, such unpaid principal amount shall carry interest from the due date thereof until the date payment is received by the holder hereof (after as well as before judgment)) at the rate per annum specified in the Agreement.

The Borrower hereby waives all requirements as to diligence, presentment, demand of payment, protest and notice of any kind with respect to this Note. The failure of any holder of this Promissory Note to exercise any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

This Promissory Note is the Promissory Note referred to in the "CONTINUING STAND BY LETTER OF A CREDIT AGREEMENT" (the "Agreement"), dated as of [ ], signed by, which among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain stated events therein specified.

This Promissory Note shall be governed by and construed in accordance with the laws of the State of New York, United States of America, as specified in the Agreement.

In respect to the enforcement of this Promissory Note (as well as regarding any acts or procedures related to such enforcement) the Borrower irrevocable submits to the competence and jurisdiction of the state and federal courts sitting in New York, New York, waiving any right it may have to be judged by the courts corresponding to its jurisdiction of incorporation.

EACH OF THE BORROWER AND THE LENDER BY ITS ACCEPTANCE HEREOF, VOLUNTARILY AND INTENTIONALLY WAIVES (TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW) ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE DIRECTLY OR INDIRECTLY ARISING UNDER OR RELATED TO THIS NOTE OR ANY TRANSACTION CONTEMPLATED HEREBY AND AGREES THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

[BORROWER]

By: ______________________________

Name: Title:

ID N°:

Exhibit 4.23

Itau Unibanco S.A., New York Branch

Customer: **ARCOS DORADOS**

Our Ref: **101300000063 - EXTENSION MAY 09, 2018**

Type of Transaction: **STANDBY L/C ISSUANCES-FINANCE**

Current Amount $ 15,000,000.00

Issue Date: 9-May-11

Expiration Date: 24-Apr-21

Currency: USD

SBLC Fee: 2.7500%

SBLC/GUARANTEES							
Amount O/S		**From**	**To**		**All-in-rate**	**FEES**	**COMMENTS**
$	15,000,000.00	9-May-18	9-May-19	365	2.75%	412,500.00	
$	15,000,000.00	9-May-19	11-May-20	368	2.75%	412,500.00	
$	15,000,000.00	11-May-20	24-Apr-21	345	2.75%	412,500.00	

Bank: JP Morgan Chase - New York
ABA: 021 000 021
Beneficiary: ITAU UNIBANCO S.A., NEW YORK BRANCH
Account nr: 400 945 207

Our Ref: 101300000063 - EXTENSION MAY 09, 2018

In case of any questions, please contact us by e-mail: Loans_NY@itau-unibanco.com or by phone (212) 845-0606-0668-0669 - Loans Dept.

Yours faithfully,
/s/ ITAU UNIBANCO S.A., NEW YORK BRANCH

Exhibit 4.24

[Execution Copy]
[Reference No.: CB18-168]

ISDA.

International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of **September 6, 2013**

CITIBAN K, N.A. **and** **ARCOS DORADOS HOLDINGS INC.**

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows: —

1. Interpretation

(a) ***Definitions***. The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) ***Inconsistency***. In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) ***Single Agreement***. All Transactions arc entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) ***General Conditions***.

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Dale in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) ***Change of Account***. Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) ***Netting***. If on any date amounts would otherwise be payable:—

(i) in the same currency; and

(ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) ***Deduction or Withholding for Tax***.

(i) ***Gross-Up***. All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:—

(1) promptly notify the other party ("Y") of such requirement;

(2) pay to the relevant authorities the foil amount required to be deducted or withheld (including the foil amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon foe earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

(3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and

(4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to foe payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the foil amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:—

(a) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or

(b) foe failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) ***Liability***. If: —

(1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);

(2) X does not so deduct or withhold; and

(3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

(e) ***Default Interest; Other Amounts***. Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement) that:—

(a) ***Basic Representations***.

(i) ***Status***. It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;

(ii) ***Powers***. It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;

(iii) ***No Violation or Conflict***. Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) ***Consents***. All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) ***Obligations Binding***. Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) ***Absence of Certain Events***. No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) ***Absence of Litigation***. There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity' or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) ***Accuracy of Specific Information***. All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) ***Payer Tax Representation***. Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) ***Payee Tax Representations***. Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

(a) ***Furnish Specified information***. It will deliver to the other party or, in certain cases under subparagraph (iii) below, to such government or taxing authority as the other party reasonably directs:—

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) ***Maintain Authorisations***. It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) ***Comply with Laws***. It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) ***Tax Agreement***. It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) ***Payment of Stamp Tax***. Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated, organised, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction") and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

5. Events of Default and Termination Events

(a) ***Events of Default***. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:

(i) ***Failure to Pay or Deliver***. Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) ***Breach of Agreement***. Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(1) or 2(e) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) ***Credit Support Default***.

(1) Failure by the party or any Credit Support provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) ***Misrepresentation***. A representation (other than a representation under Section 3(e) or (f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) ***Default under Specified Transaction***. The party, any Credit Support Provider of such party or any. applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction. (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) ***Cross Default***. If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) ***Bankruptcy***. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party: —

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) ***Merger Without Assumption***. The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer: —

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) ***Termination Events***. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality' if the event is specified in (i) below, a Tax Event if the event is specified in (ii) below or a Tax Event Upon Merger if the event is specified in(iii) below, and, if specified to be applicable, a Credit Event.

Upon Merger if the event is specified pursuant to (iv) below or an Additional Termination Event if the event is specified pursuant to (v) below:—

(i) ***Illegality***. Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party): —

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) ***Tax Event***. Due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Payment Date (1) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iii) ***Tax Event Upon Merger***. The party (the "Burdened Party") on the next succeeding Scheduled Payment Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Indemnifiable Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, another entity (which will be the Affected Party) where such action does not constitute an event described in Section 5(a)(viii);

(iv) ***Credit Event Upon Merger***. If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity', as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(v) ***Additional Termination Event***. If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) ***Event of Default and Illegality***. If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. Early Termination

(a) ***Right to Terminate Following Event of Defaul****t*. If at any time an Event of Default with respect to a party (the “Defaulting Party”) has occurred and is then continuing, the other party (the “Non-defaulting Party”) may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, “Automatic Early Termination” is specified in the Schedule as applying to a party, then an Early Termination Date in respect of ail outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(l), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) ***Right to Terminate Following Termination Event***.

(i) ***Notice***. If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) ***Transfer to Avoid Termination Event***. If either an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, excluding immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party’s policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) ***Two Affected Parties***. If an Illegality under Section 5(b)(i)(I) or a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(1) on action to avoid that Termination Event

(iv) ***Right to Terminat****e*. If: —

(1) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality under Section 5(b)(i)(2), a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

either party in the case of an Illegality, the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there is more than one Affected Party; or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) ***Effect of Designation***.

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(e) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) ***Calculations***.

(i) ***Statement***. On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) ***Payment Date***. An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of art Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment) in the Termination Currency, from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) ***Payments on Early Termination***. If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation'* or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) ***Events of Default***. If the Early Termination Date results from an Event of Default: —

(1) *First Method and Market Quotation*. If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party over (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party.

(2) *First Method and Loss*. If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) *Second Method and Market Quotation.* If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) *Second Method and Loss.* If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) ***Termination Events,*** If the Early Termination Date results from a Termination Event: —

(1) *One Affected Party.* If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) *Two Affected Parties.* If there are two Affected Parties: —

(a) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (II) the Termination Currency Equivalent of the Unpaid Amounts owing to Y; and

(b) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) ***Adjustment for Bankruptcy.*** In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by few to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) ***Pre-Estimate.*** The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. Transfer

Subject to Section 6(b)(ii), neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that: —

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or info, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

8. Contractual Currency

(a) ***Payment in the Contractual Currency.*** Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the "Contractual Currency"). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) ***Judgments.*** To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the rate of exchange at which such party is able, acting in a reasonable manner and in good faith in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party. The term "rate of exchange" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

(c) ***Separate Indemnities.*** To the extent permitted by applicable law, these indemnities constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) ***Evidence of Loss***. For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

9. Miscellaneous

(a) ***Entire Agreement***. This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) ***Amendments.*** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

(c) ***Survival of Obligations.*** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) ***Remedies Cumulative.*** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) ***Counterparts and Confirmations***.

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall he entered into as soon as practicable and may he executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) ***No Waiver of Rights.*** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will pot be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) ***Headings.*** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

10. Offices; Multibranch Parties

(a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organisation of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office. This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into.

(b) Neither party may change the Office through which it makes and receives payments or deliveries for the purpose of a Transaction without the prior written consent of the other party.

(c) If a party is specified as a Multibranch Party in the Schedule, such Multibranch Party may make and receive payments or deliveries under any Transaction through any Office listed in the Schedule, and the Office through which it makes and receives payments or deliveries with respect to a Transaction will be specified in the relevant Confirmation.

11. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

12. Notices

(a) ***Effectiveness***. Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:

(i) if in writing and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) ***Change of Addresses***. Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

13. Governing Law and Jurisdiction

(a) ***Governing Law.*** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) ***Jurisdiction.*** With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:—

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) ***Service of Process***. Each party irrevocably appoints the Process Agent (if any) specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12. Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by law.

(d) ***Waiver of Immunities***. Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such Immunity in any Proceedings.

14. Definitions

As used in this Agreement:—

"Additional Termination Event" has the meaning specified in Section 5(b).

"Affected Party" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or Indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"**Applicable Rate**" means:—

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

"Burdened Party" has the meaning specified in Section 5(b).

"Change in Tax Law" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs on or after the date on which the relevant Transaction is entered into.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meaning specified in Section 6(a).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iv).

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Illegality" has the meaning specified in Section 5(b).

"Indemnifiable Tax" means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organised, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

"law" includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority) and ***"lawful"*** and ***"unlawful"*** will be construed accordingly.

"Local Business Day" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

"Loss" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, the Termination Currency Equivalent of an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 11. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

"Market Quotation" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

"Non-default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

"Non-defaulting Party" has the meaning specified in Section 6(a).

"Office" means a branch or office of a party, which may be such party's head or home office.

"Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"Reference Market-makers" means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

"Relevant Jurisdiction" means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organised, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

"Scheduled Payment Date" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"Set-off means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

"Settlement Amount" means, with respect to a party and any Early Termination Date, the sum of: —

(a) the Termination Currency Equivalent of the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

"Specified Entity" has the meanings specified in the Schedule.

"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, Currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Stamp Tax" means any stamp, registration, documentation or similar tax.

"Tax" means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

"Tax Event" has the meaning specified in Section 5(b).

"Tax Event Upon Merger" has the meaning specified in Section 5(b).

"Terminated Transactions" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

"Termination Currency" has the meaning specified in the Schedule.

"Termination Currency Equivalent" means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Market Quotation or Loss (as the case may be), is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Termination Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

"Termination Event" means an Illegality, a Tax Event or a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(1) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

CITIBANK, N.A.	**ARCOS DORADOS HOLDINGS INC.**
(Name of Party)	(Name of Party)
By: /s/ Linda Cook	By: /s/ Miguel Sanchez de Bustamante
Name: Linda Cook	Name: Miguel Sanchez de Bustamante
Title: Vice President Citibank, N.A.	Title: Attorney-in-fact

Exhibit 4.25

Execution Version

ISDA

International Swaps and Derivatives Association, Inc.

SCHEDULE
to the
Master Agreement

dated as of September 6, 2013
between

CITIBANK, N.A.
("Party A")

and

ARCOS DORADOS HOLDINGS INC.
("Party B")

Part 1. Termination Provisions.

(a) **"Specified Entity"** means in relation to Party A for the purpose of:

Section 5(a)(v), Citigroup Global Markets Limited, Citigroup Forex Inc., Citigroup Global Markets Commercial Corp., Citicorp Securities Services, Inc., Citigroup Global Markets Inc., Citibank Europe PLC, Citigroup Financial Products Inc., Citigroup Energy Inc., Citibank Canada, Citigroup Energy Canada ULC, Citibank Japan Ltd., and Citigroup Global Markets Deutschland AG (individually a "Section 5(a)(v) Affiliate").

Section 5(a)(vi), Not Applicable
Section 5(a)(vii), Not Applicable
Section 5(b)(v), Not Applicable

and in relation to Party B for the purpose of:

Section 5(a)(v), Not Applicable
Section 5(a)(vi), Not Applicable
Section 5(a)(vii), Not Applicable
Section 5(b)(v), Not Applicable

(b) **"Specified Transaction"** will have the meaning specified in Section 14. For purposes of clause (c) of such definition, Specified Transaction includes any securities lending agreement, securities options, margin loans, short sales, repurchase agreement, reverse repurchase agreement and forward securities contract, any agreement governing the purchase, sale, transfer, exchange or option of a commodity, or any other commodity trading transaction and any other similar transaction now existing or hereafter entered into between Party A (or any Section 5(a)(v) Affiliate) and Party B. For this purpose, "commodity" means any tangible or intangible commodity of any type or description, including without limitation power, natural gas, petroleum (and the products and by-products thereof), emissions allowances, precious metals and coal.

(c) The **"Cross Default"** provisions of Section 5(a)(vi) will apply to Party A and Party B; subject to the following amendments:

i. deleting in the seventh line thereof the words ", or becoming capable at such time of being declared," and

ii. adding at the end thereof: "provided that, notwithstanding the foregoing, it shall not be an Event of Default with respect to a party ("X") if (A) the default, or other similar event or conditions or the failure to pay was caused by an error or omission of an administrative or operational nature made by or on behalf of X by any bank, broker-dealer, clearing corporation or other similar financial intermediary holding funds, securities or other property directly or indirectly for account of X; (B) funds were available to enable X to make the relevant payment when due; and (C) such payment or delivery is made within three Local Business Days of following the error or failure being discovered.."

"Specified Indebtedness" will have the meaning specified in Section 14, except that such term shall not include obligations in respect of deposits received in the ordinary course of a party's banking business.

"Threshold Amount" means in relation to Party A, an amount equal to 3% of the total shareholders' equity of Party A and, in relation to Party B, USD 40,000,000.

including the U.S. Dollar equivalent on the date of any default, event of default or other similar condition or event of any obligation stated in any other currency.

For purposes of the paragraph above, stockholders' equity shall be determined by reference to the relevant party's most recent consolidated (quarterly, in the case of a U.S. incorporated party) balance sheet and shall include, in the case of a U.S. incorporated party, legal capital, paid-in capital, retained earnings and cumulative translation adjustments. Such balance sheet shall be prepared in accordance with accounting principles that are generally accepted in such party's country of organization.

(d) The **"Credit Event Upon Merger"** provisions of Section 5(b)(v) will apply to Party A and will not apply to Party B; provided that in the event the Indenture (and any refinancing or replacement thereof) matures or terminates for any reason or Section 4.1 of the Indenture ceases, Section 5(a)(v) of this Agreement shall apply to Party B.

(e) The **"Automatic Early Termination"** provision of Section 6(a)(iv) will not apply to Party A or to Party B; *provided, however,* that with respect to a party, where the Event of Default specified in Section 5(a)(vii)(1), (3), (4), (5), (6) or, to the extent analogous thereto, (8) is governed by a system of law which does not permit termination to take place after the occurrence of the relevant Event of Default, then the Automatic Early Termination provisions of Section 6(a) will apply.

(f) **Payments on Early Termination.** The parties acknowledge and agree that the Early Termination terms of Section 6 of this Agreement are modified as set forth in Part 7 of this Agreement primarily to apply the Close-Out Amount terms from the 2002 ISDA Master Agreement form in lieu of the Market Quotation terms.

(g) **"Termination Currency"** means United States Dollars.

