2012 Annual Report


Angus Deluxe

To Our Valued Shareholders:

Reflecting back on 2012, our first full year as a publicly traded company, I am tremendously proud of our many accomplishments. As this report details, our superior brand positioning, exciting marketing efforts, and innovative menu enhancements, along with our deft execution capabilities, kept us ahead of the competition and well positioned for continued success.

Perhaps most gratifying is that every day 90,000 of our team members are hard at work serving as ambassadors of the McDonald's brand. Thanks to their collective efforts, millions of consumers throughout Latin America continue to prefer us by a margin of 3-to-1 compared to other Quick Service Restaurant options in the market. We are all very proud to be a part of the McDonald's system worldwide.

While our achievements were many, 2012 also saw its share of economic volatility. Soft consumption in some markets, depreciation of currencies and other macroeconomic challenges continued to place pressure on our business.

Despite these challenges, we achieved our fifth consecutive year of systemwide comparable sales growth, which rose 9.2 percent over 2011, and is also in excess of most consumption metrics. Revenues grew a respectable 3.8 percent, or 14.2 percent on an organic basis. And adjusted EBITDA was stable year-over-year, increasing by 0.2 percent, or by 1.2 percent on an organic basis, while our net income remained largely stable.

At the forefront of our growth blueprint is the *Receta para Ganar*, or Recipe to Win, which much like McDonald's successful growth roadmap, Plan to Win, governs our strategy over the coming years.


Smoothie

I am pleased to report progress across all five strategic vectors, starting with a key focus of the plan, comparable sales growth. Our customers remain at the heart of our business. As consumption weakened in 2012, we were the only major Quick Service Restaurant to offer core products at accessible prices, ensuring everyday good value for our customers. Our strategies are focused on long-term profitability and we expect future gains as customers trade up during improved economic conditions. Additionally, we continued to build on our already solid menu offering by launching over 100 products and flavors including the Combined Beverage Business in the Caribbean. This platform is also being rolled out in Brazil and is likewise expected to drive future sales. These initiatives demonstrate our team's operational excellence and the dominance of our brand in the region.

In addition we advanced on our expansion roadmap. During the year, we invested in the long-term growth of our business by opening a record 130 restaurants. This figure is up almost 30% on the previous year's total openings, while also bringing the McDonald's brand to 16 new cities. Our iconic locations within Latin America are extremely hard to replicate and they serve as a key differentiator for Arcos Dorados.

We also implemented efficiency improvements throughout 2012. These measures form part of the third vector of our strategy, margin management, and are crucial as we balance the growth of our footprint with cost initiatives to achieve operational efficiency. In Brazil and Argentina the rollout of Made For You was completed and additional suppliers were also added to strengthen procurement efforts.

During 2012, a strict focus on fixed costs allowed us to stabilize our General & Administrative expense (G&A) structure, which together with increased contributions from new restaurants, lead to improvements in our fourth strategic vector, G&A leverage.

Finally, our fifth strategic vector, improving our EBITDA to net income yield, requires us to continue to build upon the advances we have already made in strengthening our debt structure, managing the impact of foreign exchange movements, among others.

Beyond enhancing the customer experience, we play an important role in the communities we serve. In 2012 we held our annual McDonald's 5K Women's Run. It is the biggest women's race in Latin America. What's more, I am particularly proud of the fact that Arcos Dorados was recognized as the fourth best multinational company to work for in Latin America in 2012.

In a changing business environment, strong operating experience is paramount and our focus on employees allows us to attract the best and brightest talent. We see opportunity at every juncture. In this manner, during 2012, we continued to implement sustainable measures in the areas of water consumption, energy use and waste management. Among many other initiatives, we celebrated the opening of our fifth green LEED certified restaurant in Plaza Guaynabo, Puerto Rico.

Wrap Barbecue

As we begin 2013, we expect ongoing progress on the *Receta para Ganar* with another year of record store openings and an exciting marketing calendar in place which combines good value with new product introductions, including the rejuvenation of our Happy Meal marketing with the launch of the Happy character. In February 2013, we launched our quality campaign, bringing customers closer to the true origin of our food, focusing on farms and the sources of our quality ingredients.

In years to come, we will continue to benefit from our tremendous brand recognition and leading market share. The young and rapidly growing consumer base in the region, which favors convenience and away-from-home eating options, will continue to drive sales. And despite our aggressive expansion strategy, the market remains substantially underpenetrated, affording us a lengthy runway for future growth. Undoubtedly, the combination of these factors will see us serve more customers more often in the coming years.

All of this bodes well for the future. We remain realistically cautious that various geopolitical realities and continued economic challenges will continue to impact our business. Yet the underlying drivers of our business are strong, and I am confident that our team is best positioned to successfully manage through this and other economic cycles.

In closing, I wanted to borrow a phrase from Fred Turner, former chairman and CEO of McDonald's. Fred was fond of reminding colleagues around the world that "You Made a Difference."
To our tremendous employees and partners throughout Latin America, I say "You Made a Difference," and thank them genuinely for their contributions to making our Company great. And to our shareholders, thank you for your continued commitment to our team and strategy. We hold your confidence in the highest regard, and pledge to remain unflinchingly focused on driving long-term value.

Sincerely,

Woods Staton
Chairman and CEO

Curazao McDonald's

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, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ________________ to ________________

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

Commission file number: 001-35129

ARCOS DORADOS HOLDINGS INC.

(Exact name of Registrant as specified in its charter)

British Virgin Islands

(Jurisdiction of incorporation)

Roque Saenz Peña 432
B1636FFB Olivos, Buenos Aires, Argentina

(Address of principal executive offices)

Juan David Bastidas
Chief Legal Officer
Arcos Dorados Holdings Inc.
Roque Saenz Peña 432
B1636FFB Olivos, Buenos Aires, Argentina
Telephone: +54 (11) 4711-2504
Fax: +54 (11) 4711-2094 (ext. 2504)

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

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

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

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

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

Class A shares: 129,529,412
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

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

US GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

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

☐ Item 17 ☐ Item 18

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

☐ Yes ☒ No

ARCOS DORADOS HOLDINGS INC.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "U.S. dollars," "dollars," "U.S.$" or "$" are to the U.S. dollar. All references to "Argentine *pesos*" or "ARS$" are to the Argentine *peso*. All references to "Brazilian *reais*" or "R$" are to the Brazilian *real*. All references to "Mexican *pesos*" or "Ps." are to the Mexican *peso*. All references to "Venezuelan *bolívares fuertes*" or "Bs.F" are to the Venezuelan *bolívar fuerte*, the legal currency in Venezuela. See "Item 3. Key Information—A. Selected Financial Data—Exchange Rates and Exchange Controls" for information regarding exchange rates for the Argentine, Brazilian, Mexican and Venezuelan currencies since January 1, 2008.

Definitions

In this annual report, unless the context otherwise requires, all references to "Arcos Dorados" or 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 (since June 3, 2011), Uruguay, the U.S. Virgin Islands of St. Croix and St. Thomas, and Venezuela, which we refer to as the Territories, and do not refer to the system of McDonald's-branded restaurants operated by McDonald's Corporation, its affiliates or its franchisees (other than us).

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

Financial Statements

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

The financial information contained in this annual report includes our consolidated financial statements at December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, as stated in their report included elsewhere in this annual report.

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

Our fiscal year ends December 31. References in this annual report to a fiscal year, such as "fiscal year 2012," relate to our fiscal year ended on December 31 of that calendar year.

Operating Data

We divide our operations into four geographical divisions: Brazil; the Caribbean division, consisting of Aruba, Curaçao, French Guiana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago and the U.S. Virgin Islands of St. Croix and St. Thomas; NOLAD, consisting of Costa Rica, Mexico and Panama; and SLAD, consisting of Argentina, Chile, Colombia, Ecuador, Peru, Uruguay and Venezuela. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Segment Presentation" for a description of changes we have made in the structure of our geographical divisions effective January 1, 2013. The discussion of our financial condition and results of operations in this annual report does not reflect this change and is based on the structure prevailing as of December 31, 2012.

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 several joint ventures with third parties that collectively own 27 restaurants. We consider these restaurants to be Company-operated restaurants. We also have granted developmental licenses to 12 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.

Other Financial Measures

We disclose in this annual report a financial measure titled 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 expenses, net and within general and administrative expenses in our statement of income: compensation expense related to a special award granted to our CEO, incremental compensation expense related to our 2008 long-term incentive plan, gains from sale of property and equipment, write-off of property and equipment, contract termination losses, impairment of long-lived assets and goodwill, stock-based compensation related to the special awards under the 2011 Equity Incentive Plan and bonuses granted in connection with our initial public offering.

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 compensation expense related to the award granted to our CEO due to its special nature; gains from sale 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; contract termination losses due to its infrequent nature; stock-based compensation related to the special awards under the 2011 Equity Incentive Plan; and bonuses granted in connection with our initial public offering due to its special nature. In addition, in 2010 and 2011 we excluded the incremental compensation expense that resulted from the remeasurement of our liability under our 2008 long-term incentive plan because of our decision in 2011 to replace the existing formula for determining the current value of the award with the quoted market price of our shares. 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.

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

Basis of Consolidation

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

Rounding

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

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements appear in a number of places in this annual report and include, but are not limited to, statements regarding our intent, belief or current expectations. Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to of various factors, including, but not limited to, those identified in “Item 3. Key Information—D. Risk Factors” in this annual report. These risks and uncertainties include factors relating to:

- general economic, political, demographic and business conditions in Latin America and the Caribbean;
- fluctuations in inflation and exchange rates in Latin America and the Caribbean;
- our ability to implement our growth strategy;
- the success of operating initiatives, including advertising and promotional efforts and new product and concept development by us and our competitors;
- our ability to compete and conduct our business in the future;
- changes in consumer tastes and preferences, including changes resulting from concerns over nutritional or safety aspects of beef, poultry, french fries or other foods or the effects of health pandemics and food-borne illnesses such as “mad cow” disease and avian influenza or “bird flu,” and changes in spending patterns and demographic trends, such as the extent to which consumers eat meals away from home;
- the availability, location and lease terms for restaurant development;
- our intention to focus on our restaurant reimaging plan;
- our franchisees, including their business and financial viability and the timely payment of our franchisees’ obligations due to us and to McDonald’s;
- our ability to comply with the requirements of the MFAs, including McDonald’s standards;
- our decision to own and operate restaurants or to operate under franchise agreements;

- the availability of qualified restaurant personnel for us and for our franchisees, and the ability to retain such personnel;
- changes in commodity costs, labor, supply, fuel, utilities, distribution and other operating costs;
- our ability, if necessary, to secure alternative distribution of supplies of food, equipment and other products to our restaurants at competitive rates and in adequate amounts, and the potential financial impact of any interruptions in such distribution;
- changes in government regulation;
- 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, 2012 and 2011 and the income statement data for the years ended December 31, 2012, 2011 and 2010 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, 2010, 2009 and 2008 and the income statement data for the years ended December 31, 2009 and 2008 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.

