

MCDONALD'S SINGLE STORE VALUATION ANALYSIS

REQUIRED INPUT		EXHIBIT I	2/9/11
CLIENT NAME...	MCDONALD'S OF RONALD		
STORE LOCATION	ANYTOWN USA		
STORE #:	12345		
VALUATION DATE	January 1, 2011		

COST OF RESTAURANT:

FRANCHISE	\$ 45,000
CO-INVESTMENT	\$ 700,000
EQUIPMENT	\$ 900,000
TOTAL	\$ 1,645,000

SALES PROJECTION:

		<u>PRODUCT SALES</u>
YEAR 1	N/A	\$ 2,750,000
YEAR 2	3.00%	\$ 2,833,000
YEAR 3	3.00%	\$ 2,918,000
YEAR 4	3.00%	\$ 3,006,000
YEAR 5	3.00%	\$ 3,096,000

		<u>CO-INVESTMENT FINANCING</u>	<u>FRANCHISE AND EQUIPMENT FINANCING</u>	<u>TOTAL</u>
FRANCHISEE COST	\$	700,000	\$ 945,000	\$ 1,645,000
CASH EQUITY BY O/O FINANCING:	<u>25.00%</u>	\$ 175,000	\$ 225,000	\$ 400,000
AMOUNT FINANCED	\$	525,000	\$ 720,000	\$ 1,245,000
TERM IN YEARS		10	7	
INTEREST RATE		6.00%	6.00%	
MONTHLY PAYMENT	\$	5,829	\$ 10,518	\$ 16,347
ANNUALLY	\$	69,943	\$ 126,218	\$ 196,161

CURRENT PERCENTAGE RENT	11.00%
TAX RATE	35.00%
AFTER TAX CASH FLOW DISCOUNT RATE	15.00%

DEPRECIATION ASSUMPTIONS

BONUS DEPRECIATION %	0.00%
SECTION 179	\$0
FRANCHISE	15 YEARS
CO-INVESTMENT (15YR OR 39YR)	15 YEARS
EQUIPMENT	5 YEARS

MCDONALD'S OF RONALD
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EXHIBIT II

VALUATION ANALYSIS BASED ON TWENTY (20) YEARS AFTER TAX CASH FLOW

YEAR	PRE-DEBT CASH FLOW	DEPRECIATION (A)	INTEREST	TAXABLE INCOME (LOSS)	TAX @ 35.00%	DEBT SERVICE	NET CASH FLOW AFTER TAX (400,000)
INITIAL INVESTMENT							
1	271,900	(229,667)	(71,304)	(29,070)	10,175	(196,161)	85,914
2	282,310	(337,667)	(63,603)	(118,959)	41,636	(196,161)	127,785
3	293,400	(222,467)	(55,427)	15,507	(5,427)	(196,161)	91,812
4	304,560	(153,347)	(46,747)	104,467	(36,563)	(196,161)	71,836
5	316,000	(153,347)	(37,531)	125,122	(43,793)	(196,161)	76,046
6	325,800	(101,507)	(27,747)	196,546	(68,791)	(196,161)	60,848
7	335,900	(49,667)	(17,360)	268,874	(94,106)	(196,161)	45,633
8	246,400	(49,667)	(9,861)	186,872	(65,405)	(69,943)	111,052
9	357,100	(49,667)	(6,155)	301,278	(105,447)	(69,943)	181,710
10	368,098	(49,667)	(2,221)	316,210	(110,674)	(69,943)	187,481
11	379,480	(49,667)		329,813	(115,435)		264,045
12	391,257	(49,667)		341,591	(119,557)		271,701
13	403,342	(49,667)		353,675	(123,786)		279,556
14	415,846	(49,667)		366,180	(128,163)		287,683
15	303,683	(49,667)		254,016	(88,906)		214,777
16	441,964	-		441,964	(154,687)		287,277
17	455,223	-		455,223	(159,328)		295,895
18	468,880	-		468,880	(164,108)		304,772
19	482,946	-		482,946	(169,031)		313,915
20	497,435	-		497,435	(174,102)		323,332
					(B) TERMINAL VALUE -----		3,202,235