(h) **Additional Termination Event,** will apply. Section 5(b) of the Agreement is modified by adding at the end thereof the following subsection (vi):

(vi) **Impossibility.** Due to the occurrence of a natural or man-made disaster, armed conflict, act of terrorism, riot, labor disruption or any other circumstance beyond its control after the date on which a Transaction is entered into, it becomes impossible (other than as a result of its own misconduct) for such a party:

(1) to perform any absolute or contingent obligation, to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction.

For the purposes of Section 6, both parties shall be Affected Parties. An Impossibility shall be treated as an Illegality for purposes of Section 5(c) of the Agreement. The definition of "Affected Transactions" in Section 14 of the Agreement is hereby amended by inserting "Impossibility," immediately after "an Illegality,"

(i) **Failure to Pay or Deliver; Section 5(a)(i).** The provisions of Section 5(a)(i) of the Agreement are hereby amended to delete on line 3 the word "third" and to insert in lieu thereof the word "second".

Part 2. Tax Representations.

(a) **Payer Tax Representations.** For the purpose of Section 3(e), Party A and Party B will make the following representation:-

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e)) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, except that it will not be a breach of this representation where reliance is placed on clause (ii) above and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

(b) Party A Payee Representation. For the purpose of Section 3(f) of this Agreement, Party A makes the following representation:

i. It is a national banking association organized under the laws of the United States and its U.S. taxpayer identification number is 13-5266470. It is "exempt" within the meaning of Treasury Regulation sections 1.6041 -3(p) and 1.6049-4(c) from information reporting on Form 1099 and backup withholding.

(c) Party B Payee Representation. For the purpose of Section 3(f) of this Agreement, Party B makes the following representations:

i. It is a "foreign person" (as that term is used in section 1.6041-4(a)(4) of United States Treasury Regulations) for United States federal income tax purposes; and no portion of any payment received or to be received by it in connection with this Agreement will be effectively connected with the conduct of a trade or business in the United States.

ii. It is fully eligible for the benefits of the "Business Profits" or "Industrial and Commercial Profits" provision, as the case may be, the "Interest" provision and/or the "Other Income" provision (if any) of the Specified Treaty, if any, with respect to any payment described in such provision and received or to be received by it in connection with this Agreement and no such payment is attributable to a trade or business carried on by it through a permanent establishment in the Party A Specified Jurisdiction.

Part 3. Agreement to Deliver Documents.

For the purpose of Sections 4(a)(i) and 4(a)(ii), each party agrees to deliver the following documents, as applicable:-

(a) Tax forms, documents or certificates to be delivered are:

Party required to deliver document	**Form/Document/Certificate**	**Date by which to be delivered**
Party A	A complete and accurate U.S. Internal Revenue Service Form W-9 or any successor form, in a manner reasonably satisfactory to Party B.	(i) Upon becoming a party to this Agreement, (ii) thereafter promptly upon reasonable demand by the other party, and (iii) if such form or document was previously delivered and has become obsolete or incorrect, promptly upon learning that such form or document previously delivered by Party A has become obsolete or incorrect.
Party B	A complete and accurate U.S. Internal Revenue Service Form W-8BEN or any successor form, in a manner reasonably satisfactory to Party A.	(i) Upon becoming a party to this Agreement, (ii) thereafter promptly upon reasonable demand by the other party, and (iii) if such Form was previously delivered and has become obsolete or incorrect, promptly upon learning that such Form previously delivered by Party B has become obsolete or incorrect.

(b) Other documents to be delivered are:

Party required to deliver document	Form/Document/ Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Party A and Party B	Either (i) a signature booklet containing a secretary's certificate and resolutions ("authorizing resolutions") or (ii) other authority documentation, in either case, which (x) authorizes the party to enter into derivatives transactions of the type contemplated by the parties and (y) is reasonably satisfactory in form and substance to the other party.	The earlier of (i) the fifth Local Business Day after the trade date of the first Transaction and (ii) upon execution of this Agreement and as deemed necessary for any further documentation.	Yes
Party A and Party B	Certified copies of documents evidencing each party's capacity to execute this Agreement, each Confirmation and any Credit Support Document (if applicable) and to perform its obligations hereunder and thereunder.	Upon the execution of this Agreement, and, with respect to a Confirmation, upon the other party's request.	Yes
Party A and Party B	A copy of the annual report of such party [(in the case of Party A, in respect of its Credit Support Provider)] containing audited consolidated financial statements for each such fiscal year, certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organized.	As soon as practicable after the execution of this Agreement and also within 120 calendar days after the end of each fiscal year while there are any obligations outstanding under this Agreement.	Yes
Party B	A duly executed Credit Support specified in Part Schedule. copy of the Documents 4(f) of this	As soon as practicable after the execution of this Agreement.	No
Party B	A letter from the Process Agent in New York designated pursuant to paragraph (b) of Part 4 of this Schedule in which such Process Agent agrees to act as agent for service of process with respect to this Agreement and each Transaction.	As soon as practicable should Party B ceases to maintain the Process Agent specified in Part 4(b) of this Schedule and a new Process Agent 1s designated.	Yes

Part 4. Miscellaneous

(a) **Addresses for Notices**. For the purpose of Section 12(a) of this Agreement:

Addresses for notice or communications to Party A:

With respect to a particular Transaction, all notices or communications to Party A shall be sent to the address or facsimile number indicated in the Confirmation of that Transaction.

Address: Capital Markets Documentation Unit
388 Greenwich Street, 17th Floor
New York, New York 10013
Attention: Director of Derivative Operations
Facsimile No.: 212 816 5550

Address for notices or communications to Party B:

Address: Arcos Dorados Holdings Inc.
C/C Arcos Dorados Argentina S.A.
Roque Saenz Pena 432 - Olivos - Buenos Aires
Argentina - B1636FFB
Attention: Miguel Sanchez de Bustamante / Maximo Ayerza
Facsimile No.: (54-11) 4711-2236
Telephone No.: (54-11) 4711-2000

(b) **Process Agent**. For the purpose of Section 13(c) of this Agreement:

Party A appoints as its Process Agent: Not Applicable.

Party B appoints as its Process Agent: National Registered Agents, Inc. with offices currently at 111 Eighth Avenue, New York, NY 10011, Telephone: (888) 579-0286, recordsadmin@nrai.com

(c) **Offices.** The provisions of Section 10(a) will apply to this Agreement.

(d) **Multibranch Party.** For the purpose of Section 10(b) of this Agreement:

Party A is a Multibranch Party and may enter into a Transaction through any of the following offices: New York, London, Singapore and Sydney.

Party B is not a Multibranch Party.

(e) **Calculation Agent.** The Calculation Agent is Party A unless (i) otherwise specified in a Confirmation in relation to the relevant Transaction or (ii) Party A is a Defaulting Party or Affected Party, in which case the Calculation Agent shall be Party B or its agent.

(f) **Credit Support Document.** Details of any Credit Support Document:

In relation to Party A: Not Applicable

In relation to Party B: Guarantee of Arcos Dourados Comercio de Alimentos Ltda. (the **"Subsidiary Guarantor").**

(g) **Credit Support Provider.** Credit Support Provider means:

In relation to Party A: Not Applicable

In relation to Party B: The Subsidiary Guarantor

(h) **Governing Law.** This Agreement and all matters arising out of or in any way connected thereto will be governed by and construed in accordance with the laws of the State of New York (without reference to the choice of law doctrine).

(i) **Netting of Payments.** Either party may notify the other in writing, not less than one Local Business Day in advance of a Scheduled Payment Date, that with regard to payments due on that date, subparagraph (ii) of Section 2(c) of this Agreement will not apply. Except to the extent that such advance written notice shall have been given, subparagraph (ii) of Section 2(c) will apply. Provided however, that for each of the following groups of Transactions, Party A and Party B hereby elect to net payments of all amounts payable on the same day in the same currency (and through the same Office of Party A) by specifying that Section 2(c)(ii) of the Agreement will not apply with respect to each of the following groups of Transactions:

(i) FX Transactions entered into by the parties; and

(ii) Currency Option Transactions entered into by the parties.

The starting date for the election commences upon entering the first Transaction under the Agreement with respect to either of the above groups of Transactions.

(j) **Affiliate.** "Affiliate" has the meaning specified in Section 14.

(k) **Additional Representation.** For the purpose of Section 3 of this Agreement, each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):

i. **Non-Reliance**. It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction, it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

ii. **Assessment and Understanding**. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

iii. **Status of Parties**. The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.

iv. **ERISA,** Party B alone represents and warrants that the assets that are used, directly or indirectly, in connection with the execution, delivery and performance of this Agreement and the Transactions entered into pursuant hereto are legally and beneficially owned by it and are not held by it directly or indirectly, under any form of employee benefit or other plan, trust plan, pension plan, individual retirement accounts or other type of similar plans."

(l) **Recording of Conversations.** Each party (i) consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties in connection with this Agreement or any potential Transaction, (ii) agrees to obtain any necessary consent of, and give any necessary notice of such recording to, its relevant personnel and (iii) agrees, to the extent permitted by applicable law, that the recordings may be submitted in evidence in any proceedings.

(m) **Transfer.** Each party agrees that the following provisions shall be added before the final sentence of Section 7:

"No transfer shall be recognized unless the transferor party provides the other party to this Agreement with the name and address of the transferee."

Part 5. Other Provisions.

b. **Waiver of Jury Trial.** To the extent permitted by applicable law, each party waives any right it may have to a trial by jury in respect of any Proceedings relating to this Agreement or any Transaction.

c. **Limitation of Liability. No party shall be required to pay or be liable to the other party for any consequential, indirect or punitive damages, opportunity costs or lost profits.**

d. **Confirmation Procedures.** On or promptly following the Trade Date of a Transaction, Party A will send in writing to Party B by facsimile and email a Confirmation. Party B agrees to respond to such Confirmation within three (3) Local Business Days after receipt of that Confirmation, either by confirming agreement thereto or requesting a correction of any error(s) contained therein. Failure by Party B to respond within such period shall not affect the validity or enforceability of such Transaction.

e. **Scope of Agreement.** Notwithstanding anything contained in this Agreement to the contrary, any transaction which may otherwise constitute a "Specified Transaction" for the purposes of this Agreement which has been or will be entered into between the parties shall constitute a "Transaction" which is subject to, governed by and construed in accordance with the terms of this Agreement, unless the Confirmation with respect to a Transaction entered into after the execution of this Agreement expressly provides otherwise.

f. **"Set-off'** shall, for purposes of this Agreement and any Credit Support Document, have the meaning set forth in Section 14 and shall include without limitation the rights in Section 6(f). Section 6 of this Agreement is modified to include the following additional sub-clause (f):

"(f) **Set-off.** Any amount (the **"Early Termination Amount")** payable to one party (the **"Payee")** by the other party (the **"Payer")** under Section 6(e), in circumstances where there is a Defaulting Party or one Affected Party will, at the option of the party ("**X**") other than the Defaulting Party or Affected Party (and without prior notice to the Defaulting Party or the Affected Party) be reduced by its set-off against any amount(s) (the **"Other Agreement Amount")** payable (whether at such time or in the future or upon the occurrence of a contingency) by the Payee to the Payer (irrespective of the currency, place of payment or booking office of such obligation) under any other agreement(s) between the Payee and the Payer or instrument(s) or undertaking(s) issued or executed by one party to, or in favor of, the other party (and the Other Agreement Amount(s) will be discharged promptly and in all respects to the extent it is so set-off). X will give notice to the other party of any set-off effected under this Section 6(f).

For this purpose, either the Early Termination Amount or the Other Agreement Amount (or the relevant portion of such amounts) may be converted by X into the currency in which the other is denominated at the rate of exchange at which such party would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency.

If an obligation is unascertained, X may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

Nothing in this Section 6(f) shall be effective to create a charge or other security interest. This Section 6(f) shall be without prejudice and in addition to any right of set-off otherwise available to a party (whether by operation of law, contract, or otherwise)."

(f) **Foreign Account Tax Compliance Act.** The parties agree that the definitions and provisions contained in the ISDA 2012 FATCA Protocol as published by the International Swaps and Derivatives Association, Inc. on August 15, 2012, are incorporated into and apply to the Agreement as set forth in full herein.

(g) **Notification of Right to Segregate Independent Amounts.** With respect to funds or other property provided to margin, guarantee or secure obligations under uncleared CFTC-regulated "swaps" (as defined in Commodity Exchange Act section la(47)) entered into on or after December 31, 2012, to the extent mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act, Party B has the right to require segregation of such funds (other than variation margin) at an independent third party custodian. This notification is deemed repeated at the time of entry into each uncleared swap transaction with Party A.

Part 6. FX Transactions and Currency Option Transactions

(a) The provisions of the 1998 FX and Currency Option Definitions as published by ISDA, Emerging Markets Traders Association and The Foreign Exchange Committee (the "FX Definitions"), are hereby incorporated herein in their entirety and shall apply to FX Transactions and Currency Option Transactions entered into by the Offices of the parties specified in Part 4(e) of this Schedule. FX Transactions and Currency Option Transactions are each deemed to be "Transactions" pursuant to the ISDA Master Agreement.

(b) **Confirmations.** Any FX Transaction or Currency Option Transaction into which the parties may before the date of this Agreement have entered, or may in the future enter, where the relevant Confirmation on its face does not expressly exclude the application of this Agreement, shall (to the extent not otherwise provided for in this Agreement) be subject to, governed by and construed in accordance with this Agreement (in substitution for any existing terms, if any, whether express or implied). Each such FX Transaction and Currency Option Transaction shall be a Transaction, and the documents and other confirming evidence (including electronic messages on an electronic messaging service) exchanged between the parties confirming such FX Transaction or Currency Option Transaction shall each be a Confirmation (even where not so specified therein), for the purposes of this Agreement.

(c) **Payment Instructions.** All payments to be made in respect of FX Transactions and Currency Option Transactions shall be made in accordance with standing payment instructions provided by the parties (or as otherwise specified in a Confirmation).

(d) **Currency Option Transaction Discharge and Termination.**

Automatic Discharge and Termination of Offsetting Options. Unless otherwise agreed, any Call or any Put written by a party will automatically be terminated and discharged, in whole or in part, as applicable, against a Call or a Put, respectively, written by the other party, such termination and discharge to occur automatically upon the payment in full of the last Premium payable in respect of such Currency Option Transactions; *provided* that such termination and discharge may only occur in respect of Currency Option Transactions:

(a) each being with respect to the same Put Currency and the same Call Currency;

(b) each having the same Expiration Date and Expiration Time;

(c) each being of the same style, i.e. either both being American Style Options or both being European Style Options;

(d) each having the same Strike Price;

(e) neither of which shall have been exercised by delivery of a Notice of Exercise;

(f) each of which has been entered into by the same pair of Offices of the parties; and

(g) each having the same procedures for exercise;

and, upon occurrence of such termination and discharge, neither party shall have any further obligation to the other party in respect of the relevant Currency Option Transactions or, as the case may be, parts thereof so terminated and discharged. In the case of a partial termination and discharge (i.e. where the relevant Currency Option Transactions are for different amounts of the Currency Pair), the remaining portion of the Currency Option Transaction which is partially discharged and terminated shall continue to be a Currency Option Transaction for all purposes of this Agreement. This provision shall apply notwithstanding that either party (i) may fail to send out a Confirmation in respect of any such discharge and termination, or (ii) may fail to make changes in any of its books as a result of any such discharge and termination.

Part 7. Close-out Amount Amendments.

(i) ***Amendment to Section 6(d) (Calculations)***. The terms of Section 6(d)(i) of this Agreement are amended in their entirety as follows:

"(d) ***Calculations; Payment Date***.