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

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

	Arcos Dorados				
	For the Years Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands of U.S. dollars, except for share data)				
Income Statement Data:					
Sales by Company-operated restaurants	$ 3,634,371	$ 3,504,128	$ 2,894,466	$ 2,536,655	$ 2,480,897
Revenues from franchised restaurants	163,023	153,521	123,652	128,821	125,945
Total revenues	**3,797,394**	**3,657,649**	**3,018,118**	**2,665,476**	**2,606,842**
Company-operated restaurant expenses:					
Food and paper	(1,269,146)	(1,216,141)	(1,023,464)	(929,718)	(902,305)
Payroll and employee benefits	(753,120)	(701,278)	(569,084)	(491,214)	(461,602)
Occupancy and other operating expenses	(984,004)	(918,102)	(765,777)	(667,438)	(647,152)
Royalty fees	(180,547)	(170,400)	(140,973)	(121,901)	(118,980)
Franchised restaurants—occupancy expenses	(56,057)	(51,396)	(37,634)	(42,327)	(42,416)
General and administrative expenses	(314,619)	(334,914)	(254,165)	(189,507)	(186,098)
Other operating expenses, net	(3,261)	(14,665)	(22,464)	(16,562)	(26,095)
Total operating costs and expenses	**(3,560,754)**	**(3,406,896)**	**(2,813,561)**	**(2,458,667)**	**(2,384,648)**
Operating income	**236,640**	**250,753**	**204,557**	**206,809**	**222,194**
Net interest expense	(54,247)	(60,749)	(41,613)	(52,473)	(26,272)
Loss from derivative instruments	(891)	(9,237)	(32,809)	(39,935)	(2,620)
Foreign currency exchange results	(18,420)	(23,926)	3,237	(14,098)	(74,884)
Other non-operating (expenses) income, net	(2,119)	3,562	(23,630)	(1,240)	(1,934)
Income before income taxes	**160,963**	**160,403**	**109,742**	**99,063**	**116,484**
Income tax expense	(46,375)	(44,603)	(3,450)	(18,709)	(12,067)
Net income	**114,588**	**115,800**	**106,292**	**80,354**	**104,417**
Less: Net income attributable to non-controlling interests	(256)	(271)	(271)	(332)	(1,375)
Net income attributable to Arcos Dorados Holdings Inc.	**114,332**	**115,529**	**106,021**	**80,022**	**103,042**
Earnings per share:					
Basic net income per common share attributable to Arcos Dorados Holdings Inc.	$ 0.55	$ 0.54	$ 0.44	$ 0.33	$ 0.43
Diluted net income per common share attributable to Arcos Dorados Holdings Inc.	$ 0.55	$ 0.54	$ 0.44	$ 0.33	$ 0.43

	As of December 31,				
	2012	2011	2010	2009	2008
	(in thousands of U.S. dollars, except for share data)				
Balance Sheet Data(1):					
Cash and cash equivalents	$ 184,851	$ 176,301	$ 208,099	$ 167,975	$ 105,982
Total current assets	**601,498**	**588,614**	**552,355**	**394,011**	**380,275**
Property and equipment, net	1,176,350	1,023,180	911,730	785,862	709,667
Total non-current assets	**1,447,665**	**1,286,792**	**1,231,911**	**1,088,937**	**923,488**
Total assets	**2,049,163**	**1,875,406**	**1,784,266**	**1,482,948**	**1,303,763**
Accounts payable	244,365	220,941	217,326	151,175	148,884
Short-term debt and current portion of long-term debt	2,202	3,811	17,947	11,046	15,306
Total current liabilities	**578,274**	**589,292**	**605,148**	**396,810**	**388,357**
Long-term debt, excluding current portion	649,968	525,951	451,423	454,461	351,870
Total non-current liabilities	**724,579**	**606,485**	**629,923**	**632,092**	**474,654**
Total liabilities	**1,302,853**	**1,195,777**	**1,235,071**	**1,028,902**	**863,011**
Total common stock	484,569	484,569	377,546	377,546	377,546
Total equity	**746,310**	**679,629**	**549,195**	**454,046**	**440,752**
Total liabilities and equity	**2,049,163**	**1,875,406**	**1,784,266**	**1,482,948**	**1,303,763**
Shares outstanding(2)	209,529,412	209,529,412	241,882,966	241,882,966	241,882,966

	For the Years Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands of U.S. dollars, except percentages)				
Other Data:					
Total Revenues					
Brazil	$ 1,797,556	$ 1,890,824	$ 1,595,571	$ 1,200,742	$ 1,237,208
Caribbean division	273,467	267,701	260,617	244,774	231,734
NOLAD	384,041	355,265	305,017	240,333	232,083
SLAD(3)	1,342,330	1,143,859	856,913	979,627	905,817
Total	**3,797,394**	**3,657,649**	**3,018,118**	**2,665,476**	**2,606,842**
Operating Income					
Brazil	$ 193,339	$ 246,926	$ 208,102	$ 127,291	$ 102,819
Caribbean division	(5,020)	(5,244)	11,189	10,448	12,454
NOLAD	(5,557)	(8,709)	(16,718)	(17,252)	(4,863)
SLAD(3)	120,536	99,813	66,288	108,261	119,716
Corporate and others and purchase price allocation	(66,658)	(82,033)	(64,304)	(21,939)	(7,932)
Total	**236,640**	**250,753**	**204,557**	**206,809**	**222,194**
Operating Margin(4)					
Brazil	10.8%	13.1%	13.0%	10.6%	8.3%
Caribbean division	(1.8)	(2.0)	4.3	4.3	5.4
NOLAD	(1.4)	(2.5)	(5.5)	(7.2)	(2.1)
SLAD(3)	9.0	8.7	7.7	11.1	13.2
Total	**6.2**	**6.9**	**6.8**	**7.8**	**8.5**
Adjusted EBITDA(5)					
Brazil	$ 240,954	$ 289,462	$ 250,606	$ 160,037	$ 144,965
Caribbean division	12,345	9,493	23,556	21,167	22,013
NOLAD	26,738	19,551	15,400	3,918	15,961
SLAD(3)	150,520	121,475	83,998	129,889	138,683
Corporate and others	(89,996)	(100,193)	(74,446)	(48,628)	(33,648)
Total	**340,561**	**339,788**	**299,114**	**266,383**	**287,974**
Adjusted EBITDA Margin(6)					
Brazil	13.4%	15.3%	15.7%	13.3%	11.7%
Caribbean division	4.5	3.5	9.0	8.6	9.5
NOLAD	7.0	5.5	5.0	1.6	6.9
SLAD(3)	11.2	10.6	9.8	13.3	15.3
Total	**9.0**	**9.3**	**9.9**	**10.0**	**11.0**
Other Financial Data:					
Working capital(7)	$ 23,224	$ (678)	$ (52,793)	$ (2,799)	$ (8,082)
Capital expenditures(8)	300,482	325,852	176,173	101,166	167,893
Dividends declared per common share	$ 0.24	$ 0.24	$ 0.17	$ —	$ —
Other Operating Data:					
Systemwide comparable sales growth(9)(10)	**9.2%**	**13.7%**	**14.9%**	**5.5%**	—
Brazil	5.2	9.3	17.5	2.7	—
Caribbean division	2.6	(0.6)	4.7	4.2	—
NOLAD	4.4	8.5	9.1	(1.7)	—
SLAD	19.9	29.6	16.1	12.2	—
Systemwide average restaurant sales(10)(11)	**$ 2,603**	**$ 2,648**	**$ 2,288**	**$ 2,147**	**$ 2,186**
Systemwide sales growth(10)(12)	**3.6%**	**21.1%**	**10.2%**	**0.9%**	—
Brazil	(4.6)	19.2	34.3	(2.4)	—
Caribbean division	—	1.4	3.8	4.6	—
NOLAD	5.9	14.9	19.2	(12.3)	—
SLAD	18.6	34.5	(20.2)	9.2	—

	As of December 31,				
	2012	2011	2010	2009	2008
Number of systemwide restaurants	**1,948**	**1,840**	**1,755**	**1,680**	**1,640**
Brazil	731	662	616	578	564
Caribbean division	139	147	142	145	145
NOLAD	503	484	476	456	448
SLAD	575	547	521	501	483
Number of Company-operated restaurants	**1,453**	**1,358**	**1,292**	**1,226**	**1,155**
Brazil	533	488	453	432	426
Caribbean division	96	96	91	93	89
NOLAD	335	314	310	289	242
SLAD	489	460	438	412	398
Number of franchised restaurants	**495**	**482**	**463**	**454**	**485**
Brazil	198	174	163	146	138
Caribbean division	43	51	51	52	56
NOLAD	168	170	166	167	206
SLAD	86	87	83	89	85

(1) The balance sheet data as of December 31, 2010, 2009 and 2008 does not reflect the split-off of the Axionlog business, formerly known as Axis. See "Item 4. Information on the Company—B. Business Overview—Our Operations—Supply and Distribution."

(2) Data as of December 2010, 2009 and 2008 was adjusted to reflect the stock split approved on March 14, 2011. See Note 22 to our consolidated financial statements for details.

(3) Currency controls in Venezuela and related accounting changes have had a significant effect on our results of operations and impact the comparability of our results of operations in 2010 compared to 2009.

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

(5) 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 "Presentation of Financial and Other Information—Other Financial Measures."

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, 2012	2011	2010	2009	2008
	(in thousands of U.S. dollars)				
Net income attributable to Arcos Dorados Holdings Inc.	**$ 114,332**	**$ 115,529**	**$ 106,021**	**$ 80,022**	**$ 103,042**
Plus (Less):					
Net interest expense	54,247	60,749	41,613	52,473	26,272
Loss from derivative instruments	891	9,237	32,809	39,935	2,620
Foreign currency exchange results	18,420	23,926	(3,237)	14,098	74,884
Other non-operating expenses (income), net	2,119	(3,562)	23,630	1,240	1,934
Income tax expense	46,375	44,603	3,450	18,709	12,067
Net income attributable to non-controlling interests	256	271	271	332	1,375
Operating income	**236,640**	**250,753**	**204,557**	**206,809**	**222,194**
Plus (Less):					
Items excluded from computation that affect operating income:					
Depreciation and amortization	92,328	68,971	60,585	54,169	49,496
Compensation expense related to the award right granted to the CEO	—	2,214	16,392	4,334	11,060
Gains from sale of property and equipment	(3,328)	(7,123)	(5,299)	(8,465)	(4,592)
Write-offs of property and equipment	4,259	3,570	2,635	9,434	5,144
Impairment of long-lived assets	1,982	1,715	4,668	—	—
Stock-based compensation related to the special awards in connection with the initial public offering under the 2011 Plan	7,997	5,703	—	—	—
Cash bonus related to the initial public offering	—	1,382	—	—	—
Incremental compensation expense related to the Arcos Dorados B.V. long-term incentive plan	—	10,526	15,576	—	—
Contract termination losses	—	—	—	—	3,606
Impairment of goodwill	683	2,077	—	102	1,066
Adjusted EBITDA	**340,561**	**339,788**	**299,114**	**266,383**	**287,974**

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

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

(8) Includes property and equipment expenditures and purchase of restaurant businesses.

(9) Systemwide comparable sales growth refers to the change in our restaurant sales in one period from a comparable period for restaurants that have been open for thirteen months or longer. Systemwide comparable sales growth is provided and analyzed on a constant currency basis, which means it is calculated using the same exchange rate over the periods under comparison to remove the effects of currency fluctuations from this trend analysis. We believe this constant currency measure provides a more meaningful analysis of our business by identifying the underlying business trend, without distortion from the effect of foreign currency movements.

(10) Systemwide comparable sales growth, systemwide average restaurant sales and systemwide sales growth are presented on a systemwide basis, which means they include sales by our Company-operated restaurants and our franchised restaurants. While sales by our franchisees are not recorded as revenues by us, we believe the information is important in understanding our financial performance because these sales are the basis on which we calculate and record franchised revenues and are indicative of the financial health of our franchisee base.

(11) Systemwide average restaurant sales is calculated by dividing our sales for the relevant period by the arithmetic mean of the number of our restaurants at the beginning and end of such period.

(12) Systemwide sales growth refers to the change in sales by all of our restaurants, whether operated by us or by our franchisees, from one period to another.

Exchange Rates and Exchange Controls

In 2012, 81.8% of our total revenues was derived from our restaurants in Argentina, Brazil, Mexico, Puerto Rico and Venezuela. While we maintain our books and records in U.S. dollars, our revenues are conducted in the local currency of the territories in which we operate, and as such may be affected by changes in the local exchange rate to the U.S. dollar.

Argentina

On January 6, 2002, the Argentine federal congress ended ten years of U.S. dollar-Argentine *peso* parity, eliminating the requirement that the Central Bank of Argentina maintain a certain level of reserves and granting the executive branch the power to set the exchange rate between the Argentine *peso* and foreign currencies and issue regulations related to the foreign exchange market. As of January 11, 2002, the Argentine *peso*/U.S. dollar exchange rate floated freely.

Heightened demand for limited U.S. dollars caused the Argentine *peso* to trade well above the rate of one Argentine *peso* per one U.S. dollar that had been previously established. Since the economic crisis in Argentina that began in December 2001, the Argentine *peso*/U.S. dollar exchange rate has fluctuated considerably. In 2002, an executive order was enacted that established a single free foreign exchange market that required all foreign exchange transactions to be carried out at a rate agreed upon between parties in accordance with the requirements of the Central Bank of Argentina. The Argentine *peso* depreciated 9.6% against the U.S. dollar in 2008, 9.9% in 2009, 4.7% in 2010, 8.2% in 2011 and 14.3% in 2012.