(A) DEPRECIATION BASED ON
 ASSUMPTIONS ON EXHIBIT I

(B) TERMINAL VALUE
 REPRESENTING VALUE OF STORE
 AT END OF YEAR 20 BASED ON
 YR 21 PRE-DEBT CASH FLOW
 CAPITALIZED AT 19% MINUS
 THE GROWTH RATE

RESTAURANT VALUATION	PRESENT VALUE OF NET CASH FLOW AFTER TAX @ GOOD DEAL POSITIVE / (BAD DEAL NEGATIVE)	15.00%	\$524,469
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EXHIBIT III

VALUATION ANALYSIS BASED ON TEN (10) YEARS AFTER TAX CASH FLOW

YEAR	PRE-DEBT CASH FLOW	DEPRECIATION (A)	INTEREST	TAXABLE INCOME (LOSS)	TAX @ 35.00%	DEBT SERVICE	NET CASH FLOW AFTER TAX
INITIAL INVESTMENT							(400,000)
1	271,900	(229,667)	(71,304)	(29,070)	10,175	(196,161)	85,914
2	282,310	(337,667)	(63,603)	(118,959)	41,636	(196,161)	127,785
3	293,400	(222,467)	(55,427)	15,507	(5,427)	(196,161)	91,812
4	304,560	(153,347)	(46,747)	104,467	(36,563)	(196,161)	71,836
5	316,000	(153,347)	(37,531)	125,122	(43,793)	(196,161)	76,046
6	325,800	(101,507)	(27,747)	196,546	(68,791)	(196,161)	60,848
7	335,900	(49,667)	(17,360)	268,874	(94,106)	(196,161)	45,633
8	246,400	(49,667)	(9,861)	186,872	(65,405)	(69,943)	111,052
9	357,100	(49,667)	(6,155)	301,278	(105,447)	(69,943)	181,710
10	368,098	(49,667)	(2,221)	316,210	(110,674)	(69,943)	187,481
(B) TERMINAL VALUE							2,369,631

(A) DEPRECIATION BASED ON ASSUMPTIONS ON EXHIBIT I

(B) TERMINAL VALUE REPRESENTING VALUE OF STORE AT END OF YEAR 10 BASED ON YR 11 PRE-DEBT CASH FLOW CAPITALIZED AT 19% MINUS THE GROWTH RATE

RESTAURANT VALUATION	PRESENT VALUE OF NET CASH FLOW AFTER TAX @ GOOD DEAL POSITIVE / (BAD DEAL NEGATIVE)	15.00%	\$519,719
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MCDONALD'S SINGLE STORE VALUATION ANALYSIS SUMMARY

CLIENT NAME MCDONALD'S OF RONALD
 STORE LOCATION ANYTOWN USA
 STORE #: 12345
 VALUATION DATE 1/1/2011

EXHIBIT IV

2/9/11

	LEVERAGE SCENARIO		
	RANGE OF VALUES		
VALUATION DISCOUNT RATE	25.00%	27.50%	30.00%
CALCULATED VALUE OF RESTAURANT EQUIPMENT AND FRANCHISE	1,872,638	1,745,566	1,640,663
ACQUISITION INDEBTEDNESS	1,245,000	1,245,000	1,245,000
OWNER'S EQUITY	627,638	500,566	395,663
ACTUAL EQUITY INVESTED	\$ 400,000	\$ 400,000	\$ 400,000
GOOD DEAL / (BAD DEAL)	\$ 227,638	\$ 100,566	\$ (4,337)

	NON-LEVERAGE SCENARIO		
VALUATION DISCOUNT RATE	18.00%	19.00%	20.00%
CALCULATED VALUE OF RESTAURANT EQUIPMENT AND FRANCHISE	1,831,996	1,716,648	1,614,980
ACQUISITION INDEBTEDNESS	1,245,000	1,245,000	1,245,000
OWNER'S EQUITY	586,996	471,648	369,980
ACTUAL EQUITY INVESTED	\$ 400,000	\$ 400,000	\$ 400,000
GOOD DEAL / (BAD DEAL)	\$ 186,996	\$ 71,648	\$ (30,020)