(i) ***Statement***. On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including any quotations, market data or information from internal sources used in making such calculations), (2) specifying (except where there are two Affected Parties) any Early Termination Amount payable and (3) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation or market data obtained in determining a Close-out Amount, the records of the party obtaining such quotation or market data will be conclusive evidence of the existence and accuracy of such quotation or market data."

(ii) ***Amendment to Section 6(e) (Payments on Early Termination)***. The terms of Section 6(e) of this Agreement are amended in their entirety as follows:

"(e) ***Payments on Early Termination***. If an Early Termination Date occurs, the amount, if any, payable in respect of that Early Termination Date (the "Early Termination Amount") will be determined pursuant to this Section 6(e) and will be subject to any Set-off.

(i) ***Events of Default***. If the Early Termination Date results from an Event of Default, the Early Termination Amount will be an amount equal to (1) the sum of (A) the Termination Currency Equivalent of the Close-out Amount or Close-out Amounts (whether positive or negative) determined by the Non-defaulting Party for each Terminated Transaction or group of Terminated Transactions, as the case may be, and (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (2) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If the Early Termination Amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of the Early Termination Amount to the Defaulting Party.

(ii) ***Termination Events***. If the Early Termination Date results from a Termination Event:—

(1) ***One Affected Party***. If there is one Affected Party, the Early Termination Amount will be determined in accordance with Section 6(e)(i), except that references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and to the Non-affected Party, respectively.

(2) ***Two Affected Parties***. If there are two Affected Parties, each party will determine an amount equal to the Termination Currency Equivalent of the sum of the Close-out Amount or Close-out Amounts (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions, as the case may be, and the Early Termination Amount will be an amount equal to (A) the sum of (I) one-half of the difference between the higher amount so determined (by party "X") and the lower amount so determined (by party "Y") and (II) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to Y. If the Early Termination Amount is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of the Early Termination Amount to Y.

(iii) ***Adjustment for Bankruptcy***. In circumstances where an Early Termination Date occurs because Automatic Early Termination applies in respect of a party, the Early Termination Amount will be subject to such adjustments as are appropriate and permitted by applicable law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) ***Pre-Estimate***. The parties agree that an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks, and, except as otherwise provided in this Agreement, neither party will be entitled to recover any additional damages as a consequence of the termination of the Terminated Transactions."

(iii) ***Termination Currency Equivalent***. The term "Termination Currency Equivalent" in Section 14 of this Agreement is hereby amended by replacing "Market Quotation or Loss (as the case may be)" with "Close-out Amount".

(iv) ***Definitions***. The following terms are added to Section 14 of this Agreement in the appropriate alphabetical position:

*" "**Close-out Amount**"* means, with respect to each Terminated Transaction or each group of Terminated Transactions and a Determining Party, the amount of the losses or costs of the Determining Party that are or would be incurred under then prevailing circumstances (expressed as a positive number) or gains of the Determining Party that are or would be realized under then prevailing circumstances (expressed as a negative number) in replacing, or in providing for the Determining Party the economic equivalent of, (a) the material terms of that Terminated Transaction or group of Terminated Transactions, including the payments and deliveries by the parties under Section 2(a)(i) in respect of that Terminated Transaction or group of Terminated Transactions that would, but tor the occurrence of the relevant Early Termination Date, have been required after that date (assuming satisfaction of the conditions precedent in

Section 2(a)(iii)) and (b) the option rights of the parties in respect of that Terminated Transaction or group of Terminated Transactions.

Any Close-out Amount will be determined by the Determining Party (or its agent), which will act in good faith and use commercially reasonable procedures in order to produce a commercially reasonable result. The Determining Party may determine a Close-out Amount for any group of Terminated Transactions or any individual Terminated Transaction but, in the aggregate, for not less than all Terminated Transactions. Each Close-out Amount will be determined as of the Early Termination Date or, if that would not be commercially reasonable, as of the date or dates following the Early Termination Date as would be commercially reasonable.

Unpaid Amounts in respect of a Terminated Transaction or group of Terminated Transactions and legal fees and out-of-pocket expenses referred to in Section 11 are to be excluded in all determinations of Close-out Amounts.

In determining a Close-out Amount, the Determining Party may consider any relevant information, including, without limitation, one or more of the following types of information:—

(i) quotations (either firm or indicative) for replacement transactions supplied by one or more third parties that may take into account the creditworthiness of the Determining Party at the time the quotation is provided and the terms of any relevant documentation, including credit support documentation, between the Determining Party and the third party providing the quotation;

(ii) information consisting of relevant market data in the relevant market supplied by one or more third parties including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads, correlations or other relevant market data In the relevant market; or

(iii) information of the types described in clause (i) or (ii) above from internal sources (including any of the Determining Party's Affiliates) if that information is of the same type used by the Determining Party in the regular course of its business for the valuation of similar transactions.

The Determining Party will consider, taking into account the standards and procedures described in this definition, quotations pursuant to clause (i) above or relevant market data pursuant to clause (ii) above unless the Determining Party reasonably believes in good faith that such quotations or relevant market data are not readily available or would produce a result that would not satisfy those standards. When considering information described in clause (i), (ii) or (iii) above, the Determining Party may include costs of funding, to the extent costs of funding are not and would not be a component of the other information being utilized. Third parties supplying quotations pursuant to clause (i) above or market data pursuant to clause (ii) above may include, without limitation, dealers in the relevant markets, end-users of the relevant product, information vendors, brokers and other sources of market information.

Without duplication of amounts calculated based on information described in clause (i), (ii) or (iii) above, or other relevant information, and when it is commercially reasonable to do so, the Determining Party may in addition consider in calculating a Close-out Amount any loss or cost incurred in connection with its terminating, liquidating or re-establishing any hedge related to a Terminated Transaction or group of Terminated Transactions (or any gain resulting from any of them).

Commercially reasonable procedures used in determining a Close-out Amount may include the following:—

(1) application to relevant market data from third parties pursuant to clause (ii) above or information from internal sources pursuant to clause (iii) above of pricing or other valuation models that are, at the time of the determination of the Close-out Amount, used by the Determining Party in the regular course of its business in pricing or valuing transactions between the Determining Party and unrelated third parties that are similar to the Terminated Transaction or group of Terminated Transactions; and

(2) application of different valuation methods to Terminated Transactions or groups of Terminated Transactions depending on the type, complexity, size or number of the Terminated Transactions or group of Terminated Transactions."

" "Determining Party" means the party determining a Close-out Amount."

" "*Early Termination Amount*" has the meaning specified in Section 6(e)."

" "*Non-affected Party*" means, so long as there is only One Affected Party, the other party."

(v) ***Deletion of Terms***. The following terms in Section 14 of this Agreement are deleted in their entirety: "Loss", "Market Quotation", "Reference Market-makers" and "Settlement Amount".

IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized representative(s) as of the date hereof.

CITIBANK, N.A.	**ARCOS DORADOS HOLDINGS INC.**
(Name of Party)	(Name of Party)
By: /s/ Linda Cook	By: /s/ Miguel Sanchez de Bustamante
Name: Linda Cook	Name: Miguel Sanchez de Bustamante
Title: Vice President Citibank, N.A.	Title: Attorney-in-fact

Application and Agreement for Irrevocable Standby Letter of Credit (the "Agreement")

J.P.Morgan

WHEN TRANSMITTING THIS APPLICATION BY FACSIMILE ALL PAGES MUST BE TRANSMITTED.

To: JPMorgan Chase Bank, N.A. and/or its subsidiaries and/or affiliates ("Issuer"). Date: 03-November-2015

I. Pursuant to the Terms and Conditions contained herein. please issue an IRREVOCABLE STANDBY Letter of Credit (together with any replacements, extensions or modifications, the "**Credit**") and transmit it by:

☐ S.W.I.F.T. ☒ Courier

If completing in Microsoft Word, please enter data by 'clicking' on the gray boxes.

Applicant/Obligor (Full name and address, jointly and severally if more than one, individually and collectively, "Applicant/Obligor"): Arcos Dorados B.V. Barbara Strozzilaan 101 1083 HN Amsterdam The Netherlands [Signature lines are on last page].	**Beneficiary** (Full name and address): McDonald's Latin America, LLC One McDonald's Plaza Oak Brook, Illinois 60523 U.S.A.
Account Party (Full name and address of entity to be named in Letter of Credit if different than the above Applicant/Obligor):	**Advising Bank** (Specify name, address, location as appropriate, otherwise, if left blank, Issuer will select one of its branches, affiliates or correspondents in the domicile of the Beneficiary):
Amount: Up to an aggregate amount of 20.000.000 If not USD, indicate currency	**Expiry Date:** Demands/claims must be presented to the counters of the nominated bank not later than noviembre 6, 2018

II. REQUIRED FOR SANCTION SCREENING PURPOSES. A brief description of the purpose of the Credit including, where applicable, a description of the merchandise, the country of origin of the merchandise, and the name of the countries where merchandise is being shipped from and to must be entered:
The purpose of the credit is to guarantee the compliance of the Master Franchisee Agreement with McDonalds Corporation

III. Complete only if automatic extension of the expiry date is required.

Credit to contain automatic extension clause with extension period of ☐ one year/☐ other (please specify).

No less than calendar days non-extension notice to the beneficiary.

Automatic extension final expiration date: (the date after which the Credit will no longer be subject to automatic extension).

IV. AVAILABLE BY (indicate A, B, C or D)

☐ A. Beneficiary's dated statement referencing JPMorgan Chase Bank, N.A. Letter of Credit Number indicating amount of demand/claim and purportedly signed by an authorized person reading as follows (Please state within the quotation marks the wording to appear on the statement to be presented):

"(insert appropriate reason for drawing) "

See attached sheet(s) for additional documents and/or special instructions, which form(s) an integral part of this Application.
Such attachments/special instructions must be approved and signed by Applicant/Obligor.

☐ Demands received by authenticated SWIFT are acceptable in lieu of the Beneficiary's signed and dated statement provided that such authenticated teletransmission contains the Beneficiary's statement as provided for in the Credit.

☒ B. Issue substantially as per the attached sheet(s) and/or special instructions, which form(s) an integral part of this Application. Such attachments/special instructions must be approved and signed by Applicant/Obligor.

☐ C. Issue Credit in your standard format in favor of another bank (See Section VI. below).

☐ D. Other:

DELIVERY INSTRUCTIONS/SPECIAL HANDLING (IF ANY)

☐ **Multiple drawings prohibited (if blank, multiple drawings will be permitted).**

☐ **Partial drawings prohibited (if blank, partial drawings will be permitted).**

☐ **Credit is transferable only in its entirety (Issuer is authorized to include its standard transfer conditions and is authorized to nominate a transferrin bank, if applicable).**

V. The Credit, or any Credit issued by yon shall be subject to the International Standby Practices 1998, International Chamber of Commerce Publication 590 ("ISP'') or, D if box is checked, it shall be subject to the Uniform Customs and Practice for Documentary Credits 2007 Revision, International Chamber of Commerce Publication No. 600 ("UCP").

VI. Complete only when another bank is to issue its guarantee or undertaking based on the issued Credit.

We understand and agree that by making this request, we shall remain liable under this Credit until Issuer is fully released in writing by such entity.

☐ (i) Please issue a Credit in your customary format (as a counter guarantee) in favor of another bank (or Issuer's affiliated office, branch or other correspondent bank) and we request that such bank issue a local guarantee, bond, standby letter of credit or other undertaking (collectively referred to as "**Undertaking**") substantially as set forth below. The term "Credit" as used in this Agreement shall also include any such Undertaking.

Details provided below:

Type of Undertaking: ☐ Bid; ☐ Performance; ☐ Advance Payment; ☐ Specify Other:

Expiry Date (at least 30 days prior to the Expiry Date on page 1):

Beneficiary:

Bid/contract ref no.:

Bid/contract purpose/description/name:

Conditions for Drawing:

☐ (ii) Please request/authorize another bank to issue their Undertaking substantially in the attached format

See attached sheet(s) for additional documents and/or special instructions, which form(s) an integral part of this Application. Such attachments/special instructions must be approved and signed by Applicant/Obligor.

Unless otherwise stated herein, the nominated bank (if any) is authorized to send all documents to you in one airmail or courier service, if available.

VII. To induce JPMorgan Chase Bank, N.A. and/or any of its domestic or foreign subsidiaries or affiliates (individually and collectively, "**Bank**"), in its sole discretion, to issue for the account of Applicant or for the account of the Account Party named in the Application, a standby letter of credit, or other independent undertaking at the request of the undersigned (individually and collectively, "**Applicant**"; jointly and severally, if more than one), Applicant agrees as to the letter of credit or undertaking (together with any replacements, extensions or modifications, a "**Credit**", collectively, "**Credits**") as follows.

1. **Applications/Instructions.** The request to issue a Credit (an "**Application**") shall be irrevocable and in such form as Bank shall from time to time require or agree to accept (including any type of electronic form or means of communication). Inquiries, communications and instructions (whether oral, telephonic, written, electronic mail or transmission, facsimile or other) regarding a Credit, each Application and this Agreement are each referred to herein as "**Instructions**" (and the term "Application'' is subsumed within the term "Instruction"). Bank's records of the content of any Instruction shall be conclusive. Applicant shall be responsible for the final text of a Credit notwithstanding Bank's recommendation, assistance or drafting or Bank's use, non-use or refusal to use text submitted by Applicant. Bank may transmit a Credit and any amendment thereto by S.W.I.F.T. message and thereby bind Applicant directly and as indemnitor to the S.W.I.F.T. rules, including rules obligating Applicant or Bank to pay charges.

2. **Payment Terms; Obligations Absolute.** For each Credit, Applicant shall pay Bank: the amount of each drawing paid by Bank under the Credit on demand, if under a sight draft and at least one Business Day prior to the date when payment is to be made under a time draft (or acceptance relating thereto) or deferred payment obligation; Letter of Credit Commissions, Amendment Fees and Drawing Fees as set forth on <u>Schedule I</u> attached hereto, and any other fees and charges in respect of the Credit (including fees for transfer, assignment of proceeds and of any adviser, confirming institution or entity or other nominated person) at such rates, amounts and times as Bank and Applicant shall mutually agree (or if no agreement, the rate then customarily charged by Bank); interest on each amount under this Agreement for each day from and including the date such payment is due (without regard to any grace or cure periods) through the date of payment, on demand, at a rate per annum (computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day) equal to the lesser of (A) Prime plus 2% and (B) the highest rate permitted by applicable law; Bank's charges, costs and expenses (including reasonable external counsel fees, expenses and charges) incurred in connection with the protection or enforcement of Bank's rights under this Agreement and any correspondent's charges, with interest from the date paid or incurred by Bank through the date of payment by Applicant, on demand, at a rate per annum equal to Prime plus 2%; and if Bank determines in good faith that any Regulatory Change regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on Bank's capital or on the capital of Bank's holding company, if any, as a consequence of this Agreement or the Credits, to a level below that which Bank or its holding company could have achieved but for such Regulatory Change (taking into consideration Bank's policies and the policies of its holding company with respect to capital adequacy and liquidity), then from time to time Applicant will pay to Bank such additional amount or amounts as will compensate it or its holding company for any such reduction suffered. A certificate of Bank setting forth the amount or amounts necessary to compensate it or its holding company, as the case may be, as specified in this Section shall be delivered to Applicant and shall be conclusive absent manifest error. Applicant shall pay Bank the amount shown as due on any such certificate within 10 days after receipt thereof. Failure or delay on the part of Bank to demand compensation pursuant to this Section shall not constitute a waiver of Bank's right to demand such compensation. "**Regulatory Change**" means (a) the adoption of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the interpretation or application thereof by any Governmental Authority or (c) compliance by Bank (or, for purposes of Section 2(a)(v), by any lending office of Bank or Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; 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 Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall be deemed to be a "Regulatory Change", regardless of the date enacted, adopted or issued. "**Governmental Authority**" means the government of the United States of America, 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. "**Business Day**" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City, New York are authorized or required by law to remain closed. "**Prime**" shall mean the rate of interest per annum announced by Bank from time to time as its Prime Rate; each change in the Prime Rate shall be effective from and including the date such change is announced as being effective.