For the last few years, the Argentine government has maintained a policy of intervention in the foreign exchange markets, conducting periodic transactions for the purchase or sale of U.S. dollars. We cannot assure you that the Argentine government will maintain its current policies with regard to the Argentine *peso* or that the Argentine *peso* will not further depreciate or appreciate significantly in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates for the purchase of U.S. dollars expressed in Argentine *pesos* per U.S. dollar. The average rate is calculated by using the average of the Central Bank of Argentina's reported exchange rates on each day during a monthly period and on the last day of each month during an annual or interim period. As of April 24, 2013 the exchange rate for the purchase of U.S. dollars as reported by the Central Bank of Argentina was ARS$5.175 per U.S. dollar.

	Period-End	Average for Period	Low	High
	(Argentine *pesos* per U.S. dollar)			
	ARS$	ARS$	ARS$	ARS$
Year Ended December 31:				
2008	3.454	3.162	3.013	3.454
2009	3.797	3.729	3.450	3.855
2010	3.976	3.912	3.794	3.986
2011	4.303	4.130	3.972	4.304
2012	4.917	4.551	4.305	4.917
Quarter Ended:				
March 31, 2013	5.147	5.028	4.923	5.147

	Period-End	Average for Period	Low	High
	(Argentine *pesos* per U.S. dollar)			
	ARS$	ARS$	ARS$	ARS$
Month Ended:				
September 30, 2012	4.694	4.670	4.642	4.694
October 31, 2012	4.766	4.730	4.699	4.766
November 30, 2012	4.834	4.797	4.770	4.834
December 31, 2012	4.917	4.880	4.840	4.917
January 31, 2013	4.977	4.949	4.923	4.977
February 28, 2013	5.045	5.011	4.983	5.045
March 31, 2013	5.122	5.084	5.122	5.048
April 30, 2013 (through April 24, 2013)	5.175	5.150	5.130	5.145

Exchange Controls

Prior to December 1989, the Argentine foreign exchange market was subject to exchange controls. From December 1989 until April 1991, Argentina had a freely floating exchange rate for all foreign currency transactions, and the transfer of dividend payments in foreign currency abroad and the repatriation of capital were permitted without prior approval of the Central Bank of Argentina. From April 1, 1991, when the Convertibility Law became effective, until December 2001, when the Central Bank of Argentina decided to close the foreign exchange market, the Argentine currency was freely convertible into U.S. dollars.

In January 2002, the Argentine government imposed a number of monetary and currency exchange control measures through Decree 1570/01, which included restrictions on the free disposition of funds deposited with banks and tight restrictions on transferring funds abroad without the Central Bank of Argentina's prior authorization subject to specific exceptions for transfers related to foreign trade. As of September 2002, the Argentine government instituted restrictions on capital flows into Argentina, which mainly consisted of the mandatory settlement (i.e., transfer into Argentina and exchange for Argentine *pesos*) of the loan proceeds from foreign indebtedness of the non-financial private sector, and a prohibition against the transfer abroad of any funds until 180 days after their entry into the country.

In June 2005, the Argentine government issued Decree 616/05, which established additional restrictions over all capital flows that could result in future payment obligations of foreign currency by residents to non-residents. Pursuant to the decree, all private sector indebtedness of physical persons or corporations in Argentina are required to be agreed upon and repaid not prior to 365 days from the date of entry of the funds into Argentina, regardless of the form of repayment. The decree outlines several types of transactions that are exempt from its requirements, including foreign trade financings and primary offerings of debt securities issued pursuant to a public offering and listed on a self-regulated market.

In addition, section 3 of the decree stipulates that all capital inflows within the private sector to the local exchange market due to foreign indebtedness of physical persons or corporations within Argentina (excluding foreign trade financings and primary offerings of debt securities issued pursuant to a public offering and listed on a self-regulated market), as well as all capital inflows of non-residents received by the local exchange market destined for local money holdings, all kinds of financial assets or liabilities of the financial and non-financial private sector (excluding foreign direct investment and primary offerings of debt securities issued pursuant to a public offering and listed on a self-regulated market) and investments in securities issued by the public sector that are acquired in secondary markets, must meet certain requirements described in section 4 of the decree, as outlined below:

- the funds may only be transferred outside the local exchange market after a 365-day period from the date of entry of the funds into Argentina;
- any amounts resulting from the exchange of the funds are to be credited to an account within the Argentine banking system;
- a non-transferable, non-interest-bearing deposit must be maintained for a term of 365 calendar days, in an amount equal to 30% of any inflow of funds to the local foreign exchange market; and

- the deposit shall be in U.S. dollars in any of the financial entities of Argentina and may not be used as collateral or guaranty for any credit transaction. Any breach to the provisions of Decree 616/05 is subject to criminal penalties of the exchange regime.

In addition, on November 16, 2005, the Ministry of Economy and Production issued Resolution 637/05, providing that any inflow of funds to the local exchange market in connection with an initial offering of securities, bonds or certificates issued by a trustee under a trust, whether or not such securities, bonds or certificates are publicly offered and listed in a self-regulated market, shall comply with all requirements provided for section 4 of Decree 616/05 whenever those requirements are applicable to the inflow of funds to the local exchange market in connection with the acquisition of any of the assets under the trust.

Regarding payment by local residents of services rendered to them, access to the local exchange market for payment of services rendered by non-residents is subject to filing with the intervening bank of documentation evidencing the nature of the service rendered, that it was indeed rendered by a non-resident to a local resident and the amounts due for such services which are to be transferred abroad. If the service rendered is not directly related to the activities of the local resident, an auditor's report must also be filed with the intervening bank, certifying that the service was in fact rendered and detailing the back-up information reviewed for such purpose. Furthermore, foreign exchange regulations currently in place provide that previous authorization by the Central Bank of Argentina is required for access to the local foreign exchange market for the payment of certain services, including (i) information and computer services; (ii) technical or professional business services; (iii) royalties, patents and trademarks; (iv) professional athlete services; (v) copyrights; (vi) cultural, personal or recreational services; (vii) payment of commercial warranties for the export of goods and services; (viii) commercial commissions; (ix) rights of exploitation of movies, videos and foreign audio recordings; and (x) services for technology transfer pursuant to Law No. 22,426; provided, however, the contracts related to such services generate payments or new debt (in the calendar year, at the foreign exchange local market concept code level and regarding the debtor) over U.S.$100,000, and either (i) the beneficiary is a person (natural or legal entity) related to the local debtor, whether directly or indirectly; or (ii) the beneficiary is a person (natural or legal entity) located in a tax haven jurisdiction; or (iii) when the payment abroad is performed in a tax haven jurisdiction. Additionally, depending on the nature of the service rendered, an affidavit may need to be filed with the Argentine tax authority (*Administración Federal de Ingresos Públicos*, or AFIP) pursuant to the terms of AFIP General Resolution No. 3276 (as amended by AFIP General Resolution No. 3307, AFIP General Resolution No. 3376 and AFIP General Resolution No. 3395).

Interest Payments. Foreign currency necessary to pay interest on foreign indebtedness may be purchased and transferred abroad:

(a) up to 5 days in advance of the relevant interest payment date;

(b) to pay interest accrued as from the date of settlement of the disbursed funds through the local foreign exchange market; or

(c) to pay interest accrued during the period between the date of disbursement of the funds and the date of settlement of the disbursed funds through the local foreign exchange market; provided that the funds disbursed abroad were credited in correspondent accounts of entities authorized to settle such funds through the local exchange market, within 48 business hours as from the date of their disbursement (Communication "A" 5264, as amended by Communication "A" 5295, Communication "A" 5318, Communication "A" 5330, Communication "A" 5339, Communication "A" 5377 and Communication "A" 5397, "Communication "A" 5264").

In order to proceed with remittances abroad for debt interest payments of all types, the entities involved must first verify that the debtor has complied with the reporting requirements imposed under Communication "A" 3602 dated May 7, 2002 and under Communication "A" 4237 dated November 10, 2004 in case the lender is part of the debtor's economic group, and meets all other requirements set forth in Communication "A" 5264.

Principal Repayments. Foreign currency necessary to pay principal on foreign indebtedness owed by the private non-financial sector may be acquired:

(a) within 10 business days prior to the stated maturity of the applicable obligation; provided that the funds disbursed under such obligation have remained in Argentina for at least 365 days; or

(b) within the term necessary for performing the payment obligations, when such payment obligations depend on the occurrence of specific conditions set forth in the related contracts, such as a cash flow excess clause or automatic cash reinvestment clause.

Principal Prepayments. The foreign currency required to prepay principal on foreign indebtedness may be acquired to make partial or full payments more than 10 business days prior to the stated maturity of the relevant obligation, provided that (i) the funds disbursed under the debt facility have remained in Argentina for at least 365 days; and either (y) the prepayment is financed totally with the disbursement of funds from outside Argentina with the purpose of carrying out capital contributions in a local company, or (z) the amount in foreign currency to be prepaid does not exceed the current value of the portion of the debt being prepaid, the prepayment is financed totally with a new cross-border loan granted by a foreign financial creditor and the terms and conditions of the new financing explicitly provide such prepayment as a condition to grant the new loan.

Foreclosure of Local Guarantees. Access to the local foreign exchange market for payment of foreign indebtedness is limited to the resident debtor. In such sense, any guarantor of any cross-border financing that is an Argentine resident shall not have access to the local foreign exchange market in order to make payments or transfer funds abroad pursuant to the guarantee, or may be subject to maximum thresholds for any such payment or transfer abroad. As of the date hereof, free transfers of funds abroad by local residents are subject to prior approval by the Argentine tax authority, and the local residents' ability to carry out such transfers (previously limited to U.S.$2,000,000 per calendar month) has been suspended indefinitely.

Dividends. Additionally, access to the local foreign exchange market is permitted for remittances abroad to pay earnings and dividends in so far as they arise from closed and fully audited balance sheets (Communication "A" 5264). Moreover, pursuant to AFIP General Resolution No. 3210, AFIP General Resolution No. 3212 and AFIP General Resolution No. 3356, a new system of restrictions on the purchase of U.S. dollars was imposed. Accordingly, all U.S. dollar purchases must be registered with AFIP, which requires the purchaser to state the use of the proceeds. Purchases of foreign currency by local residents for the formation of off-shore assets (suspended indefinitely) are not only subject to registration but also prior approval from AFIP. Under the new system, AFIP and the Central Bank of Argentina have direct access to the same data in order to monitor cash movements.

Notwithstanding the above, although the purchase of foreign currency to pay dividends abroad is legally permitted, in practice, the payment of dividends abroad is being delayed or denied as a result of factual restrictions by the Central Bank of Argentina. This limitation is part of several informal foreign exchange measures implemented by the Argentine government with the purpose of restricting the outflow of foreign currency in order to obtain a favorable balance between the inflows and outflows of foreign currency.

These exchange controls impact our ability to transfer funds abroad and may prevent or delay payments that our Argentine subsidiaries are required to make outside Argentina.

Brazil

On March 4, 2005, the Brazilian Monetary Council issued Resolution No. 3,265, providing for several changes in Brazilian foreign exchange regulation, including the unification of the foreign exchange markets into a single exchange market; the easing of several rules for acquisition of foreign currency by Brazilian residents; and the extension of the term for converting foreign currency derived from Brazilian exports. On May 29, 2008, the Brazilian Monetary Council issued Resolution No. 3,568, which expressly revoked Resolution 3,265 but maintained many of the regulatory aspects concerning the monetary policies already set by the revoked resolution. Resolution No. 3,568 also included in the Brazilian Exchange Market the operations related to receipts, payments and transfers to and from abroad through the use of debit and credit cards, as well as the transactions related to international postal transfers of money, including postal vouchers, and international postal reimbursements.

Resolution 3,568 established 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 the so-called non-resident accounts.

According to the Central Bank of Brazil, in 2008, the Brazilian *real* depreciated 31.9% in relation to the U.S. dollar; in 2009 and 2010, the Brazilian *real* appreciated 25.5% and 4.3%, respectively, in relation to the U.S. dollar; and in 2011 and 2012, the Brazilian *real* depreciated 12.6% and 9.0%, respectively, in relation to the U.S. dollar.

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.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates for the purchase of U.S. dollars expressed in Brazilian *reais* per U.S. dollar as reported by the Central Bank of Brazil. As of April 24, 2013, the exchange rate for the purchase of U.S. dollars as reported by the Central Bank of Brazil was R$2.024 per U.S. dollar.