MCDONALD'S VALUATION WORKSHEET
DISCOUNTED CASH FLOW METHOD

EXHIBIT V

DATE OF VALUATION: January 1, 2011
CLIENT: MCDONALD'S OF RONALD
SCENARIO: RESTAURANT VALUATION
STORE #: 12345

VALUATION YEAR 1

ASSUMPTIONS:			
CASH FLOW BEFORE DEBT SERVICE, ADMINISTRATIVE OVERHEAD OR COMPENSATION AND ANNUAL RE-INVESTMENT REQUIREMENTS:			
YEAR	AMOUNT	GROWTH RATE	
2011	328,900		
2012	340,810	3.62%	
2013	353,400	3.69%	
2014	366,060	3.58%	
2015	379,000	3.53%	
2016	390,400	3.00%	
2017	402,100	3.00%	
2018	414,200	3.00%	
2019	426,600	3.00%	
ADMINISTRATIVE OVERHEAD INCLUDING OWNER COMPENSATION			
	\$42,000	1.53%	
ANNUAL RE-INVESTMENT NEEDS:			
YEAR	AMOUNT	YEARLY INCREASE	REWRITE/ ADDL INVEST
2011	\$15,000		-
2012	15,400	2.50%	-
2013	15,800	2.50%	-
2014	16,200	2.50%	-
2015	16,600	2.50%	-
2016	17,000	2.50%	-
2017	17,400	2.50%	-
2018	17,800	2.50%	100,000
THEREAFTER	18,200	2.50%	-
LEVERAGE SCENARIO ASSUMPTIONS:			
DISCOUNT RATE:	25.00%	27.50%	30.00%
PRINCIPAL:	\$1,405,000	\$1,309,000	\$1,230,000
INTEREST RATE:	6.00%	6.00%	6.00%
TERM IN YEARS	7	7	7
MONTHLY PAYMENT:	\$20,525	\$19,123	\$17,969
ANNUALLY:	\$246,300	\$229,471	\$215,622
DEBT AS % OF CALCULATED VALUE			
DISCOUNT RATE =	25.00%	75.0%	
DISCOUNT RATE =	27.50%	75.0%	
DISCOUNT RATE =	30.00%	75.0%	

SEE PROJECTION - EXHIBIT VI

YEAR	CASH FLOW BEFORE DEBT SERVICE AND DRAW	MGMT FEE	REINVEST NEED	NET CASH FLOW BEFORE DEBT SERVICE	DEBT SERVICE FOR REQUIRED DEBT BASED ON DISCOUNT RATE OF:			NET CASH FLOW BASED ON DISCOUNT RATE OF:		
					25.00%	27.50%	30.00%	25.00%	27.50%	30.00%
					2011	\$328,900	\$42,000	\$15,000	\$271,900	\$246,300
2012	340,810	43,100	15,400	282,310	246,300	229,471	215,622	36,010	52,839	66,688
2013	353,400	44,200	15,800	293,400	246,300	229,471	215,622	47,100	63,929	77,778
2014	366,060	45,300	16,200	304,560	246,300	229,471	215,622	58,260	75,089	88,938
2015	379,000	46,400	16,600	316,000	246,300	229,471	215,622	69,700	86,529	100,378
2016	390,400	47,600	17,000	325,800	246,300	229,471	215,622	79,500	96,329	110,178
2017	402,100	48,800	17,400	335,900	246,300	229,471	215,622	89,600	106,429	120,278
2018	414,200	50,000	117,800	246,400	-	-	-	246,400	246,400	246,400
2019	426,600	51,300	18,200	357,100	-	-	-	357,100	357,100	357,100

YEAR	PRESENT VALUE OF FUTURE CASH FLOWS		
	25.00%	27.50%	30.00%
2011	\$20,480	\$33,278	\$43,291
2012	23,046	32,504	39,460
2013	24,115	30,844	35,402
2014	23,863	28,414	31,140
2015	22,839	25,681	27,035
2016	20,840	22,423	22,826
2017	18,790	19,431	19,168
2018	41,339	35,282	30,206
2019	47,929	40,105	33,674
PRESENT VALUE OF TERMINAL VALUE --->			
	224,396	168,605	128,462
PRESENT VALUE OF FUTURE CASH FLOWS ->			
	467,638	436,566	410,663
BUYER'S DEBT PRINCIPAL ----->			
	1,405,000	1,309,000	1,230,000
RANGE OF VALUES OF STORE (LEVERAGE SCENARIO)			
	1,872,638	\$1,745,566	\$1,640,663
DISCOUNT RATE			
	18.00%	19.00%	20.00%
RANGE OF VALUES OF STORE (NON-LEVERAGE SCENARIO \$			
	\$ 1,831,996	\$ 1,716,648	\$ 1,614,980