(a) If the amount drawn under any Credit is in non-United States currency ("**foreign currency**"), Applicant shall pay under Section 2(a)(i) above the United States dollar equivalent of the amount computed at Bank's selling rate, as of the date of Applicant's payment, for cable transfers of such foreign currency to the place of payment: <u>provided</u>, <u>further</u>, that if, for any reason, Bank has no selling rate for cable transfers of that currency to such place on the payment date, Applicant shall pay Bank an amount in United States currency equivalent to Bank's actual cost of settlement of its obligation. Applicant's obligation to make payments in any currency (the "**Contract Currency**") shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment or otherwise, that is expressed in or converted into any currency other than the Contract Currency, except to the extent that such tender or recovery results in the actual receipt by Bank at its designated office of the full amount of the Contract Currency specified to be payable hereunder. Applicant's obligation to make payments in the Contract Currency shall be enforceable as an alternative or additional cause of action to the extent that such actual receipt is less than the full amount of the Contract Currency specified to be payable hereunder, and shall not be affected by judgment being obtained for other sums due hereunder. Applicant shall indemnify Bank for any shortfall in such actual receipt.

(b) All payments shall be made in immediately available funds, free and clear of and without deduction for any present or future taxes, levies, imposts, deductions, charges, withholdings, set-off or other liabilities. Applicant shall pay all withholding, stamp and other taxes or duties imposed by any taxing authority on payment under any Credit and this Agreement and shall indemnify Bank against all liabilities, costs, claims, and expenses resulting from Bank having to pay or from any omission to pay or delay in paying any duty or tax.

(c) Bank may (but shall not be required to), without demand for payment or notice to Applicant, and in addition to any other right of set-off which Bank may have, debit any account or accounts maintained by Applicant with any office of Bank (now or in the future) and set-off and apply (X) any balance or deposits (general, special, time, demand, provisional, final, matured, unmatured, contingent or absolute) in the account(s) and (Y) any sums due or payable from Bank, against the amount of the Obligations and/or advance funds to Applicant under any line of credit (committed or uncommitted) made available to Applicant by Bank and apply such funds to said payment obligations.

(d) Applicant's payment obligations under this Section 2 are absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever, including, without limitation: any lack of validity, enforceability or legal effect of any Credit or this Agreement, or any term or provision therein or herein; payment against presentation of any draft, demand or claim for payment under any Credit or other document presented for purposes of drawing under any Credit ("**Drawing Document**") that does not comply in whole or in part with the terms of the applicable Credit or which proves to be fraudulent, forged or invalid in any respect or any statement therein being untrue or inaccurate in any respect, or which is signed, issued or presented by a Person (or a transferee of such Person) purporting to be a successor or transferee of the beneficiary of such Credit; Bank or any of its branches or affiliates being the beneficiary of any Credit; Bank or any correspondent honoring a drawing against a Drawing Document up to the amount available under any Credit even if such Drawing Document claims an amount in excess of the amount available under the Credit; the existence of any claim, set-off, defense or other right that Applicant or any other Person may have at any time against any beneficiary, any assignee of proceeds, Bank or any other Person; Bank or any correspondent having previously paid against fraudulently signed or presented Drawing Documents (whether or not Applicant reimbursed Bank for such drawing); and any other event, circumstance or conduct whatsoever, whether or not similar to any of the foregoing, that might, but for this Section, constitute a legal or equitable defense to or discharge of, or provide a right of set-off against, Applicant's obligations hereunder (whether against Bank, the beneficiary or any other Person): provided, however, that subject to Section 3 hereof, the foregoing shall not exculpate Bank from such liability to Applicant as may, be finally, judicially determined in an independent action or proceeding brought by Applicant against Bank following payment of Applicant's obligations under this Agreement. "**Person**" means any natural Person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

3. **Indemnification; Limitation of Liability.** Applicant shall indemnify and hold harmless Bank and its parent and each of their respective directors, officers, employees and agents (each, including Bank, an "**Indemnified Person**") from and against any and all claims, suits, judgments, costs, losses, fines, penalties, damages, liabilities, and expenses, including expert witness fees and legal fees, charges and disbursements of any counsel (including external counsel fees and allocated costs) for any Indemnified Person ("**Costs**"), arising out of, in connection with, or as a result of: any Credit or any pre-advice of its issuance; any transfer, sale, delivery, surrender, or endorsement of any Drawing Document at any time(s) held by any Indemnified Person in connection with any Credit; any action or proceeding arising out of or in connection with any Credit or this Agreement (whether administrative, judicial or in connection with arbitration), including any action or proceeding to compel or restrain any presentation or payment under any Credit, or for the wrongful dishonor of or honoring a presentation under any Credit; any independent undertakings issued by the beneficiary of any Credit; any unauthorized Instruction or error in computer transmission; an adviser, confirmer or other nominated person seeking to be reimbursed, indemnified or compensated; any third party seeking to enforce the rights of an applicant, beneficiary, nominated person, transferee, assignee of letter of credit proceeds or holder of an instrument or document; the fraud, forgery or illegal action of parties other than the Indemnified Person; the enforcement of this Agreement or any rights or remedies under or in connection with this Agreement or any Credit; Bank's performance of the obligations of a confirming institution or entity that wrongfully dishonors a confirmation; Bank dishonoring any presentation upon or during the continuance of any Event of Default or for which Applicant is unable or unwilling to make

any payment to Bank required under Section 2 above; the acts or omissions, whether rightful or wrongful, of any present or future de jure or de facto governmental or regulatory authority or cause or event beyond the control of such Indemnified Person; in each case, including that resulting from Bank's own negligence, provided, however, that such indemnity shall not be available to any Person claiming indemnification under (i) through (xii) above to the extent that such Costs are found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted directly from the gross negligence or willful misconduct of the Indemnified Person claiming indemnity. If and to the extent that the obligations of Applicant under this Section are unenforceable for any reason, Applicant shall make the maximum contribution to the Costs permissible under applicable law.

(a) The liability of Bank (or any other Indemnified Person) under, in connection with and/or arising out of this Agreement or any Credit (or any pre-advice), regardless of the form or legal grounds of the action or proceeding, shall be limited to any direct damages suffered by Applicant that are caused directly by Bank's gross negligence or willful misconduct in honoring a presentation that does not at least substantially comply with a Credit, failing to honor a presentation that strictly complies with a Credit or retaining Drawing Documents presented under a Credit. In no event shall Bank be deemed to have failed to act with due diligence or reasonable care if Bank's conduct is in accordance with Standard Letter of Credit Practice or in accordance with this Agreement, including Section 3(c) below. Applicant's aggregate remedies against Bank and any Indemnified Person for wrongfully honoring a presentation under any Credit or wrongfully retaining honored Drawing Documents shall in no event exceed the aggregate amount paid by Applicant to Bank in respect of the honored presentation in respect of such Credit under Section 2 above, plus interest. **Notwithstanding anything to the contrary herein, Bank and the other Indemnified Persons shall not, under any circumstances whatsoever, be liable for any punitive, consequential, indirect or special damages or losses regardless of whether Bank or any Indemnified Person shall have been advised of the possibility thereof or of the form of action in which such damages or losses may be claimed.** Applicant shall take action to avoid and mitigate the amount of any damages claimed against Bank or any Indemnified Person, including by enforcing its rights in the underlying transaction. Any claim by Applicant for damages under or in connection with this Agreement or any Credit shall be reduced by an amount equal to the sum of (i) the amount saved by Applicant as a result of the breach or alleged wrongful conduct and (ii) the amount of the loss that would have been avoided had Applicant mitigated damages. If a Credit is to be governed by a law other than that of the State of New York, Bank shall not be liable for any Costs resulting from any act or omission by Bank in accord with the UCP or the ISP, as applicable, and Applicant shall indemnify Bank for all such Costs. "**Standard Letter of Credit Practice**" means, for Bank, any domestic or foreign law or letter of credit practices applicable in the city in which Bank issued the applicable Credit or for its branch or correspondent, such laws and practices applicable in the city in which it has advised, confirmed or negotiated such Credit, as the case may be. Such practices shall be (i) of banks that regularly issue Credits in the particular city and (ii) required or permitted under the UCP or the ISP, as chosen in the applicable Credit. "**ISP**" means, International Standby Practices 1998 (International Chamber of Commerce Publication No. 590) and any subsequent revision thereof adhered to by Bank on the date such Credit is issued. "**UCP**" means, Uniform Customs and Practice for Documentary Credits 2007 Revision, International Chamber of Commerce Publication No. 600 and any subsequent revision thereof adhered to by Bank on the date such Credit is issued.

(b) Without limiting any other provision of this Agreement, Bank and each other Indemnified Person (if applicable), shall not be responsible to Applicant for, and Bank's rights and remedies against Applicant and Applicant's obligation to reimburse Bank shall not be impaired by: honor of a presentation under any Credit which on its face substantially complies with the terms of such Credit; honor of a presentation of any Drawing Documents which appear on their face to have been signed, presented or issued (X) by any purported successor or transferee of any beneficiary or other party required to sign, present or issue the Drawing Documents or (Y) under a new name of the beneficiary; acceptance as a draft of any written or electronic demand or request for payment under a Credit, even if nonnegotiable or not in the form of a draft, and may disregard any requirement that such draft, demand or request bear any or adequate reference to the Credit; the identity or authority of any presenter or signer of any Drawing Document or the form, accuracy, genuineness, or legal effect of any presentation under any Credit or of any Drawing Documents; disregard of any nondocumentary conditions stated in any Credit; acting upon any Instruction which it, in Good Faith, believes to have been given by a Person or entity authorized to give such Instruction; any errors, omissions, interruptions or delays in transmission or delivery of any message, advice or document (regardless of how sent or transmitted) or for errors in interpretation of technical terms or in translation; any delay in giving or failing to give any notice; any acts, omissions or fraud by, or the solvency of, any beneficiary, any nominated Person or any other Person; any breach of contract between the beneficiary and Applicant or any of the parties to the underlying transaction; assertion or waiver of any provision of the UCP or ISP which primarily benefits an issuer of a letter of credit, including, any requirement that any Drawing Document be presented to it at a particular hour or place; payment to any paying or negotiating bank (designated or permitted by the terms of the applicable Credit) claiming that it rightfully honored or is entitled to reimbursement or indemnity under the Standard Letter of Credit Practice applicable to it; (xiii) dishonor of any presentation upon or during any Event of Default or for which Applicant is unable or unwilling to reimburse or indemnify Bank (provided that Applicant acknowledges that if Bank shall later be required to honor the presentation, Applicant shall be liable therefore in accordance with Section 2 hereof); and (xiv) acting or failing to act as required or permitted under Standard Letter of Credit Practice (or in the case of other independent undertakings or guarantees, the UN Convention) applicable to where it has issued, confirmed, advised or negotiated such Credit, as the case may be. "**Good**

Faith" means honesty in fact in the conduct of the transaction concerned. "**UN Convention**" means the United Nations Convention on Independent Guarantees and Standby Letters of Credit.

(c) Applicant shall notify Bank of any noncompliance with any Instruction, any other irregularity with respect to the text of any Credit or any amendment thereto or any claim of an unauthorized, fraudulent or otherwise improper Instruction, within one (I) Business Day of Applicant's receipt of a copy of such Credit or amendment and any objection Applicant may have to Bank's honor or dishonor of any presentation under any Credit or any other action or inaction taken or proposed to be taken by Bank under or in connection with this Agreement or any Credit, within three (3) Business Days after Applicant receives notice of the objectionable action or inaction. The failure to so notify Bank within said times shall discharge Bank from any loss or liability that Bank could have avoided or mitigated had it received such notice, to the extent that Bank could be held liable for damages hereunder; provided, that, if Applicant shall not provide such notice to Bank within three (3) Business Days of the date of receipt in the case of clause (i) or ten (10) Business Days from the date of receipt in the case of clause (ii), Bank shall have no liability whatsoever for such noncompliance, irregularity, action or inaction and Applicant shall be precluded from raising such noncompliance, irregularity or objection as a defense or claim against Bank. Applicant's acceptance or retention of a Drawing Document presented under or in connection with any Credit (whether or not the document is genuine) or of any Released Merchandise shall ratify Bank's honor of the presentation and preclude Applicant from raising a defense, set-off or claim with respect to Bank's honor of such Credit. Bank shall not be required to seek any waiver of discrepancies from Applicant or to grant any waiver of discrepancies which Applicant approves or requests. "**Released Merchandise**" means all Property referred to in or relating to the applicable Credit, released (including pursuant to a forwarders cargo receipt or by any other means whatsoever) or consigned to Applicant or any Person designated by Applicant in connection with such Credit. "**Property**" means all property of any kind whatsoever (now existing or hereafter acquired) including, without limitation, any and all right, title and interest of Applicant in any goods, equipment, inventory, money, documents, letters of credit, warehouse receipts, instruments, securities, security entitlements, financial assets, investment property, precious and base metals, chattel paper, electronic chattel paper, accounts, commercial tort claims, deposit accounts, general intangibles (including any claims for breach of contract, breach of warranty claims and any insurance policies and proceeds), letter of credit rights, choses in action and the proceeds of any and all thereof (including any and all of the aforesaid referred to in any Credit or the Drawing Documents relating thereto).

(d) Applicant will comply with all foreign and domestic laws, rules and regulations (including the USA Patriot Act, foreign exchange control regulations, foreign asset control regulations and other trade-related regulations) now or hereafter applicable to each Credit, the transactions underlying such Credit or Applicant's execution, delivery and performance of this Agreement; will cause all Released Merchandise to be insured against theft, fire and such other risks usually insured against in connection with the underlying transaction; will permit Bank (or its representatives) to inspect and audit any Property and Applicant's books and records with respect thereto upon reasonable notice; to the extent not provided to Bank under other agreements, upon request, will furnish Bank with Applicant's most recent year-end, quarterly and monthly (if any), financial statements (as audited) and such other information as Bank shall reasonably request regarding the financial condition, business or operations of Applicant; will maintain in effect and enforce policies and procedures designed to ensure compliance by Applicant, its subsidiaries, affiliates and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions; agrees that no goods or vessels used to transport goods will be the subject of any Sanctions; and will not request any Credit, and shall not use, and shall procure that its subsidiaries, affiliates and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Credit (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, or (C) in any manner that would result in the violation of any Sanctions applicable to any party hereto. Further, the undersigned acknowledges and agrees to provide Bank additional information, records, and documentation as requested by Bank, pursuant to Bank's programs enacted to comply with Section 326 of the USA Patriot Act, the applicable regulations promulgated thereunder, and Bank's Customer Identification Program and authorizes Bank to verify information as per the USA Patriot Act Regulation. "**Sanctions**" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (b) if Applicant is organized outside of the United States of America the United Nations Security Council, the European Union, any European Union member state, Her Majesty's Treasury of the United Kingdom or any other relevant sanctions authority.

(e) Applicant acknowledges that this Agreement and each Credit is entered into (or will be entered into) for commercial purposes. To the extent that Applicant may now or hereafter be entitled, in any jurisdiction in which judicial proceedings may at any time be commenced with respect to this Agreement or any Credit, to claim for itself or its revenues or properties any immunity from the jurisdiction of any court or from legal process (whether from service or notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and to the extent that in any such jurisdiction there may be attributed to Applicant any such immunity (whether or not claimed), Applicant hereby irrevocably agrees not to claim, and hereby waives, such immunity in respect of its obligations under this Agreement or any Credit.