	Period-End	Average for Period	Low	High
	(Brazilian *reais* per U.S. dollar)			
	R$	R$	R$	R$
Year Ended December 31:				
2008	2.337	2.030	1.559	2.500
2009	1.741	1.994	1.702	2.422
2010	1.666	1.759	1.655	1.881
2011	1.876	1.675	1.535	1.902
2012	2.044	1.959	1.702	2.112
Quarter Ended:				
March 31, 2013	1.976	1.998	1.953	2.047
Month Ended:				
September 30, 2012	2.031	2.028	2.014	2.039
October 31, 2012	2.031	2.030	2.022	2.038
November 30, 2012	2.107	2.068	2.031	2.107
December 31, 2012	2.044	2.078	2.044	2.112
January 31, 2013	1.988	2.031	1.988	2.047
February 28, 2013	1.975	1.973	1.957	1.989
March 31, 2013	2.019	1.981	1.953	2.019
April 30, 2013 (through April 24, 2013)	2.024	2.002	1.974	2.024

Mexico

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

The following table sets forth, for the periods indicated, the high, low, average and period-end free-market exchange rate for the purchase of U.S. dollars, expressed in nominal Mexican *pesos* per U.S. dollar, as reported by the Central Bank of Mexico in the Federal Official Gazette. All amounts are stated in Mexican *pesos* per U.S. dollar. The annual and interim average rates reflect the average of month-end rates, and monthly average rates reflect the average of daily rates. As of April 24, 2013, the free-market exchange rate for the purchase of U.S. dollars as reported by the Central Bank of Mexico in the Federal Official Gazette as the rate of payment of obligations denominated in non-Mexican currency payable in Mexico was Ps.12.32 per U.S. dollar.

	Period-End	Average for Period	Low	High
		(Mexican *pesos* per U.S. dollar)		
	Ps.	Ps.	Ps.	Ps.
Year Ended December 31:				
2008	13.77	11.14	9.92	13.92
2009	13.07	13.50	12.60	15.37
2010	12.36	12.64	12.16	13.18
2011	13.98	12.43	11.50	14.24
2012	13.01	13.17	14.39	12.63
Quarter Ended:				
March 31, 2013	12.11	12.61	12.11	12.99
Month Ended:				
September 30, 2012	12.85	13.00	12.75	13.42
October 31, 2012	13.09	12.87	12.70	13.09
November 30, 2012	13.04	13.10	12.98	13.25
December 31, 2012	13.01	12.87	12.72	13.01
January 31, 2013	12.71	12.71	12.59	12.99
February 28, 2013	12.87	12.72	12.63	12.87
March 31, 2013	12.83	12.55	12.35	12.83
April 30, 2012 (through April 24, 2013)	12.32	12.23	12.07	12.36

Venezuela

Venezuela suspended foreign exchange trading on January 23, 2003 in response to a significant decrease in the amount of foreign currency generated from the sale of oil and an increase in the demand for foreign currency, which had produced a decline in Venezuela's reserves of international currencies. On February 5, 2003, the Venezuelan government adopted a series of exchange agreements, decrees and regulations establishing a new exchange control regime. The *Comisión de Administración de Divisas*, or CADIVI, administers, manages and controls the exchange control regime. Purchases and sales of foreign currencies are centralized in the Central Bank of Venezuela. The Ministry of Finance and the Central Bank of Venezuela are responsible for setting the exchange rate with respect to the U.S. dollar and other currencies.

The exchange control regime provides that all foreign currency generated through public or private sector operations must be sold to the Central Bank of Venezuela at the established exchange rate. In addition, all foreign currency that enters the country must be registered through banks and financial institutions authorized by CADIVI. If the acquisition of foreign currency by a private sector entity must be approved by CADIVI, the entity must prove, among other things, that its social security contributions and tax payments are up to date.

These approvals became more difficult to obtain over time, which led to the development of a bond-based exchange process during 2009 and the first five months of 2010 under which *bolívar fuerte*-denominated bonds were purchased in Venezuela and then were immediately exchanged outside Venezuela for bonds denominated in U.S. dollars at a specified, and less favorable, parallel market exchange rate.

During 2009, our access to the official exchange rate for purposes of paying for imports was more limited than in 2008 due to an increase in restrictions and a more rigorous approval process. In addition, we historically had not been able to access the official exchange rate for royalty payments and had instead entered into bond-based exchange transactions to make our royalty payments, honor other foreign debts and pay intercompany loans.

On January 8, 2010, the Venezuelan government announced the devaluation of the *bolívar fuerte* and the creation of a two-tiered official exchange rate system. The official exchange rate moved from 2.15 *bolívares fuertes* per U.S. dollar to 2.60 *bolívares fuertes* per U.S. dollar for essential goods and to 4.30 *bolívares fuertes* per U.S. dollar for non-essential goods.

On May 14, 2010, the Central Bank of Venezuela increased its control of the bond-based exchange process and, as a result, bond-based exchanges may solely be conducted by the Central Bank of Venezuela. Consequently, the market for exchanging bonds in Venezuela ended, limiting companies' ability to obtain foreign currency other than through foreign currency trades approved by and conducted through CADIVI or the Central Bank of Venezuela.

On June 9, 2010, the Venezuelan government, through the Central Bank of Venezuela, implemented a regulated market for trading with foreign currency, known as the System for Transactions with Securities in Foreign Currency, which we refer to as SITME. Pursuant to this system, companies without access to CADIVI can access SITME to convert a maximum cash equivalent of up to $50,000 per day or $350,000 per month of foreign currency at an exchange rate based on the range of prices for the purchase and sale of bonds published daily by the Central Bank of Venezuela. At December 31, 2012, this exchange rate was 5.3000 *bolívares fuertes* per U.S. dollar.

On December 30, 2010, the Venezuelan government announced the elimination of the official exchange rate for essential goods. Effective January 1, 2011, each U.S. dollar is valued at 4.2893 *bolívares fuertes* for purchases and 4.3000 *bolívares fuertes* for sales. In addition, the exchange rate is set at 4.3000 *bolívares fuertes* per U.S. dollar for the payment of external public debt.

On February 8, 2013, the Venezuelan government, through Foreign Exchange Agreement No. 14, established the devaluation of the official exchange rate from 4.30 to 6.30 *bolívares fuertes* per U.S. dollar, effective as of February 9, 2013. This exchange rate will also apply to the purchase of foreign currency: (i) for the payment of principal, interest, guarantees and other types of collateral related to private debt assumed with foreign creditors, (ii) to settle obligations derived from the use of patents, trademarks, licenses and franchising, and (iii) for the payment of technology imports and technical assistance agreements.

In addition, on February 8, 2013, the Venezuelan government, through Decree No. 9381, created a committee called the Superior Office for the Optimization of the Exchange Rate System (*Organo Superior para la Optimización del Sistema Cambiario*), or the Committee, which will have the authority to design, plan and execute foreign exchange policies for the purpose of balancing foreign currency flow in the Venezuelan economy. The Committee's decisions will be taken in consensus with the Central Bank of Venezuela and the Venezuelan Ministry of Planning and Finance.

Following the change in the official exchange rate, on February 13, 2013, the Central Bank of Venezuela, through an official announcement published in the Venezuelan Official Gazette number 40.109, provided notice that as of February 9, 2013, no sales would be processed and no purchase orders would be granted through SITME. Venezuelan authorized institutions must continue with the operative process required for the payment of negotiated foreign currency balances already assigned through SITME until February 8, 2013.

On March 18, 2013, the Venezuelan government announced a new complementary foreign exchange system called the Complementary System for the Acquisition of Foreign Currency (*Sistema Complementario de Adquisición de Divisas*), or SICAD. Pursuant to this new system, which is complementary to CADIVI, companies in the productive sector of the economy would have access to U.S. dollars through a controlled auction mechanism (a modified Vickrey auction mechanism). The first auction process, which took place on March 26, 2013, resulted in the trading of $200 million among 383 companies, with no official information about the related average exchange rate. Each company could place orders with a maximum amount of $2 million, 1% of the total amount available, with a base exchange rate of 6.30. Applications had to be included in the Registry of Users of the Foreign Currency Administation System (*Registro de Usuarios del Sistema de Administración de Divisas*), or RUSAD, and present a letter of credit from their bank. With this mechanism, all submitted bids are sorted by price in descending order to allocate the foreign currency to each of the bidders in the same order at the prices of each bid until availability runs out. However, the new foreign exchange oversight committee run by the Ministry of Finance has the discretional power to authorize the request. The foreign currency is not transferred until the imported merchandise has been cleared by the Venezuelan customs authority and inspected by the Central Bank of Venezuela. As of the date of this annual report, there is no information regarding how often the Venezuelan government will conduct these auctions, the average exchange rate quoted and the amounts available to be included in this system, among other important details.

As a result of the foregoing, the acquisition of foreign currency by Venezuelan companies to honor foreign debt, pay dividends or otherwise move capital out of Venezuela is subject to the approval of CADIVI or the Central Bank of Venezuela, and to the availability of foreign currency within the guidelines set forth by the Venezuelan National Executive Power for the allocation of foreign currency.

The following table sets forth, for the periods indicated, the exchange rates set by the Ministry of Finance and the Central Bank of Venezuela for the purchase and sale of U.S. dollars and the payment of external public debt in U.S. dollars, in each case expressed in nominal Venezuelan *bolívares fuertes* per U.S. dollar.

	Purchase	Sale	Payment of External Public Debt
	(Venezuelan *bolívares fuertes* per U.S. dollar)		
	Bs.F	Bs.F	Bs.F
January 1, 2008 through January 7, 2010	2.1446	2.1500	2.1500

	Essential Goods	Non-essential Goods
	(Venezuelan *bolívares fuertes* per U.S. dollar)	
	Bs.F	Bs.F
January 8, 2010 through December 31, 2010	2.60	4.30

	Purchase	Sale	Payment of External Public Debt
	(Venezuelan *bolívares fuertes* per U.S. dollar)		
	Bs.F	Bs.F	Bs.F
January 1, 2011 through February 8, 2013	4.2893	4.3000	4.3000

	Purchase	Sale	Payment of External Public Debt
	(Venezuelan *bolívares fuertes* per U.S. dollar)		
	Bs.F	Bs.F	Bs.F
February 9, 2013 through April 24, 2013	6.2842	6.3000	6.3000

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Certain Factors Relating to Our Business

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

Our rights to operate and franchise McDonald's-branded restaurants in the Territories, and therefore our ability to conduct our business, derive exclusively from the rights granted to us by McDonald's in the MFAs through 2027. The initial term of the franchise for French Guiana, Guadeloupe and Martinique expires in 2017, which we may extend for an additional 10-year term at our sole discretion. As a result, our ability to continue operating in our current capacity following the initial term of the MFAs is dependent on the renewal of our contractual relationship with McDonald's.

McDonald's has the right, in its reasonable business judgment based on our satisfaction of certain criteria set forth in the MFA, 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 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 that the terms will not be less favorable to us than those contained in the MFAs.

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

In the event McDonald's does not exercise its option to acquire LatAm, LLC and Arcos Dourados Comercio de Alimentos Ltda., the MFAs would expire and we would be required to cease operating McDonald's-branded restaurants, identifying our business with McDonald's and using any of McDonald's intellectual property. Although we would retain our real estate and infrastructure, the MFAs prohibit us from engaging in certain competitive businesses, including Burger King, Subway, KFC or any other 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 quick-service restaurant, or 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 the Territories, we must maintain certain guarantees in favor of McDonald's, including a standby letter of credit (or other similar financial guarantee acceptable to McDonald's) in an amount of $80.0 million, to secure our payment obligations under the MFAs and related credit documents, we cannot incur debt above certain financial ratios, we cannot transfer the equity interests of our subsidiaries, any significant portion of their assets or any of the real estate properties we own without McDonald's consent, and McDonald's has the right to approve the appointment of our chief executive officer and chief operating officer. In addition, the MFAs require us to reinvest a significant amount of money, including through reimaging our existing restaurants, opening new restaurants and advertising, which plans McDonald's has the right to approve. We are required under the MFAs to spend $180 million from 2011 through 2013 (i.e., $60 million per year) to satisfy our reinvestment commitments.