MCDONALD'S OF RONALD
RESTAURANT VALUATION

EXHIBIT VI

PROJECTED SALES INCREASE ----->	N/A	3.00%	3.00%	3.00%	3.00%
PROJECTED INFLATION FACTOR ---->	2.50%	2.50%	2.50%	2.50%	2.50%

PRO-FORMA INCOME AND PROJECTION

	*****HISTORICAL*****						REGIONAL AVERAGE										
	2008	%	2009	%	TTM APRIL 2010	%	%	PROJECTION 2011	PERCENT OF SALES	PROJECTION 2012	PERCENT OF SALES	PROJECTION 2013	PERCENT OF SALES	PROJECTION 2014	PERCENT OF SALES	PROJECTION 2015	PERCENT OF SALES
INCOME																	
TOTAL SALES	\$0	100.00%	\$0	100.00%	\$0	100.00%	100.00%	2,775,000	100.91%	2,859,000	100.92%	2,945,000	100.93%	3,034,000	100.93%	3,125,000	100.94%
LESS: NON-PRODUCT SALES	0	0.00%	0	0.00%	-	0.00%	0.00%	(25,000)	-0.91%	(26,000)	-0.92%	(27,000)	-0.93%	(28,000)	-0.93%	(29,000)	-0.94%
PRODUCT SALES	0	100.00%	0	100.00%	0	100.00%	100.0%	2,750,000	100.00%	2,833,000	100.00%	2,918,000	100.00%	3,006,000	100.00%	3,096,000	100.00%
COST OF SALES																	
FOOD	0	0.00%	0	0.00%	-	0.00%	0.00%	742,500	27.00%	764,900	27.00%	787,900	27.00%	811,600	27.00%	835,900	27.00%
PAPER	0	0.00%	0	0.00%	-	0.00%	0.00%	96,300	3.50%	99,200	3.50%	102,100	3.50%	105,200	3.50%	108,400	3.50%
TOTAL COST OF SALES	0	0.00%	0	0.00%	0	0.00%	0.00%	838,800	30.50%	864,100	30.50%	890,000	30.50%	916,800	30.50%	944,300	30.50%
GROSS PROFIT	0	100.00%	0	100.00%	0	100.00%	100.00%	1,911,200	69.50%	1,968,900	69.50%	2,028,000	69.50%	2,089,200	69.50%	2,151,700	69.50%
CONTROLLABLE EXPENSES																	
CREW LABOR	0	0.00%	0	0.00%	-	0.00%	0.00%	550,000	20.00%	566,600	20.00%	583,600	20.00%	601,200	20.00%	619,200	20.00%
MANAGEMENT LABOR	0	0.00%	0	0.00%	-	0.00%	0.00%	75,000	2.73%	76,900	2.71%	78,800	2.70%	80,800	2.69%	82,800	2.67%
PAYROLL TAXES	0	0.00%	0	0.00%	-	0.00%	0.00%	62,500	2.27%	64,400	2.27%	66,200	2.27%	68,200	2.27%	70,200	2.27%
TRAVEL	0	0.00%	0	0.00%	-	0.00%	0.00%	5,000	0.18%	5,100	0.18%	5,200	0.18%	5,300	0.18%	5,400	0.17%
ADVERTISING	0	0.00%	0	0.00%	-	0.00%	0.00%	110,000	4.00%	113,300	4.00%	116,700	4.00%	120,200	4.00%	123,800	4.00%
PROMOTION	0	0.00%	0	0.00%	-	0.00%	0.00%	27,500	1.00%	28,300	1.00%	29,200	1.00%	30,100	1.00%	31,000	1.00%
OUTSIDE SERVICES	0	0.00%	0	0.00%	-	0.00%	0.00%	25,000	0.91%	25,600	0.90%	26,200	0.90%	26,900	0.89%	27,600	0.89%
LINEN	0	0.00%	0	0.00%	-	0.00%	0.00%	5,500	0.20%	5,700	0.20%	5,800	0.20%	6,000	0.20%	6,200	0.20%
OPERATING SUPPLIES	0	0.00%	0	0.00%	-	0.00%	0.00%	2,800	0.10%	2,800	0.10%	2,900	0.10%	3,000	0.10%	3,100	0.10%
SMALL EQUIPMENT	0	0.00%	0	0.00%	-	0.00%	0.00%	3,000	0.11%	3,100	0.11%	3,200	0.11%	3,300	0.11%	3,400	0.11%