4. **Representations and Warranties.** Applicant hereby represents and warrants as of the date of this Agreement (and with each Instruction for the issuance of a Credit represents and warrants as of the date of the Instruction) that: it has all necessary power and authority to enter into and perform this Agreement; it has obtained all authorizations, consents and approvals required for it to enter into and perform this Agreement in accordance with its terms; this Agreement constitutes the legal, valid and binding obligation of Applicant, enforceable against it in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law); the execution, delivery and performance of this Agreement by Applicant does not and will not contravene its charter, by-laws or other organizational documents, any order or writ binding on or affecting Applicant or its properties, or any agreement or arrangement to which Applicant is a party or by which it or its properties may otherwise be bound, the contravention of which agreement or arrangement would have a material adverse effect on Applicant; the financial statements most recently furnished to Bank by Applicant fairly present the financial condition of Applicant in accordance with generally accepted accounting principles, and there has been no material adverse change in Applicant's business, condition (financial or otherwise) or results of operation since the date of Applicant's most recent annual financial statements; no information now or hereafter furnished by Applicant to Bank in connection with this Agreement or any Credit is or shall be materially false or misleading when furnished; there is no pending or, to the knowledge of Applicant, threatened action which may materially adversely affect its financial condition or business or which purports to affect the validity or enforceability of this Agreement, any Credit or any transaction related to any Credit; Applicant is acting for itself and for no other Person or entity in requesting issuance of each Credit; Applicant has implemented and maintains in effect policies and procedures designed to ensure compliance by Applicant, its subsidiaries, affiliates and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and Applicant, its subsidiaries, affiliates and their respective directors and officers and, to the knowledge of Applicant, their respective employees and agents are in compliance with AntiCorruption Laws and applicable Sanctions in all material respects and if Applicant is organized outside of the United States of America, Applicant further represents that it is not knowingly engaged in any activity that would reasonably be expected to result in Applicant being designated as a Sanctioned Person; none of (A) Applicant, any subsidiary, affiliate or any of their respective directors, officers or employees, or (B) to the knowledge of Applicant, any agent of Applicant, any subsidiary or affiliate that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person; and (k) no Credit, use of proceeds or other transaction contemplated by this Agreement will violate any Anti-Corruption Law or applicable Sanctions. "**Anti-Corruption Laws**" means all laws, rules, and regulations of any jurisdiction applicable to Applicant or any of its subsidiaries or affiliates from time to time concerning or relating to bribery or corruption. "**Sanctioned Country**" means, at any time, a country, region or territory which is itself the subject or target of any Sanctions (at the time of signing this Agreement, Crimea, Cuba, Iran, North Korea, Sudan and Syria). "**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 any European Union member state, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned by controlled by any such Person or Persons described in the foregoing clauses (a) or (b).

5. **Reserved.**

6. **Events of Default; Obligations Due; Remedies.** Each of the following shall be an "**Event of Default**" under this Agreement: Applicant shall fail to pay any sum payable upon or in respect of any of the obligations and liabilities of Applicant to Bank in respect of any and all Credits issued hereunder (if any) and under this Agreement, whether matured or unmatured, absolute or contingent, now existing or hereafter incurred ("**Obligations**") when due, except that if (x) Applicant's failure to pay is caused by a material disruption to those payment or communication systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with this Agreement, and (y) such material disruption is not caused by and is beyond the control of Applicant, an Event of Default under this Section 6(a)(i) shall not be deemed to have occurred unless Applicant shall fail to make any such payment within two (2) Business Days after its due date; Applicant shall fail to perform any material agreement hereunder, including, without limitation, the breach of any agreement referenced in Sections 3(e)(v), 3(e)(vi), 3(e)(vii), 4(i), 4(j) or 6(a), which shall be deemed material; Applicant or any Guarantor shall fail to pay any taxes when due, and such taxes shall not be contested in good faith or the amount thereof reserved for in accordance with generally accepted accounting principles and the result thereof is material adverse change in the business, assets, operations, or financial condition, of Applicant or any Guarantor; there shall be commenced against Applicant or any Guarantor any proceeding for enforcement of a money judgment involving a liability in excess of Forty Millions United States dollars (US$40,000,000)(or the equivalent in any other currency) individually or in the aggregate, which proceeding shall not have been stayed within forty-five (45) days after the entry thereof, except if the proceeding is being actively contested by the Applicant or any Guarantor, as the case may be, in good faith and by appropriate proceedings and such reserves or other appropriate provisions as shall be required in conformity with generally accepted accounting principles shall have been made or provided therefor; any statement made, or any factual information, report or Instruction (excluding any country or industry information) furnished by or for Applicant to Bank for purposes of or in connection with this Agreement, contains any misstatement of a material fact or omits to state a material fact or any fact necessary to make any statement contained therein not materially

misleading at such time in light of the circumstances under which such information was provided; the dissolution, liquidation or winding-up of Applicant or a Guarantor; any Indebtedness (as defined in Section 17) of Applicant or a Guarantor to (A) Bank, irrespective of amount, or (B) any Person other than Bank, in an aggregate amount of US$40,000,000 (or the equivalent thereof in another currency), in either of the foregoing cases, shall not be paid or performed when due or any event or condition shall occur that shall result in any such Indebtedness becoming due prior to its scheduled maturity or settlement date or that permits (with or without the giving of notice, the lapse of time or both) the holder of such Indebtedness to cause such Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof prior to its scheduled maturity or settlement date and in any of the foregoing cases such default shall continue unremedied for the lesser of (i) the applicable period of grace set forth in the documents evidencing such Indebtedness and (ii) thirty (30) days; Applicant or any Guarantor shall become insolvent in accordance with applicable law (however such insolvency may be evidenced or defined) or generally not be able to pay its debts as they become due, shall make a general assignment for the benefit of creditors, or shall suspend the transaction of its usual business or be expelled or suspended from any exchange, or if an application is made by any judgment creditor of Applicant or a Guarantor for any order directing Bank to pay over money or to deliver other property, or a petition in bankruptcy shall be filed by or against Applicant or a Guarantor or any proceeding shall be instituted by or against Applicant or a Guarantor for any relief under any bankruptcy or insolvency laws or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, composition or extensions and, in each case, such application, petition or proceeding is not dismissed within thirty (30) days after Applicant receives notice thereof or if any governmental authority or any court at the instance of any governmental authority shall take possession of all or substantially all of the property of Applicant or any Guarantor or shall assume control over the affairs or operations of Applicant or any Guarantor, or if a receiver or custodian shall be appointed for, or a writ or order of attachment or garnishment shall be issued or made against, any of the property or assets of Applicant or a Guarantor or Applicant or a Guarantor shall indicate that any of the foregoing has occurred or will occur; there shall occur in one or a series of transactions (A) the sale or transfer of, or the creation or assertion of a lien over, a substantial portion of the assets of Applicant or of any Guarantor, (B) any transaction or event which results in the reduction in shareholder's equity (or partnership capital, net worth or similar equivalent term) of Applicant or any Guarantor of 50% or more (measured against such equity as of the date hereof), (C) an acquisition, directly or indirectly, of the power to direct or cause the direction of the management or policies of Applicant (or any Guarantor), whether by means of contract, voting power or otherwise, or (DJ the merger or consolidation of Applicant or any Guarantor; Applicant shall permit the Leverage Ratio (as defined in Section 17) for any period ending on the last day of any of Applicant's fiscal quarters after the date hereof to be greater than 4.5:1.0, provided that if Applicant shall incur any Indebtedness in order to use the proceeds thereof to make payments in respect of Arcos Dorados Holdings Inc.'s 10.25% Notes due 2016 (ISIN: US03965UAA88; CUSIP: 03965UAA8) (the "Notes"), so long as such payments have not been made and no default or event of default shall have occurred and be continuing under the Notes, a Leverage ratio of 5.0:1 shall apply to the foregoing clause in this Section 6(a)(x) instead of 4.5:1.0; the occurrence and continuance of a Material Breach as defined in Section 22 of the Amended and Restated Master Franchise Agreement for McDonald's Restaurants, dated as of November 10, 2008, among McDonald's Latin America, LLC, LatAm, LLC, Arcos Dorados Holdings Inc., Arcos Dorados, B.V., and the other parties named therein as amended, supplemented or otherwise modified from time to time, the "**Master Franchise Agreement**") for ninety (90) days, provided, that any grace period set forth in Section 22 of the Master Franchise Agreement shall be disregarded for purposes of this Section 6(a)(xi) and shall instead be substituted with the foregoing ninety (90) day grace period, provided further that (a) if a grace period otherwise applies to an Event of Default in this Section 6(a) that would also constitute a Material Breach under the Master Franchise Agreement, any such grace period shall apply and not the ninety (90) day grace period set forth in this Section 6(a)(xi), and (b) the occurrence and continuance of a Material Breach in respect of Sections 22.2.2, 22.2.8 and/or 22.2.9 under the Master Franchise Agreement shall constitute an immediate Event of Default hereunder; or (xii) failure of the Master Franchisee (as defined in the Master Franchise Agreement) to comply with Section 7.20 of the Master Franchise Agreement.

(a) Subject to Section 6(c), upon an Event of Default, all of the Obligations shall be immediately due and payable without notice or demand (whether or not a drawing or claim had in fact been made or paid) and Bank may, in addition to all other rights and remedies it may have at law or in equity, exercise any remedies of a secured party under applicable law, including under the Code, charge, debit and/or set-off against any general or special account of Applicant maintained at any office of Bank (whether matured or unmatured) for the amount of the Obligations, amend or terminate, or transfer drawing rights or cure one or more discrepancies under, any Credit, and/or make payment in satisfaction of the Obligations or hold all amounts, proceeds and Collateral as security for each Credit, all without prejudice to the rights of Bank against Applicant with respect to any and all amounts which may be or remain unpaid.

(b) **If** at any time there shall occur and be continuing any Event of Default set forth in Sections 6(a)(vii), 6(a)(x), or 6(a)(xi), **then**, Applicant shall, upon Bank's demand, deliver to Bank, as security for the payment and performance of all Obligations cash in an amount required by Bank (the "**Collateral**"), not to exceed 105% of the amount of the Credits plus any other outstanding and unpaid Obligations. Bank shall have exclusive dominion and control, including the exclusive right of withdrawal, of any cash collateral and any account in which it is held. Other than any interest earned on the investment of such deposits (which investments shall be made at Bank's option and sole discretion and at Applicant's risk and expense), such cash collateral shall not bear interest. Bank agrees that in the event that Applicant delivers the Collateral in accordance with this

Section 6(c) and so long as Applicant's compliance with this Section 6(c) is continuing, Bank shall not exercise the remedies in Section 6(b)(ii) (but only with respect to any account referenced therein in which Collateral is not maintained) or Section 6(b)(iii); provided that if Applicant shall fail to deliver Collateral to Bank as set forth in this Section 6(c), Bank may exercise any and all remedies in Section 6(b), including those in Section 6(b)(ii) (in respect of any general or special account of Applicant maintained at any office of Bank) and Section 6(b)(iii).

(c) To the extent Bank honors a presentation for which Bank remains unpaid, Bank may assert rights of Applicant and Applicant shall cooperate with Bank in its assertion of Applicant's rights against the beneficiary, the beneficiary's rights against Applicant and any other rights that Bank may have by subordination, subrogation, reimbursement, indemnity or assignment.

7. **Continuing Rights and Obligations.** Bank's rights hereunder shall continue unimpaired, and Applicant shall be and remain obligated in accordance with the terms and provisions hereof, notwithstanding the release and/or substitution of any Property which may be held as security hereunder at any time, or of any rights or interest therein. Applicant waives any defense whatsoever which might constitute a defense available to, or discharge of, a surety or a guarantor. If more than one Person signs this Agreement or an Application hereunder, each of them shall be jointly and severally liable hereunder and thereunder and all the terms and provisions regarding liabilities, obligations and Property of such Persons shall apply to any liabilities, obligations and Property of any and all of them.

8. **Electronic Transmissions.** Bank is authorized to accept and process any Application and any amendments, transfers, assignments of proceeds, Instructions, consents, waivers and all documents relating to the Credit or the Application which are sent to Bank by electronic transmission, including SWIFT, electronic mail, facsimile, courier, mail or other computer generated telecommunications and such electronic communication shall have the same legal effect as if written and shall be binding upon and enforceable against Applicant. Bank may, but shall not be obligated to, require authentication of such electronic transmission or that Bank receives original documents prior to acting on such electronic transmission. If it is a condition of the Credit that payment may be made upon receipt by Bank of an electronic transmission advising negotiation, Applicant hereby agrees to reimburse Bank on demand for the amount indicated in such electronic transmission advice, and further agrees to hold Bank harmless if the documents fail to arrive, or if, upon the arrival of the documents, Bank should determine that the documents do not comply with the terms and conditions of the Credit.

9. **Jurisdiction; Waiver of Jury Trial.** Applicant submits to the nonexclusive jurisdiction of any state or federal court located in the Borough of Manhattan, City of New York, State of New York, for itself and its Property and agrees that any such court shall be a proper forum for any action or suit brought by Bank. Service of process in any legal action or proceeding arising out of or in connection with this Agreement, any Instruction or any Credit may be made upon Applicant by mailing a copy of the summons to Applicant either at the address set forth in the applicable Application or at Applicant's last address appearing in Bank's records. In addition, if Applicant is organized or incorporated in a jurisdiction outside the United States of America, Applicant designates the CT Corporation located at 111 8th Avenue, New York, New York 10011 as the true and lawful agent and attorney-in-fact of Applicant for receipt of the summons, writs and notices in connection with any such action or suit. Nothing in this Section 9 shall affect the right of Bank to serve legal process in any other manner permitted by law or affect the right of Bank to bring any action or proceeding against Applicant or its property in the courts of any other jurisdiction.

(a) No legal action or proceeding arising out of or in connection with this Agreement, any Instruction or any Credit may be brought by Applicant against Bank except in a state or federal court located in the Borough of Manhattan, City of New York, State of New York and unless commenced within one (1) year after (X) the expiration date of the applicable Credit or (Y) the alleged breach shall have purportedly occurred, whichever is earlier.

(b) **APPLICANT WAIVES (I) THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION OR PROCEEDING IN WHICH BANK AND APPLICANT ARE PARTIES (WHETHER OR NOT THE ONLY PARTIES) ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, ANY INSTRUCTION OR ANY CREDIT AND (II) THE RIGHT TO INTERPOSE ANY CLAIM, SETOFF OR COUNTERCLAIM OF ANY NATURE OR DESCRIPTION.**

10. **Applicable Law; Severability. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to principles of conflict of laws.** The UCP and the ISP are incorporated by reference into this Agreement and are evidence of Standard Letter of Credit Practice with respect to matters covered therein provided, however, that to the extent permitted by applicable law, this Agreement shall prevail in case of a conflict between this Agreement, the Uniform Commercial Code (the "**Code**"), the UCP, ISP 98 and/or Standard Letter of Credit Practice and the UCP shall prevail in case of conflict between the UCP and the Code or other Standard Letter of Credit Practice if the Credit is a standby Credit governed by the UCP, and the ISP shall prevail in case of a conflict between the ISP and the Code and other Standard Letter of Credit Practice if the Credit is a standby Credit governed by the ISP. Any provisions of this Agreement which

may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, Applicant hereby waives any provision of law, which prohibits or renders unenforceable any provision of this Agreement.