In addition, we estimate that the cost to comply with our restaurant opening commitments under the MFAs from 2011 through 2013 will be between $175 million and $385 million depending on, among other factors, the type and location of the restaurants we open. We cannot assure you that we will have available the funds necessary to finance these commitments, and their satisfaction may require us to incur additional indebtedness, which could adversely affect our financial condition. Moreover, we may not be able to obtain additional indebtedness on favorable terms, or at all. Failure to comply with these commitments could constitute a material breach of the MFAs and may lead to a termination by McDonald's of the MFAs.

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 eighteenth-month anniversary of the death or permanent incapacity of Mr. Staton, our Chairman, CEO and controlling shareholder. In addition, if there is a material breach that relates to one or more Territories in which there are at least 100 restaurants in operation, McDonald's has the right either to acquire all of our non-public shares or our interests in our subsidiaries in such Territory or Territories. By contrast, if the initial material breach of the MFAs affects or is attributable to any of the Territories in which there are less than 100 restaurants in operation, McDonald's only has the right to acquire the equity interests of any of our subsidiaries in the relevant Territory. For example, since we have more than 100 restaurants in Mexico, if a Mexican subsidiary were to materially breach the MFA, McDonald's would have the right either to acquire our entire business throughout Latin America and the Caribbean or just our Mexican operations, whereas upon a similar breach by our Ecuadorean subsidiary, McDonald's would only have the right to acquire our interests in our operations in Ecuador.

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

We have experienced rapid growth in recent years. The failure to successfully manage this or any future growth may adversely affect our results of operations.

Our business has grown significantly in recent years, 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 1,948 as of December 31, 2012.

Our growth is, to a certain extent, dependent on new restaurant openings. 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 and may have difficulty obtaining sufficient financing. 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. It is therefore possible that we may not be able to successfully maintain our recent growth rate.

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

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

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

Our 25 largest suppliers account for approximately 80% of our purchases. Very few of our suppliers have entered into written contracts with us as we only have oral agreements with a vast majority of them. Our supplier approval process is thorough and lengthy in order to ensure compliance with McDonald's high quality standards. We therefore tend to develop strong relationships with approved suppliers and, given our importance to them, have found that oral agreements with them are generally sufficient to ensure a reliable supply of quality products. While we source our supplies from many approved suppliers in Latin America and the Caribbean, thereby reducing our dependence on any one supplier, the informal nature of the majority of our relationships with suppliers means that we may not be assured of long-term or reliable supplies of products from those suppliers.

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

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

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

Approximately 25.4% of our restaurants were franchised as of December 31, 2012. 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 over whom we exercise control through the franchise agreements, by owning or leasing the real estate upon which their restaurants are located and through our operating manual that specifies items such as menu choices, permitted advertising, equipment, food handling procedures, product quality and approved suppliers. Our operating results depend to a certain extent on the restaurant profitability and financial viability of our franchisees. The concurrent failure by a significant number of franchisees to meet their financial obligations to us could jeopardize our ability to meet our obligations.

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

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

We are dependent on franchisees to maintain McDonald's quality, service and cleanliness standards, and their failure to do so could materially affect the McDonald's brand and harm our future growth. Although we exercise significant control 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 and 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, 2012, we owned the land for 513 of our 1,948 restaurants and the buildings for all but 12 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 addition, pursuant to the MFAs, McDonald's has the right to review and approve our marketing plans in advance and may request that we cease using the materials or promotional activities at any time if McDonald's determines that they are detrimental to its brand image. We also participate in global and regional marketing activities undertaken by McDonald's and pay McDonald's up to 0.2% of our sales in order to fund such activities. If our advertising programs are not effective, or if our competitors begin spending significantly more on advertising than we do, we may be unable to attract new customers or existing customers may not return to our restaurants and our operating results may be negatively affected.

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

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

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

As of December 31, 2012, we had $659.8 million in total outstanding indebtedness, consisting of $0.6 million in short-term debt, $651.6 million in long-term debt and $7.6 million related to the fair market value of our outstanding derivative instruments. The agreements governing our outstanding indebtedness contain negative and financial 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 our activities, including restrictions on:

- incurring additional indebtedness;
- paying dividends;
- redeeming, repurchasing or retiring our capital stock;
- making investments;
- creating liens;
- creating limitations on the ability of our restricted subsidiaries to pay dividends, make loans or transfer property to us;
- engaging in transactions with affiliates;
- engaging in substantially different lines of business;
- selling assets, including capital stock of our subsidiaries; 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. If our outstanding indebtedness become immediately due and payable and we do not have sufficient cash on hand to pay all amounts due, we could be required to sell assets, to refinance all or a portion of our indebtedness or to obtain additional financing. Refinancing may not be possible and additional financing may not be available on commercially acceptable terms, or at all.

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

We have a strong management team with broad experience in product development, supply chain management, operations, finance, marketing and training. Our significant growth places substantial demands on our management team, and our continued 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 CEO could adversely affect our business, results of operations, financial condition and prospects.

Due to Mr. Staton's unique experience and leadership capabilities, it would be difficult to find a suitable successor for him if he were to cease serving as our CEO and Chairman for any reason. In addition, pursuant to the MFAs, McDonald's is entitled to approve the appointment of our chief executive officer. 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. In the event of Mr. Staton's death or permanent incapacity, McDonald's has the right to acquire all of our non-public shares during the twelve-month period beginning on the eighteenth-month anniversary of his death or incapacity. 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, 2012, we had 94,282 employees. 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, a law enacted in November 2010 in Argentina requires companies to pay overtime to all employees (except directors and managers) working on weekends, and a proposed bill in Argentina would require companies to distribute 10 percent of their profits to employees. 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.

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.

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 is subject to uncertainty as our income tax position for each year depends on the profitability of Company-operated restaurants and on the profitability of franchised restaurants operated by our franchisees in tax jurisdictions that levy a broad range of income tax rates. It is also dependent on changes in the valuation of deferred tax assets and liabilities, the impact of various accounting rules, changes to these rules and tax laws and examinations by various tax authorities. If our actual tax rate differs significantly from our estimated tax rate, this could have a material impact on our financial condition. In addition, any increase in the rates of taxes, such as income taxes, excise taxes, value added taxes, import and export duties, and tariff barriers or enhanced economic protectionism could negatively affect our business. 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 products in the future.

Negative resolution of disputes with taxing authorities in any of the jurisdictions in which we operate may negatively affect our business and results of operations.

We and our predecessor company have in the past been engaged in tax disputes with Venezuelan tax authorities that culminated in temporary closures of our restaurants in Venezuela in 2005 and 2008. On October 10, 2008, government tax officials closed all of our 115 restaurants for a period of 48 hours because they believed our record of purchases was not properly organized in chronological order. However, no finding was made that we had improperly paid taxes nor were any fines imposed on us as a result. Subsequent closures or disagreements with Venezuelan tax authorities could materially and adversely affect our results of operations and financial condition.

We are engaged in several disputes and are currently party to a number of tax proceedings with Brazilian tax authorities and liability for certain of these proceedings was retained by McDonald's as part of the Acquisition. We cannot assure you, however, that we will not be involved in similar disputes or proceedings in the future in the Territories, in which case we may be solely liable for the defense thereof and any resulting liability. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings."

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

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

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

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

Certain Factors Relating to Our Industry

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

Although competitive conditions in the QSR industry vary in each of the countries in which we conduct our operations, we compete with many well-established restaurant companies on price, brand image, quality, sales promotions, new product development and restaurant locations. Since the restaurant industry has few barriers to entry, our competitors are diverse and range from national and international restaurant chains to individual, local restaurant operators. Our largest competitors include Burger King, which as of December 31, 2012 operated 1,390 restaurants throughout Latin America, Yum! Brands, which as of December 31, 2012 operated 930 KFC restaurants and 755 Pizza Hut and Pizza Hut Express restaurants in Latin America and the Caribbean, and Subway, which as of December 31, 2012, operated 2,603 restaurants in Latin America and the Caribbean, in each case according to preliminary estimates from Euromonitor. In Brazil, we also compete with Habib's, a Brazilian QSR chain that focuses on Middle Eastern food, which as of December 31, 2012 operated 407 restaurants, and Bob's, a primarily Brazilian QSR chain that focuses on hamburger product offerings, which as of December 31, 2012 operated 471 restaurants, in each case according to preliminary estimates from Euromonitor. We also face strong competition from street vendors of limited product offerings, including hamburgers, hot dogs, pizzas and other local food items. Euromonitor forecasts that street vendors will represent 9.1% of the value of the Latin American and Caribbean total eating out segment in 2013. We expect competition to increase as our competitors continue to expand their operations, introduce new products and aggressively 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 33.4% of our total revenues in 2012, and we import approximately 30% of our food and paper raw materials (excluding toys) and 100% of our Happy Meal toys. 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. 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 dietary inclinations 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.

Recently, along with several of our competitors, we have introduced (and expect to continue to introduce) new product offerings to appeal to consumers who seek products that are lower in calories and fat content. Our success in responding to consumer demands depends in part on our ability to anticipate these demands and to introduce new items to address these demands in a timely fashion.

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

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

In addition, incidents of health pandemics, food-borne illnesses or food tampering could reduce sales in our restaurants. Widespread illnesses such as avian influenza, the H1N1 influenza virus, e-coli, bovine spongiform encephalopathy (or "mad cow" disease), hepatitis A or salmonella could cause customers to avoid meat or fish products. For example, the H1N1 influenza virus outbreak in Argentina and Mexico in 2009 significantly impacted our sales in those countries. Furthermore, our reliance on third-party food suppliers and distributors increases the risk of food-borne illness incidents being caused by third-party food suppliers and distributors who operate outside of our control and/or multiple locations being affected rather than a single restaurant. Media reports of health pandemics or food-borne illnesses found in the general public or in any QSR could dramatically affect restaurant sales in one or several countries in which we operate, or could force us to temporarily close an undetermined number of restaurants. As a restaurant company, we depend on consumer confidence in the quality and safety of our food. Any illness or death related to food that we serve could substantially harm our operations. While we maintain extremely high standards for the quality of our food products and dedicate substantial resources to ensure that these standards are met, the spread of these illnesses is often beyond our control and we cannot assure you that new illnesses resistant to any precautions we may take will not develop in the future.

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

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

A significant portion of our business depends on our ability to make our product offerings appealing to families with children. Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela are considering imposing restrictions on the ways in which we market our products, including proposals restricting our ability to sell toys in conjunction with food. Although Chile passed a law in June 2012 banning the inclusion of toys in children's meals, the Chilean regulatory authorities have not yet issued regulations or determined the scope of the law. The ban in Chile also restricts advertisements. While it is difficult to predict how the Chilean authorities will enforce or interpret these laws, we currently do not expect that these Chilean laws will have a material impact on our consolidated results. In Brazil, the Federal Department of Justice filed suit in 2009 seeking to enjoin various QSRs, including us, from selling toys. As of the date of this annual report, this legal proceeding is still pending and the outcome is 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. Certain jurisdictions in the United States are also considering curtailing or have curtailed food retailers' ability to sell meals to children including free toys if these meals do not meet certain nutritional criteria. Similar restrictions, if imposed in the Territories, may have a negative impact on our results of operations. In general, regulatory developments that adversely impact our ability to promote and advertise our business and communicate effectively with our target customers, including restrictions on the use of licensed characters, may have a negative impact on our results of operations.

Environmental laws and regulations may affect our business.

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

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

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

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.

Certain Factors Relating to Latin America and the Caribbean

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

We engage in business activities throughout Latin America and the Caribbean. In 2012, 81.8% of our revenues were derived from Brazil, Argentina, Mexico, Puerto Rico and Venezuela. 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 and other utility shutdowns or shortages;
- limitations on foreign investment;
- restrictions on currency convertibility and volatility of foreign exchange markets;
- import-export quotas and restrictions on importation;
- changes in local labor conditions;
- changes in tax and other laws and regulations;
- expropriation and nationalization of our assets in a particular jurisdiction; and
- restrictions on repatriation of dividends or profits.

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

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

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

An economic downturn in Latin America and the Caribbean could have a significant impact on our operating results.

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. 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 increase prices of our menu items, 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 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.

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

Exchange rate fluctuations against the U.S. dollar in the countries in which we operate could negatively affect our results of operations.

We are exposed to exchange rate risk in relation to the United States dollar. While substantially all of our income is denominated in the local currencies of the countries in which we operate, our supply chain management involves the importation of various products, and some of our imports, as well as some of our capital expenditures, are denominated in U.S. dollars. As a result, any decrease in the value of the local currencies of the countries in which we operate as compared to the U.S. dollar will increase our costs. In addition, 47.2% of our outstanding long-term debt was denominated in U.S. dollars as of December 31, 2012.