MAINTENANCE AND REPAIRS	0	0.00%	0	0.00%	-	0.00%	0.00%	25,000	0.91%	25,600	0.90%	26,200	0.90%	26,900	0.89%	27,600	0.89%
UTILITIES	0	0.00%	0	0.00%	-	0.00%	0.00%	130,000	4.73%	133,300	4.71%	136,600	4.68%	140,000	4.66%	143,500	4.64%
OFFICE SUPPLIES	0	0.00%	0	0.00%	-	0.00%	0.00%	6,000	0.22%	6,200	0.22%	6,400	0.22%	6,600	0.22%	6,800	0.22%
CASH OVER AND SHORT	0	0.00%	0	0.00%	-	0.00%	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
MISCELLANEOUS CONTROLLABLE	0	0.00%	0	0.00%	-	0.00%	0.00%	10,000	0.36%	10,300	0.36%	10,600	0.36%	10,900	0.36%	11,200	0.36%
TOTAL CONTROLLABLE	0	0.00%	0	0.00%	0	0.00%	0.00%	1,037,300	37.72%	1,067,200	37.67%	1,097,600	37.62%	1,129,400	37.57%	1,161,800	37.53%
PROFIT AFTER CONTROLLABLE	0	100.00%	0	100.00%	0	100.00%	100.00%	873,900	31.78%	901,700	31.83%	930,400	31.88%	959,800	31.93%	989,900	31.97%
NON-CONTROLLABLE EXPENSES																	
RENT	0	0.00%	0	0.00%	-	0.00%	11.00%	305,250	11.10%	314,490	11.10%	323,950	11.10%	333,740	11.10%	343,750	11.10%
SERVICE FEES	0	0.00%	0	0.00%	-	0.00%	4.00%	111,000	4.04%	114,400	4.04%	117,800	4.04%	121,300	4.04%	125,000	4.04%
INCREMENTAL SERVICE FEE - NEW OWN	0	0.00%	0	0.00%	-	0.00%	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
ACCOUNTING AND LEGAL	0	0.00%	0	0.00%	-	0.00%	0.36%	10,000	0.36%	10,300	0.36%	10,600	0.36%	10,900	0.36%	11,200	0.36%
INSURANCE	0	0.00%	0	0.00%	-	0.00%	2.18%	60,000	2.18%	61,500	2.17%	63,000	2.16%	64,600	2.15%	66,200	2.14%
TAXES AND LICENSE	0	0.00%	0	0.00%	-	0.00%	0.91%	25,000	0.91%	25,600	0.90%	26,200	0.90%	26,900	0.89%	27,600	0.89%
DEPRECIATION AND AMORTIZATION	0	0.00%	0	0.00%	-	0.00%	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
INTEREST EXPENSE	0	0.00%	0	0.00%	-	0.00%	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
OTHER EXPENSES (INCOME)	0	0.00%	0	0.00%	-	0.00%	1.27%	35,000	1.27%	35,900	1.27%	36,800	1.26%	37,700	1.25%	38,600	1.25%
TOTAL NON-CONTROLLABLE EXPENSES	0	0.00%	0	0.00%	0	0.00%		546,250	19.86%	562,190	19.84%	578,350	19.82%	595,140	19.80%	612,350	19.78%
NON-PRODUCT SALES	0	0.00%	0	0.00%	-	0.00%		25,000	0.91%	26,000	0.92%	27,000	0.93%	28,000	0.93%	29,000	0.94%
NON-PRODUCT COSTS	0	0.00%	0	0.00%	-	0.00%		23,750	0.86%	24,700	0.87%	25,650	0.88%	26,600	0.88%	27,550	0.89%
NET NON-PRODUCT	0	0.00%	0	0.00%	0	0.00%		1,250	0.05%	1,300	0.05%	1,350	0.05%	1,400	0.05%	1,450	0.05%
STORE OPERATING INCOME	0	100.00%	0	100.00%	0	100.00%		328,900	11.96%	340,810	12.03%	353,400	12.11%	366,060	12.17%	379,000	12.24%