11. **No Third Party Benefits; Successor; Assignment; Integration; Delivery by Facsimile; Notices.** This Agreement shall be binding upon and inure to the benefit of Bank and Applicant and their respective successors and permitted assigns. This Agreement shall not confer any right or benefit upon any Person other than the parties to this Agreement, the Indemnified Persons and their respective successors and permitted assigns. Bank may assign or sell participations in all or any part of any Credit or this Agreement to another entity. Bank may disseminate information relating to Applicant, this Agreement or any Credit in connection with any assignment or participation; upon the order of any court or otherwise to the extent required by statute, rule, regulation or judicial process; to bank examiners or upon the request or demand of any other administrative, regulatory agency, or authority; or to any domestic or foreign branch, subsidiary or affiliate, representative office or agent of Bank and third parties selected by any of the foregoing entities, wherever situated, for confidential use (including in connection with the provision of any service and for data processing, statistical and risk analysis purposes), or in connection with Bank's performance, administration or enforcement of this Agreement. Applicant may not assign this Agreement without the prior written consent of Bank. Delivery of an executed copy or signature page of this Agreement by facsimile or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Agreement. Notices to Bank shall be sent to the address of Bank as set forth on the Credit and shall be delivered by hand, overnight courier or certified mail, return receipt requested. Notices to Applicant shall be sent to the address set forth in the Application unless advised otherwise in writing. **THIS AGREEMENT CONSTITUTES THE ENTIRE CONTRACT AND FINAL AGREEMENT AMONG THE PARTIES RELATING TO THE SUBJECT MATTER AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.**

12. **Continuing Agreement.** This Agreement is a continuing agreement and may not be terminated by Applicant except upon thirty (30) days' prior written notice of such termination by Applicant to Bank at the address of Bank set forth on the most recent Credit issued hereunder, payment of all Obligations and the expiration or cancellation of all Credits issued hereunder. Notwithstanding the foregoing sentence, if a Credit is issued in favor of a sovereign or commercial entity, which is to issue a guarantee or undertaking on Applicant's behalf in connection therewith, or is issued as support for such a guarantee, Applicant shall remain liable with respect to such Credit until Bank is fully released in writing by such entity.

13. **Survival.** The provisions of Sections 2, 3, 6(c) & (d), 9, 10, 12 and 13 shall survive and remain in full force and effect regardless of the consummation of any transactions contemplated hereby, the reimbursement or repayment of any drawings or Obligations, the expiration or termination of the Credits or the termination of this Agreement or any provision hereof.

14. **Limitation of lnterest and Other Charges.** Applicant and Bank intend to conform strictly to the applicable usury laws, if any, now or hereafter in force with respect to this Agreement. To such end: the aggregate of all interest and other charges constituting interest under such applicable usury laws and contracted for, chargeable or receivable under this Agreement shall never exceed the maximum amount of interest, nor produce a rate in excess of the maximum contract rate of interest, that Bank is authorized to charge Applicant under such applicable usury laws.

15. **Amendment; Waiver.** Bank shall not be deemed to have amended or modified any term hereof, or waived any of its rights unless Bank consents in writing to such amendment, modification or waiver. No such waiver, unless expressly stated therein, shall be effective as to any transaction which occurs subsequent to such waiver, nor as to any continuance of a breach after such waiver. Bank's consent to any amendment, waiver, or modification does not mean that Bank shall consent or has consented to any other or subsequent Instruction to amend, modify, or waive a term of this Agreement or any Credit.

16. **MISCELLANEOUS.**

Installments. If the Credit is issued subject to UCP 600, unless otherwise agreed, in the event that any installment of the Credit is not drawn within the period allowed for that installment, the Credit may continue to be available for any subsequent installments in the sole discretion of Bank, notwithstanding Article 32 of UCP 600.

Auto Extend Notice. If the Credit provides for automatic extension without amendment, Applicant agrees that it will notify Bank in writing at least sixty (60) days prior to the last day specified in the Credit by which Bank must give notice of nonextension as to whether or not it wishes the Credit to be extended. Any decision to extend or not extend the Credit shall be in Bank's sole discretion and judgment. Applicant hereby acknowledges that in the event Bank notifies the beneficiary of the Credit that it has elected not to extend the Credit and the beneficiary draws on the Credit after receiving the notice of non-extension, Applicant acknowledges and agrees that Applicant shall have no claim or cause of action against Bank or defense against payment under the agreement for Bank's discretionary decision to extend or not extend the Credit.

Pending Expiry Notice. If a Credit's terms and conditions provide that Bank give beneficiary a notice of pending expiration, Applicant agrees that it will notify Bank in writing at least sixty (60) days prior to the last day specified in the Credit by which Bank must give such notice of the pending expiration date. In the event Applicant fails to so notify Bank and the Credit is extended, Applicant's Obligations under this Agreement shall continue in effect and be binding on Applicant with regard to the Credit as so extended.

17. **Certain Defined Terms.** The following terms shall have the meanings set forth below when used herein:

"**Adjusted Consolidated EBITDA**" shall mean, with respect to Applicant and its subsidiaries on a consolidated basis for any period, Consolidated Net Income of Applicant and its subsidiaries for such period plus the sum of (in each case without duplication and to the extent the respective amounts described in subclauses (i) through (vii) of this clause (a) reduced such Consolidated Net Income for the respective period for which Adjusted Consolidated EBITDA is being determined):
(i) Consolidated Interest Expense of Applicant and its subsidiaries for such period;
(ii) provision for taxes based on income, profits or capital of Applicant and its subsidiaries for such period;
(iii) depreciation and amortization expense of Applicant and its subsidiaries for such period;
(iv) restructuring charges or reserves (including restructuring costs related to acquisitions after the date hereof and to closure/consolidation of facilities and any fees payable in connection with any franchise disputes);
(v) any other non-operating and/or non-recurring charges, expenses or losses of Applicant and its subsidiaries for such period;
(vi) any deductions attributable to minority interests; and
(vii) the amount of fees and expenses paid in connection with this Agreement by Applicant and its subsidiaries for such period; minus (in each case without duplication and to the extent the respective amounts described in this clause (b) increased such Consolidated Net Income for the respective period for which Adjusted Consolidated EBITDA is being determined) non-operating and/or non-recurring income or gains (less all fees and expenses related thereto) increasing Consolidated Net Income of Applicant and the subsidiaries for such period.

"**Capitalized Lease Obligations**" shall mean, all rental obligations of Applicant and its subsidiaries which, under U.S. GAAP, are or will be required to be capitalized on the books of Applicant, in each case taken at the amount thereof accounted for as indebtedness in accordance with such principles.

"**Consolidated Indebtedness**" shall mean, at any time, the sum of (without duplication) (i) all Indebtedness of Applicant and its subsidiaries (on a consolidated bases) as would be required to be reflected as debt or Capitalized Lease Obligations on the liability side of a consolidated balance sheet of Applicant and its subsidiaries in accordance with U.S. GAAP, (ii) all Indebtedness of Applicant and its subsidiaries of the type described in clauses (ii), (vii) and (viii) of the definition of Indebtedness and (iii) all Contingent Obligations of Applicant and its subsidiaries in respect of Indebtedness of any third Person of the type referred to in preceding clauses (i) and (ii); provided that (x) the aggregate amount available to be drawn (i.e., unfunded amounts) under all letters of credit, bankers' acceptances, bank guaranties, surety bonds and similar obligations issued for the account of Applicant or any of its subsidiaries (but excluding, for avoidance of doubt, all unpaid drawings or other manned monetary obligations owing in respect of such letters of credit, bankers' acceptances, bank guaranties, surety bonds and similar obligations) shall not be included in any determination of "Consolidated Indebtedness" and (y) the amount of Indebtedness in respect of any Interest Rate Protection Agreement and Other Hedging Agreement shall be at any time the unrealized net loss position, if any, of Applicant and/or its subsidiaries thereunder on a marked-to-market basis determined no more than one month prior to such time.

"**Consolidated Interest Expense**" shall mean, for any period, with respect to any Person and its consolidated subsidiaries, total interest expense, whether paid or accrued (including, without limitation, (i) the interest component of Capitalized Lease Obligations and Synthetic Lease obligations and (ii) the "deemed interest expense" (i.e., the interest which would have been applicable if the respective obligations were structured as on-balance sheet financing arrangements) with respect to "Off-Balance Sheet Liabilities (to the extent same does not arise from a financing arrangement constituting an operating lease)), including, without limitation, *all* commissions, discounts and other fees and charges owed with respect to the letters of credit and amortization of discount, all as determined in accordance with U.S. GAAP.

"**Consolidated Net Income**" shall mean, for any period, the aggregate of the net income of Applicant and its consolidated subsidiaries for such period, provided however, that
(i) any net after-tax extraordinary, special (reflected as a separate line item on a consolidated income statement prepared in accordance with U.S. GAAP on a basis consistent with historical practices) or non-recurring gain or loss (less all fees

and expenses relating thereto) or income or expense or charge including, without limitation, any severance expense, and fees, expenses or charges related to any offering of Equity Interests of Applicant, in each case shall be excluded;

(ii) any net after-tax income or loss from discontinued operations and any net after-tax gain or loss on disposal of discontinued operations shall be excluded; and

(iii) any net after-tax gain or loss (less all fees and expenses or charges relating thereto) attributable to business dispositions or asset dispositions other than in the ordinary course of business (as determined in good faith by the board of directors of Applicant) shall be excluded.

"**Contingent Obligation**" shall mean, any obligation of Applicant and its subsidiaries, as a result of such Person being a general partner of any other Person, unless the underlying obligation is expressly made non-recourse as to such general partner, and any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation 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 by such Person in good faith.

"**Equity Interests**" of any Person shall mean any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interest in (however designated) equity of such Person, including, without limitation, any common stock, preferred stock, any limited or general partnership interest and any limited liability company membership interest.

"**Indebtedness**" shall mean, as to any Person, without duplication, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (ii) the maximum amount available to be drawn or paid under all letters of credit, banker's acceptances, bank guaranties, surety and appeal bonds and similar obligations issued for the account of such Person and all unpaid drawings and unreimbursed payments in respect of such letters of credit, banker's acceptances, bank guaranties, surety and appeal bonds and similar obligations, (iii) all indebtedness of the types described in clause (i), (ii), (iv), (v), (vii) or (viii) of this definition secured by any lien on any property owned by such Person, whether or not such indebtedness has been assumed by such Person (provided that, if the Person has not assumed or otherwise become liable in respect of such indebtedness, such indebtedness shall be deemed to be in an amount equal to the fair market value of the property to which such lien relates), (iv) all Capitalized Lease Obligations of such Person, (v) all obligations of such Person to pay a specified purchase price for goods or services, whether or not delivered or accepted, i.e., take-or-pay and similar obligations, (vi) all Contingent Obligations of such Person, (vii) all obligations under any Interest Rate Protection Agreement, any Other Hedging Agreement or under any similar type of agreement and (viii) all Off-Balance Sheet Liabilities of such Person. The Indebtedness of any Person shall include the Indebtedness of any other entity (including, without limitation, any partnership in which such Person is a general partner) to the extent such Person is directly liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide the such Person is not liable therefor. Notwithstanding the foregoing, Indebtedness shall not include trade payables, accrued expenses and deferred tax and other credits or liabilities incurred by any Person in accordance with customary practices and in the ordinary course of business of such Person. For the avoidance of doubt, references herein to the principal amount of Indebtedness of any Person of the type referred to in clause (vii) above shall include the amount payable upon early termination of such Indebtedness.

"**Interest Rate Protection Agreement**" shall mean, any interest rate swap agreement, interest rate cap agreement, interest collar agreement, interest rate hedging agreement or other similar agreement or arrangement.

"**Leverage Ratio**" shall mean, as of the last day of any Leverage Ratio Test Period, the ratio of (i) Consolidated Indebtedness on such date to (ii) Adjusted Consolidated EBITDA for such Leverage Ratio Test Period.

"**Leverage Ratio Test Period**" shall mean, a period of four consecutive fiscal quarters of Applicant (taken as one accounting period for which financial statements have been or are required to be delivered pursuant to Section 3(e)(iv)).

"**Net Income**" shall mean, with respect to any Person, the net income (loss) of such Person, determined in accordance with U.S. GAAP.

“**Off-Balance Sheet Liabilities**” shall mean, with respect to any Person and its consolidated subsidiaries as of any date of determination, without duplication and to the extent not included as a liability on the consolidated balance sheet of such Person in accordance with U.S. GAAP: (a) with respect to any asset securitization transaction (including, without limitation, any accounts receivable purchase facility) (i) the unrecovered investment of purchasers or transferees of assets so transferred; and (ii) any other payment, recourse, repurchase, hold harmless, indemnity or similar obligation of such Person or any of its subsidiaries in respect of assets transferred or payments made in respect thereof, other than limited recourse provisions that are customary for transactions of such type and that neither (x) have the effect of limiting the loss or credit risk of such purchasers or transferees with respect to payment or performance by the obligors of the assets so transferred; nor (y) impair the characterization of the transaction as a true sale under applicable laws (including, without limitation, applicable bankruptcy laws); (b) the monetary obligations under any Synthetic Lease; (c) the monetary obligations under any sale and leaseback transaction which does not create a liability on the consolidated balance sheet of such Person and such subsidiaries; or (d) any other monetary obligation arising with respect to any other transaction which (i) upon the application of any applicable law to such Person or any of such subsidiaries, would be characterized as indebtedness; or (ii) is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the consolidated balance sheet of such Person and such subsidiaries (for purposes of this clause (d), any transaction structured to provide tax deductibility as interest expense of any dividend, coupon or other periodic payment will be deemed to be the functional equivalent of a borrowing).

“**Other Hedging Agreements**” shall mean any foreign exchange contracts, currency swap agreements, commodity agreements or other similar arrangements, or arrangements designed to protect against fluctuations in currency values or commodity prices.

“**Securities Act**” the U.S. Securities Act of 1933, as amended.

“**Significant Subsidiary**” shall mean, a Subsidiary of Applicant that would constitute a “Significant Subsidiary” of Applicant in accordance with Rule 1-02 under Regulation S-X under the Securities Act in effect on the Issue Date.

“**Subsidiary**”, as used in the definition of “Venezuelan Subsidiary”, shall mean, 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.

“**Synthetic Lease**” shall mean, any financing lease or so-called “synthetic”, tax retention or off-balance sheet lease transaction which, upon the application of any applicable law to such Person or any of such subsidiaries, would be characterized as indebtedness.

“**Venezuelan Subsidiary**” shall mean, any direct or indirect Subsidiary of Applicant that generates more than 50% of its revenues or holds more than 50% of its total assets in Venezuela.

[Signature(s) on next page]

THE UNDERSIGNED HEREBY AGREES TO ALL THE TERMS AND CONDITIONS SET FORTH HEREIN, ALL OF WHICH HAVE BEEN READ AND UNDERSTOOD BY THE UNDERSIGNED.

Arcos Dorados B.V.
(Applicant Obligor)

/s/ Mariano Tannenbaum
(Authorized "Signature")

Mariano Tannenbaum
(Print Authorized Signor's Name)

Attorney-in-fact
(Title)

+54 11 4711-2583
(Phone)

03-Nov-2015
(Date)

THE FOLLOWING IS TO BE EXECUTED IF THE CREDIT IS TO BE ISSUED FOR THE ACCOUNT OF A PERSON OTHER THAN THE PERSON SIGNING ABOVE:

AUTHORIZATION AND AGREEMENT OF ADDITIONAL PARTY NAMED AS ACCOUNT PARTY

To: THE ISSUER OF THE CREDIT

We join in the above Agreement, naming us as Account Party, for the issuance of the Credit and, in consideration thereof, we irrevocably agree (i) that the above Applicant has sole right to give instructions and make agreements with respect to this Application, the Agreement, the Credit and the disposition of documents, and we have no right or claim against you, any of your affiliates or subsidiaries, or any correspondent in respect of any matter arising in connection with any of the foregoing and (ii) to be bound by the Agreement and all obligations of Applicant thereunder as if we were a party thereto. Applicant is authorized to assign or transfer to you all or any part of any security held by Applicant for our obligations arising in connection with this transaction and, upon any such assignment or transfer, you shall be vested with all powers and rights in respect of the security transferred or assigned to you and you may enforce your rights under this Agreement against us or our Property in accordance with the terms hereof.