As such, any fluctuation 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 on our net income, results of operations and financial condition.

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

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

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 McDonalds' operations system and standards. A material breach of the MFAs would trigger McDonald's option to acquire our non-public shares or our interests in Venezuela. See "—Certain Factors Relating to Our Business—McDonald's has the right to acquire all or portions of our business upon the occurrence of certain events and, in the case of a material breach of the MFAs, may acquire our non-public shares or our interests in one or more Territories at 80% of their fair market value."

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

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

There are currency restrictions in place in Venezuela that limit our ability to repatriate *bolívares fuertes* held in Venezuela at the government's official exchange rate. In Venezuela, the official *bolívar fuerte*-U.S. dollar exchange rate is established by the Central Bank of Venezuela and the Venezuelan Ministry of Finance, and the acquisition of foreign currency at the official exchange rate by Venezuelan companies to pay foreign debt or dividends is subject to registration with and approval by the relevant Venezuelan authorities.

These approvals became more difficult to obtain over time, which led to the development of a bond-based exchange process during 2009 and the first five months of 2010, under which *bolívar fuerte*-denominated bonds were purchased in Venezuela and then were immediately exchanged outside Venezuela for bonds denominated in U.S. dollars at a specified, and less favorable, parallel market exchange rate.

During 2009, our access to the official exchange rate for purposes of paying for imports was more limited than in 2008 due to an increase in restrictions and a more rigorous approval process. In addition, we historically had not been able to access the official exchange rate for royalty payments and had instead entered into bond-based exchange transactions to make our royalty payments, honor other foreign debts and pay intercompany loans.

Since January 2010, a two-tiered official exchange rate system has established an exchange rate of 2.60 *bolívares fuertes* per U.S. dollar for essential goods and an exchange rate of 4.30 *bolívares fuertes* per U.S. dollar for non-essential goods, subject to registration with, application to and approval by the *Comisión de Administración de Divisas*, or CADIVI.

In May 2010, the Central Bank of Venezuela increased its control of this bond-based exchange process and, as a result, bond-based exchanges may solely be conducted by the Central Bank of Venezuela. Consequently, the market for exchanging bonds in Venezuela ended, limiting companies' ability to obtain foreign currency other than through foreign currency trades approved by and conducted through CADIVI or the Central Bank of Venezuela.

On June 9, 2010, the Venezuelan government through the Central Bank of Venezuela implemented a regulated market for trading with foreign currency, known as SITME. Pursuant to the new system, companies without access to CADIVI can access SITME to convert a maximum cash equivalent of up to $50,000 per day or $350,000 per month of foreign currency at an exchange rate based on the range of prices for the purchase and sale of bonds published daily by the Central Bank of Venezuela. At December 31, 2012, this exchange rate was 5.3000 *bolívares fuertes* per U.S. dollar.

On December 30, 2010, the Venezuelan government announced the elimination of the official exchange rate for essential goods. Effective January 1, 2011, each U.S. dollar is valued at 4.2893 *bolívares fuertes* for purchases and 4.3000 *bolívares fuertes* for sales. In addition, the exchange rate is set at 4.3000 *bolívares fuertes* per U.S. dollar for the payment of external public debt.

On February 8, 2013, the Venezuelan government, through Foreign Exchange Agreement No. 14, established the devaluation of the official exchange rate from 4.30 to 6.30 *bolívares fuertes* per U.S. dollar, effective as of February 9, 2013. This exchange rate will also apply to the purchase of foreign currency: (i) for the payment of principal, interest, guarantees and other types of collateral related to private debt assumed with foreign creditors, (ii) to settle obligations derived from the use of patents, trademarks, licenses and franchising, and (iii) for the payment of technology imports and technical assistance agreements.

In addition, on February 8, 2013, the Venezuelan government, through Decree No. 9381, created a committee called the Superior Office for the Optimization of the Exchange Rate System (*Organo Superior para la Optimización del Sistema Cambiario*), or the Committee, which will have the authority to design, plan and execute foreign exchange policies for the purpose of balancing foreign currency flow in the Venezuelan economy. The Committee’s decisions will be taken in consensus with the Central Bank of Venezuela and the Venezuelan Ministry of Planning and Finance.

Following the change in the official exchange rate, on February 13, 2013, the Central Bank of Venezuela, through an official announcement published in the Venezuelan Official Gazette number 40.109, provided notice that as of February 9, 2013, no sales would be processed and no purchase orders would be granted through SITME. Venezuelan authorized institutions must continue with the operative process required for the payment of negotiated foreign currency balances already assigned through SITME until February 8, 2013.

On March 18, 2013, the Venezuelan government announced a new complementary foreign exchange system called the Complementary System for the Acquisition of Foreign Currency (*Sistema Complementario de Adquisición de Divisas*), or SICAD. Pursuant to this new system, which is complementary to CADIVI, companies in the productive sector of the economy would have access to U.S. dollars through a controlled auction mechanism (a modified Vickrey auction mechanism). The first auction process, which took place on March 26, 2013, resulted in the trading of $200 million among 383 companies, with no official information about the related average exchange rate. Each company could place orders with a maximum amount of $2 million, 1% of the total amount available, with a base exchange rate of 6.30. Applications had to be included in the Registry of Users of the Foreign Currency Administation System (*Registro de Usuarios del Sistema de Administración de Divisas*), or RUSAD, and present a letter of credit from their bank. With this mechanism, all submitted bids are sorted by price in descending order to allocate the foreign currency to each of the bidders in the same order at the prices of each bid until availability runs out. However, the new foreign exchange oversight committee run by the Ministry of Finance has the discretional power to authorize the request. The foreign currency is not transferred until the imported merchandise has been cleared by the Venezuelan customs authority and inspected by the Central Bank of Venezuela. As of the date of this annual report, there is no information regarding how often the Venezuelan government will conduct these auctions, the average exchange rate quoted and the amounts available to be included in this system, among other important details.

As a result of the foregoing, the acquisition of foreign currency by Venezuelan companies to honor foreign debt, pay dividends or otherwise move capital out of Venezuela is subject to the approval of CADIVI or the Central Bank of Venezuela, and to the availability of foreign currency within the guidelines set forth by Venezuelan National Executive Power for the allocation of foreign currency.

There are uncertainties regarding the impact that the elimination of SITME and the creation of SICAD could have on the Venezuelan economy and the complementary regulations the Venezuelan government could issue in the near future. As a result, there are significant uncertainties regarding the potential impact on our Venezuelan operations. There can be no assurance that such measures will not impair the ability of our Venezuelan operating subsidiaries to convert local currency into U.S. dollars, which could result in foreign currency exchange losses that could have a material adverse effect on our results of operations.

In addition, in 2001 and 2002, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to accumulate or maintain foreign currency in Argentina or make payments abroad. Although certain exchange controls and transfer restrictions were subsequently eased, in June 2005 the Argentine government issued a decree that established new controls on capital flows. Exchange control restrictions impact our ability to transfer funds abroad and may prevent or delay payments that our Argentine subsidiaries are required to make outside Argentina.

In July 2012, the Central Bank of Argentina indefinitely suspended local residents' ability to access the local foreign exchange market to purchase funds without specific allocation (*atesoramiento*).

Communication "A" 5237 issued by the Central Bank of Argentina set forth new rules regarding the repatriation of foreign direct investments. Communication "A" 5245 and AFIP General Resolution No. 3210 require all banks and foreign exchange houses to register every purchase of foreign currency, whether by individual or a legal entity, through an online system administered by AFIP. Purchases of foreign currency by local residents for the formation of off-shore assets require prior authorization from AFIP. If such a transaction fails to clear, the purchaser will not be able to complete the transaction and may make a claim at the AFIP's offices to obtain authorization to complete the transaction. Purchases of foreign currency for formation of off-shore assets that are exempt from this clearance process include, among others, those made by international organizations and official export credit agencies, diplomatic and consular representatives and local governments. The Argentine government may tighten exchange controls or transfer restrictions in the future to prevent capital flight, counter a significant depreciation of the Argentine *peso* or address other unforeseen circumstances.

In particular, regulations issued by the Central Bank of Argentina currently in place do not grant non-debtors, such as any Argentine subsidiary guarantor, access to the foreign exchange market for the purpose of transferring currency outside Argentina in order to make payments under any subsidiary guarantee granted by it.

In 2012, our subsidiaries in Venezuela and Argentina represented 19.1% and 26.1% of our operating income, respectively. If we are further prohibited from transferring funds out of Venezuela and/or 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 adversely affected.

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

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

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

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

Certain Factors Relating to Our Class A Shares

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

Mr. Staton, our Chairman and CEO, owns or controls common stock representing 40.0% and 76.2%, respectively, of our economic and voting interests. As a result, Mr. Staton is and will be able to strongly influence or effectively control the election of our directors, determine the outcome of substantially all actions requiring shareholder approval and shape our corporate and management policies. The MFAs' requirement that Mr. Staton at all times hold at least 51% of our voting interests likely will have the effect of preventing a change in control of us and discouraging others from making tender offers for our shares, which could prevent shareholders from receiving a premium for their shares. Moreover, this concentration of share ownership may make it difficult for shareholders to replace management and may adversely affect the trading price for our class A shares because investors often perceive disadvantages in owning shares in companies with controlling shareholders. This concentration of control could be disadvantageous to other shareholders with interests different from those of Mr. Staton and the trading price of our class A shares could be adversely affected. See "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders" for a more detailed description of our share ownership.

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

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

Sales of substantial amounts of our class A shares in the public market, or the perception that these sales may occur, could cause the market price of our class A shares to decline. This could also impair our ability to raise additional capital through the sale of our equity securities. Under our articles of association, we are authorized to issue up to 420,000,000 class A shares, of which 129,529,412 class A shares were outstanding as of December 31, 2012. 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 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 may thus not include, or include fewer, independent directors than would be required if we were subject to these NYSE requirements. Since a majority of our board of directors may not consist of independent directors as long as we rely on the foreign private issuer exemption to these NYSE requirements, our board's approach may, therefore, be different from that of a board with a majority of independent directors, and as a result, the management oversight of our Company may be more limited than if we were subject to these NYSE requirements.

Certain Risks Relating to Investing in a British Virgin Islands Company

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

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

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 issued 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 were 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 Island 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 Roque Saenz Peña 432, Olivos, Buenos Aires, Argentina (B1636 FFB). Our telephone number at this address is +54(11) 4711-2000. Our registered office in the British Virgin Islands is Maples Corporate Services (BVI) Limited, Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands.

Important Events

The Acquisition

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

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

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

The Axionlog Split-off

We used to own and operate some of the distribution centers in the Territories, which operations and related properties we refer to as Axionlog (formerly known as Axis). Axionlog operated in Argentina, Chile, Colombia, 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. 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 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. The split-off of Axionlog did not have a material effect on our results of operations or financial condition. 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).

In 2011, we entered into a master commercial agreement with Axionlog on arm's-length terms pursuant to which Axionlog continues to provide us with distribution services in Argentina, Chile, Colombia, Mexico and Venezuela. On November 9, 2011, we entered into a revolving loan agreement with Axionlog B.V. (formerly known as Axis Distribution B.V.), a holding company of the Axionlog business, pursuant to which we agreed to lend Axionlog the total sum of $12.0 million at an interest rate of LIBOR plus 6%. This revolving loan facility will mature on November 7, 2016. During 2012, Axionlog B.V. borrowed $7.0 million from us in connection with this revolving loan facility. In addition, we maintain guarantee deposits for the benefit of certain of Axionlog's suppliers consisting of payments made to them as collateral for the outstanding obligations of Axionlog to these suppliers. In the event that Axionlog does not pay a supplier by the date set forth in the relevant agreement, the guarantee deposit will be released to the supplier and we will have the right to seek reimbursement from Axionlog of the amount released. Neither fees nor interest are charged under this agreement with Axionlog. As of December 31, 2012, the outstanding amount of these guarantee deposits was $2.3 million. See Note 25 to our consolidated financial statements for details of the outstanding balances and transactions as of and for the fiscal year ended December 31, 2012.

On March 19, 2013 Axionlog B.V. borrowed $1.0 million from us in connection with the revolving credit facility discussed above.

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 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 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.