(Account Party)

(Authorized "Signature")

(Print Authorized Signor's Name)

(Title)

(Phone)

(Date)

Schedule I
Fees

Letter of Credit Commissions:

Applicant shall pay Bank an amount (a "**Letter of Credit Commission**") equal to 287.5 basis points (2.875%) per annum of the initial face amount of the Credit (the "**Total Amount**"). Any Letter of Credit Commission hereunder shall be calculated on the basis of (i) a 360-day year for the actual number of days included in the applicable period (including the first and last days) and shall be payable (A) on the date of issuance of the Credit (the "**Issuance Date**") for the period from such Issuance Date through the last day of the then current calendar quarter, and (B) thereafter, quarterly in advance on the last Business Day of March, June, September, and December of each year, and (ii) the Total Amount, even if on the date such Letter of Credit Commission is due and payable the outstanding amount of the Credit is less than the Total Amount. If after the Issuance Date the Leverage Ratio calculated pursuant to quarterly and/or annually consolidated financial statements is greater than 3.5:1.00, then commencing on the date of delivery of such financial statements until the date of delivery of succeeding financial statements providing a Leverage Ratio equal to or less than 3.5:1.0, the Letter of Credit Commission shall be increased automatically as follows:

Leverage Ratio	**Letter of Credit Commission**
Greater than 3.50:1.00 but less than or equal to 3.75:1.00	Fee increased to 3.125% per annum
Greater than 3.75:1.00 but less than or equal to 4.00:1.00	Fee increased to 3.375% per annum
Greater than 4.0:1.00 but less than or equal to 4.50:1.00	Fee increased to 3.625% per annum
Greater than 4.50:1.00 but less than or equal to 5.00:1.00	Fee increased to 3.875% per annum
Greater than 5.00:1.00	Fee increased to 4.125% per annum

If after the Issuance Date the Leverage Ratio calculated pursuant to quarterly and/or annually consolidated financial statements is less than or equal to 2.75:1.0, then commencing on the date of delivery of such financial statements until the date of delivery of succeeding financial statements providing a Leverage Ratio greater than 2.75:1.0, the Letter of Credit Commission shall be decreased automatically to 275 basis points (2.75%) per annum. Letter of Credit Commissions that have been paid shall be non-refundable and shall be increased for the entirety of any calendar quarter or other applicable period (including retroactively for any actual number of days elapsed) due to any changes in the Leverage Ratio as set forth above based on any delay in receipt by Bank of Applicant's quarterly and/or annually consolidated financial statements.

Other Fees:

Amendment Fee: US$250 per amendment plus SWIFT fee of US$50 (if applicable) per amendment

Drawing Fee: 10 basis points (0.10%) flat of the amount of each drawing under the Credit (if a drawing occurs)

Exhibit 4.27

JPMORGAN CHASE BANK, N.A.
GLOBAL TRADE SERVICES
131 SOUTH DEARBORN, 5th FLOOR
MAIL CODE: IL1-0236
CHICAGO, IL 60603-5506
SWIFT: CHASUS33

TO:
MCDONALD'S LATIN AMERICA, LLC
ONE MCDONALD'S PLAZA
OAK BROOK, ILLINOIS 60523
U.S.A.

DATE : 05 Nov 2018
SUBJECT: STANDBY LETTER OF CREDIT AMENDMENT
OUR REFERENCE: TFTS-865131

DEAR SIR/MADAM,

AMENDMENT NUMBER : 1
ACCOUNT PARTY : ARCOS DORADOS BV
BARBARA STROZZILAAN 101
1083 HN AMSTERDAM
THE NETHERLAND

WE HEREBY AMEND THE ABOVE REFERENCED STANDBY LETTER OF CREDIT AS FOLLOWS:

NEW EXPIRY DATE : 06 NOV 2021

ALL OTHER TERMS AND CONDITIONS OF THE STANDBY LETTER OF CREDIT REMAIN UNCHANGED.

All inquiries regarding this transaction may be directed to our Client Service Group at the following Telephone Number or Email Address quoting our reference TFTS-865131.
Telephone Number: 1-800-634-1969
Email Address: gts.client.services@jpmchase.com

Yours Faithfully,
JPMorgan Chase Bank, N.A.,

/s/ [illegible]
………………………………
Authorized Signatory

JPMORGAN CHASE BANK, N.A.
GLOBAL TRADE SERVICES
131 SOUTH DEARBORN, 5th FLOOR
MAIL CODE: IL1-0236
CHICAGO, IL 60603-5506
SWIFT: CHASUS33

TO:
ARCOS DORADOS BV
Barbara Strozzilaan 101
1083 HN Amsterdam
NETHERLANDS

Date: 05 Nov 2018
Subject: Acknowledgement Advice for Standby Letter of Credit Amendment
Our Reference: TFTS-865131

Dear Sir/Madam,

Standby LC Reference : TFTS-865131
Account Party : ARCOS DORADOS BV
BARBARA STROZZILAAN 101
1083 HN AMSTERDAM
THE NETHERLAND
Beneficiary : MCDONALD'S LATIN AMERICA, LLC
ONE MCDONALD'S PLAZA
OAK BROOK, ILLINOIS 60523
U.S.A.

As per your request we have issued our Irrevocable Standby Letter of Credit Amendment under our reference number stated above.

We hereby enclose the copy of the Irrevocable Standby Letter of Credit Amendment for your information and record purpose.

We await your payment for the total of below mentioned charges

Please Remit Proceeds/ Charges via FEDWIRE to JP Morgan Chase Bank, N.A., New York
(CHASUS33) ABA: 021000021 for credit to our Global Trade Services Account No. 324-331754
quoting our reference number TFTS-865131.

Standby LC Amendment Fee : USD 250.00

All inquiries regarding this transaction may be directed to our Client Service Group at the following
Telephone Number or Email Address quoting our reference TFTS-865131.
Telephone Number: 1-800-634-1969
Email Address: gts.client.services @jpmchase.com

This is a computer generated document and therefore does not require a signature

Exhibit 4.28

U.S.$25,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

dated as of December 11, 2020

among

ARCOS DORADOS HOLDINGS INC.,

as Borrower

CERTAIN SUBSIDIARIES OF THE BORROWER,

as Guarantors

and

JPMORGAN CHASE BANK, N.A.,

as Lender

TABLE OF CONTENTS

List of Schedules

List of Exhibits

AMENDED AND RESTATED CREDIT AGREEMENT, dated as of December 11, 2020 (the "Agreement"), among ARCOS DORADOS HOLDINGS INC., a company incorporated under the laws of the British Virgin Islands (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, on December 11, 2019, the Borrower, the Guarantors and the Lender entered into a credit agreement (the "Original Credit Agreement") pursuant to which the Lender agreed to make available to the Borrower a revolving credit facility on the terms and subject to the conditions contained therein;

WHEREAS, the Borrower, the Guarantors and the Lender each desire to amend and restate the Original Credit Agreement in accordance with the terms hereof; and

WHEREAS, each Guarantor will benefit from the extension of credit to the Borrower hereunder by the Lender;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree to amend and restate the Original Credit Agreement in its entirety as follows.

ARTICLE I DEFINITIONS

Section 1.1 Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"A&R Effective Date" has the meaning set forth in Section 4.1.

"Additional Guarantor" means each Subsidiary of the Borrower that becomes, at any time after the Original 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 Subsidiaries 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 3.00%.

"Availability Period" the period commencing on and including the Closing Date and ending on the Commitment Termination Date.

"Base Rate" means a variable rate *per annum* equal to, for any day, the greatest of (a) the Prime Rate in effect on such day, (b) the NYFRB Rate in effect on such day plus ½ of 1% and (c) the LIBO Rate for a one month interest period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%. Any change in the Base Rate due to a change in the Prime Rate, the NYFRB Rate or the LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the NYFRB Rate or the LIBO Rate, respectively.

"Benchmark Replacement Adjustment" means, with respect to any replacement pursuant to Section 2.9(b) of the LIBO Rate with Term SOFR or Daily Simple SOFR (such rate, an "Unadjusted SOFR Based Rate"), as applicable, for any applicable interest period and available tenor, the first of the following alternatives that can be determined by the Lender: (1) the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero) when such Unadjusted SOFR Based Rate is first set for such interest period that has been selected or recommended by the Relevant Governmental Body for the replacement of the LIBO Rate with the applicable Unadjusted SOFR Based Rate for the applicable corresponding tenor; provided that such spread adjustment is displayed on a screen or other information service that publishes such Benchmark Replacement Adjustment from time to time as selected by the Lender in its reasonable discretion; and (2) the spread adjustment (which may be a positive or negative value or zero) when such rate replacement is first set for such interest period that would apply to the fallback rate for a derivative transaction referencing the ISDA Definitions to be effective upon an index cessation event with respect to the LIBO Rate for the applicable corresponding tenor.

"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 Dourados Comercio de Alimentos S.A. (formerly known as Arcos Dourados 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 S.A.

"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, 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.

"Code" means the Internal Revenue Code of 1986, as amended.

"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 Non- Guarantor 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 Original Closing Date or issued after the Original 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 Original 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 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).

"CS L/C Documents" means the CS Letter of Credit, the CS Letter of Credit Agreement, the CS 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.

"CS L/C 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.

"Daily Simple SOFR" means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Lender in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining "Daily Simple SOFR" for business loans; provided that if the Lender decides that any such convention is not administratively feasible for the Lender, then Lender may establish another convention in its reasonable discretion.

"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 British Virgin Islands, 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); (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, any agreement entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code.

"Federal Funds Effective Rate" means, for any day, the rate calculated by the NYFRB based on such day's federal funds transactions by depositary institutions, as determined in such manner as shall be set forth on the Federal Reserve Bank of New York's website from time to time, and published on the next succeeding Business Day by the NYFRB as the effective federal funds rate.

"Fee Letter" means that certain fee letter dated December 11, 2019 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 British Virgin Islands, 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 S.A., ADCR Inmobiliaria S.A., Arcos Dorados Costa Rica ADCR, S.A., Arcos Dorados Panamá, S.A., Sistemas MCopco Panamá, S.A. 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

(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 hereunder; 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;

(j) the amount of all 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; 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 the last calendar month of such Interest Period.

"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.

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.

"LIBOR Cessation Event" means the occurrence of one or more of the following events with respect to the LIBO Rate: (1) a public statement or publication of information by or on behalf of the administrator of the LIBO Rate announcing that such administrator has ceased or will cease to provide the LIBO Rate for all available interest periods, permanently or indefinitely, with no successor administrator having been appointed to provide such LIBO Rate at such time; a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Rate, the Board of Governors of the Federal Reserve System, the NYFRB, an insolvency official with jurisdiction over the administrator for the LIBO Rate, a resolution authority with jurisdiction over the administrator for the LIBO Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the LIBO Rate, in each case which states that the administrator of the LIBO Rate has ceased or will cease to provide the LIBO Rate for all available interest periods permanently or indefinitely, with no successor administrator having been appointed to provide such LIBO Rate at such time; and/or (2) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Screen Rate announcing that the LIBO Screen Rate for all available interest periods is no longer representative.

"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 LIBOR01 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 LIBO 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. If LIBO Screen Rates shall not be available for any Interest Period, the related Loan shall bear interest as set forth in Section 2.9.

The LIBO Rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. In July 2017, the U.K. Financial Conduct Authority announced that, after the end of 2021, it would no longer persuade or compel contributing banks to make rate submissions to the ICE Benchmark Administration (together with any successor to the ICE Benchmark Administrator, the "IBA") for purposes of the IBA setting the LIBO Rate. As a result, it is possible that commencing in 2022, the LIBO Rate may no longer be available or deemed an appropriate reference rate upon which to determine the interest rate for loans bearing interest on the basis of the LIBO Rate. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of the LIBO Rate. In the event the LIBO Rate is no longer available (or in certain other circumstances), Section 2.9 of this Agreement provides a mechanism for determining an alternative rate of interest.

"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 S.A. (formerly known as Arcos Dourados Comercio 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 Total Assets. As of the A&R Effective Date (determined based on the financial condition and results of operations as of and for the period of four (4) fiscal quarters ended on September 30, 2020), the Material Subsidiaries are as set forth on Schedule 1.1.

"Maturity Date" means December 11, 2021.

"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.

"Note" means each promissory note executed by the Borrower in favor of the Lender, substantially in the form of Exhibit B.

"NYFRB" means the Federal Reserve Bank of New York.

"NYFRB Rate" means, for any day, the greater of (a) the Federal Funds Effective Rate in effect on such day and (b) the Overnight Bank Funding Rate in effect on such day (or for any day that is not a Business Day, for the immediately preceding Business Day); provided that if none of such rates are published for any day that is a Business Day, the term "NYFRB Rate" means the rate for a federal funds transaction quoted at 11:00 a.m. on such day received to Lender from a Federal funds broker of recognized standing selected by it; provided, further, that if any of the aforesaid rates shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"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.

"Original Closing Date" means the date on which each of the conditions precedent set forth in Section 4.1 (*Conditions to Closing*) of the Original Credit Agreement were satisfied or waived in accordance with the terms of the Original Credit Agreement, which occurred on December 11, 2019.

"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.

"Overnight Bank Funding Rate" means, for any day, the rate comprised of both overnight federal funds and overnight Eurodollar borrowings by U.S.-managed banking offices of depository institutions, as such composite rate shall be determined by the NYFRB as set forth on the Federal Reserve Bank of New York's website from time to time, and published on the next succeeding Business Day by the NYFRB as an overnight bank funding rate.

"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.

“Prime Rate” means the rate of interest last quoted by The Wall Street Journal as the “Prime Rate” in the U.S. or if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board in Federal Reserve Statistical Release H.15 (519) (Selected Interest Rates) as the “bank prime loan” rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by Lender) or any similar release by the Federal Reserve Board (as determined by Lender). Each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

“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.

"Relevant Governmental Body" means the Board of Governors of the Federal Reserve System or the NYFRB, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System or the NYFRB, or any successor thereto.

"Sanctioned Country" means, at any time, a country, region or territory which is itself the subject to or target of any Sanctions.

"Sanctioned Person" means, at any time, any individuals or entities (a) listed in any Sanctions-related list of designated individuals or entities maintained by Sanctions Authority, (b) operating, organized or resident in a Sanctioned Country, or (c) owned or controlled by one or more of any such individuals or entities as described in the foregoing clauses (a) and (b), or (d) otherwise the subject of any Sanctions.

"Sanctions" means all economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, or the United Nations Security Council, the European Union, any European Union member state, or Her Majesty's Treasury of the United Kingdom or other relevant sanctions authority (collectively, "Sanctions Authorities").

"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.

"SOFR" means, with respect to any Business Day, a rate *per annum* equal to the secured overnight financing rate for such Business Day published by the NYFRB (or a successor administrator of the secured overnight financing rate) on its website on the immediately succeeding Business Day.

"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 Guarantor or such Subsidiary is organized and has its primary operations.

"Term SOFR" means, for the applicable corresponding tenor, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body, as displayed on a screen or other information service that publishes such rate from time to time as selected by and as of the time determined by the Lender in its reasonable discretion.

"Term SOFR Transition Conditions" means the occurrence of all of the following events (as determined by the Lender in its sole discretion): (i) a LIBOR Cessation Event has occurred, (ii) Term SOFR has been recommended for use by the Relevant Governmental Body, and (iii) the administration of Term SOFR is administratively feasible for the Lender.

"United States" means the United States of America.

"Venezuelan Subsidiary" means any direct or indirect Subsidiary of the Borrower that generates more than 50% of its revenues or holds more than 50% of its total assets in Venezuela.

"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 any 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 6.5, 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 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 (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 be in a principal amount of at least U.S.$100,000.

(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, 2019, 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 Original 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. For the avoidance of doubt, the Commitment Fee payable from the Original Closing Date until the A&R Effective Date shall be calculated and paid in accordance with the Original Credit Agreement, and paid to the Lender at such time.

Section 2.8 Note.

(a) The obligation of the Borrower to repay the aggregate principal balance of all Loans hereunder outstanding at any one time shall, if requested by the Lender, be evidenced by one or more Notes, as such Note(s) may be modified or amended from time to time. Promptly upon such request, the Borrower shall execute and deliver such Note(s) to the Lender.

(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.

(a) If, prior to the commencement of any Interest Period for a Loan, the Lender determines (which determination shall be conclusive absent manifest error) that (i) adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period or that the LIBO Rate (including because the LIBO Screen Rate is not available or published on a current basis) for such Interest Period or (ii) the LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to the Lender of making or maintaining such Loan, then the Lender shall give notice thereof to the Borrower by telephone or telecopy as promptly as practicable thereafter and, until the Lender notifies the Borrower that the circumstances giving rise to such notice no longer exist, then (i) such 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 and (ii) if any request for a Loan under Section 2.2 requests a Loan on the basis of the LIBO Rate, such Loan shall be made, instead, on the basis of the Base Rate or a rate offered by the Lender in its sole discretion and accepted by the Borrower.

(b) Notwithstanding anything to the contrary herein or in any other Loan Document and unless the Lender has received a written objection from Borrower within five (5)

Business Days after receiving notice of a LIBOR Cessation Event from the Lender (such objection, a "SOFR Opt-Out Notice"), if a LIBOR Cessation Event has occurred and (i) the Term SOFR Transition Conditions are satisfied at such time, then the LIBO Rate shall be replaced, for all purposes hereunder and under any other Loan Document, without any amendment to, or further action or consent of, any other party to this Agreement or any other Loan Document, by the sum of Term SOFR and the related Benchmark Replacement Adjustment (such sum, the "Adjusted Term SOFR"), or (ii) the Term SOFR Transition Conditions are not satisfied at such time, then the LIBO Rate shall be replaced by the sum of Daily Simple SOFR and the related Benchmark Replacement Adjustment (such sum, the "Adjusted Daily Simple SOFR"); provided that if the Term SOFR Transition Conditions are satisfied after the LIBO Rate is replaced by the Adjusted Daily Simple SOFR, Lender may by at least ten (10) days' prior written notice to the Borrower, replace such rate with the Adjusted Term SOFR. In the event that either the Adjusted Term SOFR or the Adjusted Daily Simple SOFR shall be less than zero, such rate will be deemed to be zero for the purposes of this Agreement. If a LIBOR Cessation Event shall have occurred and neither Term SOFR nor Daily Simple SOFR is available, then until such rates are available, (x) each then outstanding Loan shall accrue interest on the basis of the Base Rate, unless the Lender and the Borrower agree on a different rate and (y) if any request for a Loan under Section 2.2 requests a Loan on the basis of the LIBO Rate, such Loan shall be made, instead, on the basis of the Base Rate Loan or at a rate offered by the Lender in its sole discretion and accepted by the Borrower. In the event that the Lender has received a SOFR Opt- Out Notice, instead of the replacement of the LIBO Rate as described above, each then outstanding Loan shall accrue interest at the Base Rate. For avoidance of doubt, if some Interest Periods for the LIBO Rate become unavailable prior to a LIBOR Cessation Event, those Interest Periods will no longer be available for selection by the Borrower.

(c) In connection with the implementation of a rate replacement described in clause (b) above, the Lender may from time to time, upon written notice to the Borrower, make any technical, administrative or operational changes to this Agreement or any other Loan Documents (including changes to the definition of "Base Rate," the definition of "Business Day", the timing and frequency of determining rates and making payments of interest, the timing of prepayment or conversion notices, the length of lookback periods, the applicability of breakage provisions and other technical, administrative or operational matters) that the Lender decides in its reasonable discretion may be appropriate to reflect the adoption and implementation of such rate replacement and to permit the administration thereof by the Lender.

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, except that if such payment is due on the Maturity Date and such date is not a Business Day, payment shall be made on the next preceding Business Day, and such extension or reduction 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) If the Lender is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document, it 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, the 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 the 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 out- of-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 than 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.

REPRESENTATIONS AND WARRANTIES

The Borrower and each Guarantor hereby represent and warrant to the Lender as of the A&R Effective 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, 2019, including the related schedules and notes thereto, and the unaudited Consolidated balance sheets of the Borrower and its Subsidiaries as at September 30, 2020, 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 September 30, 2020, 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 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 none of (i) the Borrower, any Subsidiary thereof or, any of their respective directors, officers or employees, or (ii) to the knowledge of the Borrower, any agent of the Borrower or any Subsidiary of the Borrower 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 A&R Effective 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 September 30, 2020 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 as of the date that 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 "A&R Effective 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, or a bring-down certificate certifying that any incumbency certificate executed and delivered by the Borrower in connection with the Original Closing Date remains true, correct and complete as of the date hereof;

(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 S.A. and (iii) Maples & Calder, British Virgin Islands counsel to the Borrower, in each case substantially in the form attached hereto as Exhibits D-1, D-2, and D-3 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 A&R Effective 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 A&R Effective Date and (B) certifying that the copies of organizational documents, resolutions and powers of attorney of each Loan Party and its legal representatives delivered by the Borrower to the Lender in connection with the Original Closing Date remain true, correct, complete and in full force and effect, and have not been rescinded or revoked as of the date hereof;

(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 A&R Effective 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 A&R Effective Date.

The Lender shall notify the Borrower of the Original 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 Original Closing Date (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 A&R Effective 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 forlawsuits 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

(b) 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 shall maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and its and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

(b) The Borrower shall not use, and shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Loan:

(i) in any manner that would result in violation of any Anti-Corruption Laws, or (ii) 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 permitted for an individual or entity required to comply with Sanctions.

Section 5.7 Most Favored Nation. So long as the Consolidated Net Indebtedness to EBITDA Ratio is equal to or greater than 3.5 to 1.0 as of the last day of the most recent fiscal quarter, in the event that the Borrower or any Guarantor enters into any agreement for other new Indebtedness or that any amendment is made to any of the Borrower's or any Guarantor's other existing Indebtedness and such agreement for new Indebtedness or amendment to other existing Indebtedness has terms and conditions in respect of affirmative and negative covenants, guarantors and the granting of security interests, liens or other encumbrances that are more restrictive (or more favorable to other creditors or the holders of other Indebtedness) than those set forth in this Agreement and the other Loan Documents, then this Agreement and the other Loan Documents shall automatically be deemed to have been amended to incorporate such terms and conditions that are more restrictive (or more favorable to the Lender) as if set forth fully herein, *mutatis mutandis*, including, so that all amounts payable by the Borrower and the Guarantors hereunder shall be secured equally and ratably with (or prior to) any other secured Indebtedness, without any further action required on the part of any Person, and the Borrower and the Guarantors shall promptly advise the Lender in writing of the occurrence of such an event providing to the Lender true and complete copies of the documents evidencing such an event. Upon the written request of the Lender, the Borrower and the Guarantors shall promptly cause this Agreement to be amended to incorporate such terms and conditions and shall execute any and all further documents and agreements, and take all such further actions, as shall be reasonably requested by the Lender to give effect to the provisions of this clause.

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, except that if the Consolidated Net Indebtedness to EBITDA Ratio is equal to or greater than 3.5 to 1.0 as of the last day of the most recent fiscal quarter, the Liens described in this clause (u) shall only be permitted to the extent that any Indebtedness hereunder is secured equally and ratably with (or prior to) such other Indebtedness;

(v) Liens on the Capital Stock of any Subsidiary (other than any Material Subsidiary), except that if the Consolidated Net Indebtedness to EBITDA Ratio is equal to or greater than 3.5 to 1.0 as of the last day of the most recent fiscal quarter, the Liens described in this clause (v) shall only be permitted to the extent that any Indebtedness hereunder is secured equally and ratably with (or prior to) the other Indebtedness secured by such Liens;

(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 Original Closing Date and any extension, renewal or replacement thereof, other than Liens pursuant to any Loan Document.

Section 6.2 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, consolidates 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 6.2(c).

Section 6.3 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 6.3 shall not apply to:

(i) transactions with or among the Borrower and any Subsidiary or between or among Subsidiaries;

(ii) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors and employees of the Borrower or any Subsidiary;

(iii) 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 Original 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 Original 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 Original Closing Date;

(iv) the entering into of a customary agreement providing registration rights to the shareholders of the Borrower and the performance of such agreements;

(v) 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;

(vi) any employment agreements entered into by the Borrower or any of its Subsidiaries in the ordinary course of business;

(vii) 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);

(viii) sales of accounts receivable, or participations therein, or any related transaction, in connection with any receivables financing;

(ix) 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

(x) 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 6.4 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 6.5 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 ratio set forth below opposite each such date.

Fiscal Quarter End	**Consolidated Net Indebtedness to EBITDA Ratio**
December 31, 2020	9.50 to 1
March 30, 2021	15.25 to 1
June 30, 2021	5.25 to 1
September 30, 2022	4.25 to 1

Section 6.6 Liquidity. Permit the unrestricted cash, cash equivalents and/or marketable securities of the Borrower and its Subsidiaries, on a Consolidated basis to be, at any time, less than an aggregate amount equal to U.S.$50,000,000 (or the equivalent thereof in any other currency), and the Borrower shall immediately notify the Lender in writing if at any time the terms of this Section are breached.

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 or any Material Subsidiary (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.$500,000 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 (iii) 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 JPMorgan 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) (i) one or more final non-appealable, judgments or orders against the Borrower or any Material Subsidiary (excluding, if applicable, any Venezuelan 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) or (ii) one or more final non-appealable, judgments or orders against any Venezuelan Subsidiary is entered for the payment of money in an aggregate amount (as to all such judgments) in excess of U.S.$50,000,000 (determined in each case net of recoveries from insurance companies not contesting coverage), and, in each case, 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; provided that it shall not be an Event of Default under this Section 7.1(i) if any Guaranty by any Venezuelan Subsidiary is held to be null and void, illegal, invalid or unenforceable 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 date of this Agreement; 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 2.10 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: (a) 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 solidária*), all of the outstanding obligations assumed by the

Borrower under the Agreement, in the capacity of a "*FIADOR E PRINCIPAL PAGADOR, solidariamente responsável*" with the Borrower, in connection therewith. In addition, for such purposes, each Brazilian Guarantor hereby expressly (A) waives and renounces the benefit of order (*benefício 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 (B) 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 Articles 130 and 794 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*, *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 Mexico City.

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. 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) if 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 jursidiction) 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 ORIGINAL CLOSING DATE NATIONAL REGISTERED AGENTS, INC. (THE "AGENT") WITH OFFICES CURRENTLY LOCATED AT 28 LIBERTY STREET, NEW YORK, NY 10005, 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. The provisions of this Section 9.16 shall expire on the Maturity Date.

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.

[remainder of page intentionally left blank]

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 HOLDINGS INC.,
as Borrower

By: /s/ Mariano Tannenbaum

Name: Mariano Tannenbaum
Title: Attorney-in-Fact

Address: Dr. Luis Bonavita 1294, Of 501, piso 5
WTC Free Zone, Montevideo, 11300 -
Uruguay

ARCOS DOURADOS COMERCIO DE ALIMENTOS S.A. (formerly known as Arcos Dourados Comercio de Alimentos Ltda), as a Guarantor

By: /s/ Mariano Tannenbaum

Name: Mariano Tannenbaum
Title: Attorney-in-Fact

ADCR INMOBILIARIA S.A.,
as a Guarantor

By: /s/ Mariano Tannenbaum

Name: Mariano Tannenbaum
Title: Attorney-in-Fact

ARCOS DORADOS COSTA RICA ADCR, S.A., as a Guarantor

By: /s/ Mariano Tannenbaum

Name: Mariano Tannenbaum
Title: Attorney-in-Fact

ARCOS DORADOS PANAMÁ S.A.,
as a Guarantor

By: /s/ Mariano Tannenbaum

Name: Mariano Tannenbaum

Title: Attorney-in-Fact

SISTEMAS MCOPCO PANAMÁ, S.A.,
as a Guarantor

By: /s/ Mariano Tannenbaum

Name: Mariano Tannenbaum

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 S.A. (Arcos Dourados Comercio de Alimentos Ltda.)

Schedule 3.5

Material Litigation

EXHIBIT A

FORM OF BORROWING NOTICE

Date:__, __

To: JPMorgan Chase Bank, N.A., as Lender

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of December [ ], 2020 (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 Holdings Inc., a company incorporated under the laws of the British Virgin Islands (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 HOLDINGS INC.

By: ______________________________

Name: ______________________________

Title: Authorized Signatory

EXHIBIT B

FORM OF NOTE

__ [ ], 20__

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 Amended and Restated Credit Agreement, dated as of December [ ], 2020 (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 HOLDINGS INC.

By: ______________________________

Name: ______________________________

Title: Authorized Signatory

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 Amended and Restated Credit Agreement, dated as of December [ ], 2020 (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 Holdings Inc., a company incorporated under the laws of the British Virgin Islands (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]

2. 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.

3. 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:]

1. 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 HOLDINGS INC.

By: ______________________________

Name: ______________________________

Title: Authorized Signatory

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.$__________
8. all cash payments made the Borrower and its Subsidiaries during Statement Period relating to non- cash charges that were added back in determining Consolidated EBITDA in any prior period:	U.S.$__________
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 EBITDA 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.

B. 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.$__________

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, 20__]: ***3.25 to 1.0***

As of the last day of fiscal quarter ended [December 31, 20] and the last day of each fiscal quarter thereafter: ***3.0 to 1.0***

[1] Include if there are any Additional Guarantors and insert additional lines as necessary.

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 Amended and Restated Credit Agreement, dated as of December [ ], 2020 (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 Holdings Inc., a company incorporated under the laws of the British Virgin Islands (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 0, 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 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 Costa Rica ADCR, S.A.	Costa Rica
ADCR Inmobiliaria, S.A.	Costa Rica
Arcos Dorados Curacao, N.V.	Curacao
Arcos Dorados Development B.V.	Netherlands
Arcos Dorados French Guiana	French Guiana
Arcos Dorados Group B.V.	Curacao
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 S.A.	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 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
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

EXHIBIT 12.1

CERTIFICATION

I, Marcelo Rabach, 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 29, 2021

/s/ Marcelo Rabach

Name: Marcelo Rabach
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 29, 2021

/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, 2020 (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. Marcelo Rabach, 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 29, 2021

/s/ Marcelo Rabach

Name: Marcelo Rabach

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, 2020 (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 29, 2021

/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 reports dated March 17, 2021, with respect to the consolidated financial statements and 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, 2020.

Buenos Aires, Argentina
April 29, 2021

/s/ Pistrelli, Henry Martin y Asociados S.R.L.

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global