As part of the reinvestment plan with respect to the three-year period that commenced on January 1, 2011, we must reinvest an aggregate of at least $60 million per year in the Territories. In addition, we have committed to open no less than 250 new restaurants during the current three-year restaurant opening plan. We estimate that the cost to comply with our restaurant opening commitments under the MFAs from 2011 through 2013 will be between $175 million and $385 million, depending on, among other factors, the type and location of restaurants we open.

As a result of the foregoing, property and equipment expenditures were $294.5 million, $319.9 million and $175.7 million in 2012, 2011 and 2010, respectively. In 2012, we opened 130 restaurants, reimaged 57 existing restaurants and opened 33 McCafé locations and 245 Dessert Centers (see "—B. Business Overview—Our Operations—McCafé Locations and Dessert Centers"). In 2011, we opened 101 restaurants, reimaged 122 existing restaurants and opened 40 McCafé locations and 132 Dessert Centers. In 2010, we opened 85 restaurants, reimaged 83 existing restaurants and opened 37 McCafé locations and 132 Dessert Centers. In 2012, 2011 and 2010, we closed 22, 16 and 10 restaurants, respectively.

In addition, purchases of restaurants totaled $6.0 million, $6.0 million and $0.5 million in 2012, 2011 and 2010, respectively.

Proceeds from the sale of property and equipment totaled $6.6 million, $10.7 million and $6.2 million in 2012, 2011 and 2010, respectively.

Capital expenditures for 2013 are expected to be approximately U.S.$280 million, considering approximately 140 gross restaurant openings.

B. Business Overview

Overview

We are the world's largest McDonald's franchisee in terms of systemwide sales and number of restaurants, according to McDonald's, representing 5.6% of McDonald's global sales in 2012, and we are the largest fast food chain in Latin America and the Caribbean in terms of systemwide sales, according to Euromonitor, with a regional market share in terms of sales of 9.9% in 2011, according to Euromonitor. We have the exclusive right to own, operate and grant franchises of McDonald's restaurants in the Territories. As of December 31, 2012, we operated or franchised 1,948 McDonald's-branded restaurants, which represented 7.0% of McDonald's total franchised restaurants worldwide. In 2012 and 2011, we paid $180.5 million and $170.4 million, respectively, in royalties to McDonald's (not including royalties paid on behalf of our franchisees).

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, 2012, of our 1,948 McDonald's-branded restaurants in the Territories, 1,453 (or 74.6%) were Company-operated restaurants and 495 (or 25.4%) were franchised restaurants. We generate revenues primarily from two sources: sales by Company-operated restaurants and revenues from franchised restaurants that 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 513 of our restaurants (totaling approximately 1.1 million square meters) and the buildings for all but 12 of our restaurants.

Our business has grown significantly since the Acquisition: we have increased our presence in existing and new markets in the Territories by opening 463 restaurants (346 Company-operated and 117 franchised), 198 McCafé locations and 939 Dessert Centers (see "—Our Operations—McCafé Locations and Dessert Centers") since the Acquisition. The McDonald's brand's market share of the fast food industry in Latin America and the Caribbean in terms of sales has increased from 9.7% in 2007 to 9.9% in 2011 according to Euromonitor.

We divide our operations into four geographical divisions: Brazil; the Caribbean division, consisting of Aruba, Curaçao, French Guiana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago and the U.S. Virgin Islands of St. Croix and St. Thomas; NOLAD, consisting of Costa Rica, Mexico and Panama; and SLAD, consisting of Argentina, Chile, Colombia, Ecuador, Peru, Uruguay and Venezuela. As of December 31, 2012, 37.5% of our restaurants were located in Brazil, 29.5% in SLAD, 25.8% in NOLAD and 7.1% in the Caribbean division. We believe our diversified market presence reduces our dependence on any one market and helps stabilize the impact of individual countries' economic cycles on our revenues. We focus on our customers by managing operations at the local level, including marketing campaigns and special offers, menu management and monitoring customer satisfaction, while leveraging our size by conducting administrative and strategic functions at the divisional or corporate level, as appropriate.

See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Segment Presentation" for a description of changes we have made in the structure of our geographical divisions effective January 1, 2013. The discussion in this annual report does not reflect this change and is based on the structure prevailing as of December 31, 2012.

The following table presents certain operating results and data by operating segment:

	As of and for the Years Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands of U.S. dollars, except percentages)				
Total Revenues					
Brazil	$ 1,797,556	$ 1,890,824	$ 1,595,571	$ 1,200,742	$ 1,237,208
Caribbean division	273,467	267,701	260,617	244,774	231,734
NOLAD	384,041	355,265	305,017	240,333	232,083
SLAD**(1)**	1,342,330	1,143,859	856,913	979,627	905,817
Total	**3,797,394**	**3,657,649**	**3,018,118**	**2,665,476**	**2,606,842**
Adjusted EBITDA(2)					
Brazil	$ 240,954	$ 289,462	$ 250,606	$ 160,037	$ 144,965
Caribbean division	12,345	9,493	23,556	21,167	22,013
NOLAD	26,738	19,551	15,400	3,918	15,961
SLAD**(1)**	150,520	121,475	83,998	129,889	138,683
Corporate and others	(89,996)	(100,193)	(74,446)	(48,628)	(33,648)
Total	**340,561**	**339,788**	**299,114**	**266,383**	**287,974**
Adjusted EBITDA Margin(3)					
Brazil	13.4%	15.3%	15.7%	13.3%	11.7%
Caribbean division	4.5	3.5	9.0	8.6	9.5
NOLAD	7.0	5.5	5.0	1.6	6.9
SLAD**(1)**	11.2	10.6	9.8	13.3	15.3
Total	**9.0**	**9.3**	**9.9**	**10.0**	**11.0**
Systemwide comparable sales growth(4)(5)	**9.2%**	**13.7%**	**14.9%**	**5.5%**	—
Brazil	5.2	9.3	17.5	2.7	—
Caribbean division	2.6	(0.6)	4.7	4.2	—
NOLAD	4.4	8.5	9.1	(1.7)	—
SLAD	19.9	29.6	16.1	12.2	—

(1) Currency controls in Venezuela and related accounting changes have had a significant effect on our results of operations and impact the comparability of our results of operations in 2010 compared to 2009.

(2) 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 and a reconciliation thereof, see "Presentation of Financial and Other Information—Other Financial Measures" and "Item 3. Key Information—A. Selected Financial Data."

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

(4) Systemwide comparable sales growth refers to the change in our restaurant sales in one period from a comparable period for restaurants that have been open for thirteen months or longer. Systemwide comparable sales growth is provided and analyzed on a constant currency basis, which means it is calculated using the same exchange rate over the periods under comparison to remove the effects of currency fluctuations from this trend analysis. We believe this constant currency measure provides a more meaningful analysis of our business by identifying the underlying business trend, without distortion from the effect of foreign currency movements.

(5) Systemwide comparable sales growth is presented on a systemwide basis, which means it includes sales by our Company-operated restaurants and our franchised restaurants. While sales by our franchisees are not recorded as revenues by us, we believe the information is important in understanding our financial performance because these sales are the basis on which we calculate and record franchised revenues and are indicative of the financial health of our franchisee base.

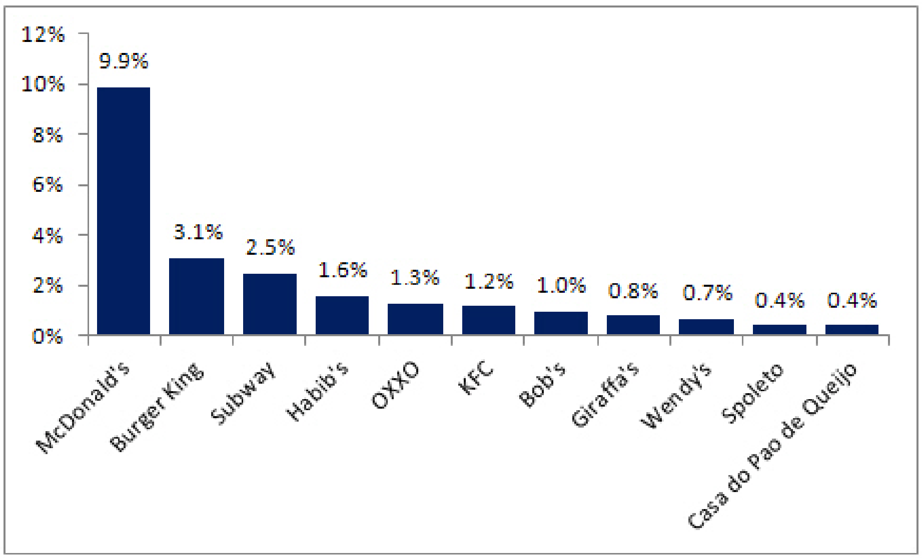
Our Industry

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. Euromonitor forecasts that fast food segment sales in Latin America and the Caribbean will total an estimated $55.7 billion (nominal value) in 2013. In addition, Euromonitor forecasts that the fast food segment in Latin America and the Caribbean will have grown 62% in the period from 2008 to 2013, which is 44 percentage points higher than the growth that Euromonitor forecasts for the Latin American and Caribbean food service industry as a whole in the same period, representing an estimated compound annual growth rate of 10.2%, which in turn is significantly higher than the estimated 2.9% compound annual growth rate of the U.S. fast food segment.

Euromonitor estimates that QSRs captured 61% of market share within the fast food segment in Latin America and the Caribbean in 2011, due to the popularity of standardized menus, the consistency of products and services, cost efficient operating systems, the development of products targeted to meet consumer demands, economies of scale, convenience, speed and value. Euromonitor estimates that the growth of QSRs in Latin America and the Caribbean will outpace the growth of the fast food segment generally in the near future, as QSRs tend to be better capitalized and are therefore able to expand through additional restaurant openings and innovation, and as consumers increasingly prefer the convenience and reliability associated with a well-established brand. Euromonitor estimates that the QSR sub-segment in Latin America and the Caribbean will have grown 61% during the period from 2008 to 2013.

McDonald's, Burger King, Subway and KFC have positioned themselves as market leaders within the QSR segment. According to Euromonitor, the McDonald's brand is the largest in Latin America and the Caribbean with more than three times the sales of Burger King, our closest competitor, in Latin America and the Caribbean and with more sales than our next five competitors combined. In addition to these international brands, strong local brands, such as Habib's, Bob's, Servicompras and Giraffa's, exist in certain key markets.

The chart below indicates the percentage market share held by certain major brands in the fast food segment in Latin America and the Caribbean for 2011:



Source: Euromonitor

We believe we have significant opportunities to increase our presence and market share in those countries that we believe offer the best growth prospects and those that are most economically and financially stable, such as Brazil, Chile, Colombia, Mexico and Peru. For example, in many of the Territories, including Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru, we believe there are opportunities for growth as the ratio of gross domestic product purchase power parity, or GDP PPP, per McDonald's-branded restaurant, a measure we use to determine penetration, is at least 2.5 times greater than in the United States. As the macroeconomic conditions of the countries in the Territories continue to improve, we believe we will have significant opportunities to expand our business as consumers benefit from expanding purchasing power and higher levels of disposable income, which in turn increase consumer demand for our safe, fresh and good-tasting food, comfortable settings and affordable prices as aspects of food convenience.

Our Operations

Company-Operated and Franchised Restaurants

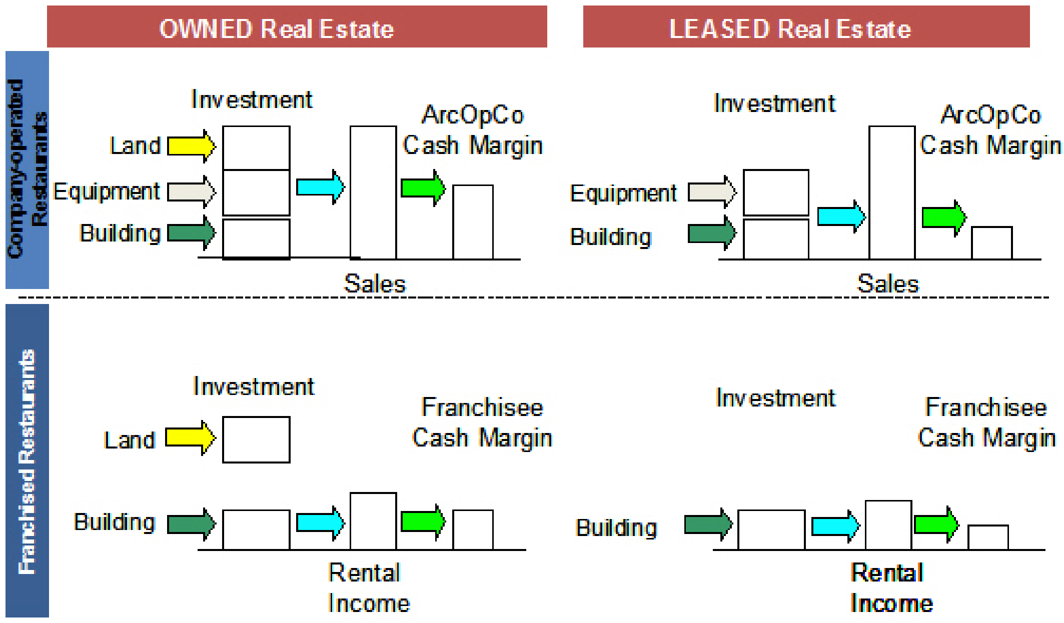
We operate our McDonald's-branded restaurants under two basic structures: (i) Company-operated restaurants operated by us and (ii) franchised restaurants operated by franchisees. Under both operating alternatives the real estate location may either be owned or leased by us.

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

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

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

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



Source: Arcos Dorados

In addition, we are the majority stakeholder in several joint ventures that collectively own 27 restaurants, in Argentina, Chile and Colombia. We have also granted developmental licenses to 12 restaurants. Pursuant to the developmental licenses, the developmental licensees own or lease the land and building on which the restaurants are 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, 2012, 892 (or 45.8%) of our restaurants were freestanding, 432 (or 22.2%) were food courts, 293 (or 15.1%) were in-stores and 329 (or 16.9%) were mall stores. In addition, we have two non-traditional stores, such as food carts. 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 type 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, 2012, we had completed the reimaging of 475 of the 1,569 restaurants we purchased in the Acquisition, an increase of 55 restaurants as compared to December 31, 2011. 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." Many of the reimaging projects include the addition of McCafé locations to the restaurant.

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

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

Source: Arcos Dorados

McCafé Locations and Dessert Centers

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

With an average return on investment from McCafé locations of 33.6% in 2012, the McCafé concept is well-suited for restaurants in large-scale shopping centers and commercial areas. McCafé locations have been a key factor in adding value to our customers' experience and represented 2.1% of the total transactions and 1.3% of total sales of the restaurants in which they were located in 2012. As of December 31, 2012, there were 334 McCafé locations in the Territories, of which 11% were operated by franchisees. Argentina and Brazil, with 84 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:

Source: Arcos Dorados

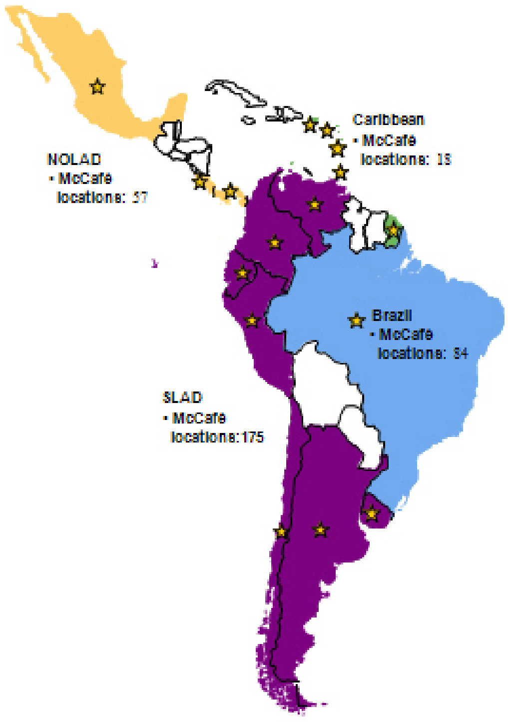
In addition to McCafé locations, Dessert Centers have been a very successful brand extension. Dessert Centers operate separately from existing restaurants, but depend on them for supplies and operational support. For example, a mall store restaurant can provide support for several Dessert Centers located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

Dessert Centers represented 27.3% of our transactions and 8.7% of our total sales in 2012 and, with a return on investment of 154.2% in 2012, provide a low-risk investment alternative. As of December 31, 2012 there were 1,952 Dessert Centers in the Territories. Dessert Centers are highly successful in Brazil, where we have 1,162 locations. The first Dessert Center was created in Costa Rica in 1986 and was launched in Brazil in 1990. Due to a change in methodology in 2011, Dessert Center figures for 2012 and 2011 are not directly comparable to figures for 2009 and 2010.

The following maps sets forth our McCafé locations and Dessert Centers in each of the Territories as of December 31, 2012:

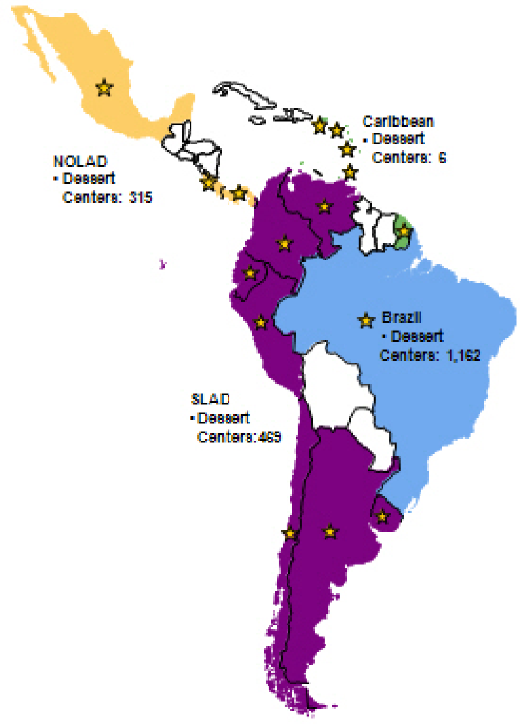
Network of McCafé Locations

334 total McCafé locations



Network of Dessert Centers

1,952 total Dessert Centers



Source: Arcos Dorados

The McDonald's Brand

Interbrand, a brand consulting firm, ranked McDonald's among the top ten global brands in 2012. The McDonald's brand is also one of the most widely recognized consumer brands in Latin America and the Caribbean, according to Euromonitor. 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: affordable entry-level options, such as our Big Pleasures, Small Prices or "*Combo del Día*" ("Daily Extra Value Meal") offerings, core menu options, such as the Big Mac, Happy Meal and Quarter Pounder, and premium options, such as Big Tasty or Angus premium hamburgers and chicken sandwiches and low-calorie or low-sodium products that are marketed through common platforms rather than as individual items. These platforms can be based on the type of products, such as beef, chicken, salads or desserts, or on the type of customer targeted, such as the children's menu. We have offered a new menu with fewer calories and less sugar and sodium in the majority of our Territories since 2011.

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.

Product Development

We have been very innovative in our product development in Latin America and the Caribbean. In key countries, our understanding of the local market has enabled us to successfully introduce new items to appeal to local tastes and to provide our customers with additional food options. Our Big Pleasures, Small Prices and bone-in-chicken offerings are examples of our product development efforts, through which we introduce affordable new products every few months. Also, we carefully monitor the sales of our products and are able to quickly modify them if necessary. For instance, although we always offer the McFlurry dessert product, we include in this product platform a promotional topping that is offered for a limited period of time, followed by a new promotional topping to maintain the sales momentum.

In 2006, McDonald's global innovation team introduced a new food preparation platform called the Bridge Operating Platform, or BOP, which combines product innovation with operational efficiency throughout our restaurants. This platform is a significant system enhancement, and it allows for customization of products without compromising the restaurants' ability to handle a large influx of customers at peak periods. The BOP has now been implemented in all large Latin American and Caribbean markets. In 2011 we began the roll out of Made For You, or MFY, a new kitchen operating platform that we believe will allow for improved product quality, higher labor productivity and reduced food waste. As of December 31, 2012, we had implemented MFY in almost all of our Company-operated restaurants in Brazil, Mexico and Argentina.

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

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 their 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. These insights feed into the local markets' menu and pricing strategy as well as the marketing plan that is disseminated to both Company-operated and franchised restaurants. Restaurants may then adjust pricing and/or item offerings as they choose in an attempt to optimize sales, profitability and local preferences. This cycle is part of an overall revenue management philosophy and is part of our business management practices utilized throughout the region.

Advertisement & Promotion

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

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

Our advertisement and promotion activities are guided by our overall marketing plan, which identifies the key strategic platforms that we aim to leverage to drive sales. The advertisement and promotion program is formulated based on the amount of advertisement and promotion support needed for each strategic platform for the year. During 2012, our key strategic platforms included menu relevance, convenience, strengthening the kids and family experience and price segmentation for margin optimization. In terms of menu relevance, we continue to support the breakfast menu that we introduced during 2008 in many of our key markets, such as Brazil, and introduced our premium Angus burger and bone-in-chicken premium products. In terms of convenience, we increased the efficiency of some of our restaurants by including more McCafé locations, combined beverage systems that serve fruit-based smoothies, coffee-based frappés and specialty coffees, and Dessert Centers and developing locally relevant menu items, such as breakfast choices and bone-in-chicken product offerings in Peru. 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. Our Big Pleasures, Small Prices and our "*Combo del Día*" programs in Latin America and the Caribbean, which are based on best practices and experience in the United States and Europe, have been successful in addressing a broad range of value expectations in our restaurants. We continue leveraging these platforms to increase penetration and grow market share.

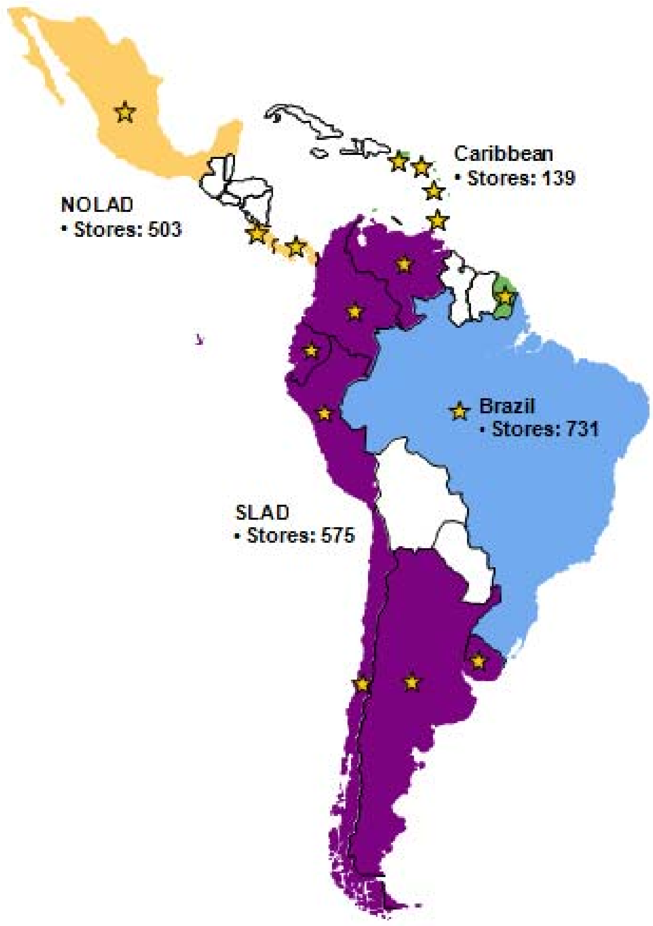
To support our product offerings, we sponsor regionally popular sporting events, such as the preliminary round for the FIFA World Cup 2014 in South America, and leverage global marketing initiatives led by McDonald's, such as sponsorship of major sporting events and participation in various movie promotions. We believe these branding events provide a cost-effective manner to increase our market recognition.

Through the execution of these initiatives, we work to enhance the McDonald's experience for customers throughout the Territories, 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, 2012:



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. We provide services such as accounts payable, accounts receivable and payroll through our centralized shared service center located in Buenos Aires, Argentina. 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, 2012:

	Ownership					Store Type(1)						Building/ Land(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	533	—	198	—	731	290	214	85	142	1,162	84	118	613
Caribbean Division	96	—	42	1	139	120	1	6	12	6	18	52	86
NOLAD	335	—	157	11	503	261	130	56	55	315	57	167	325
SLAD	462	27	86	—	575	221	87	146	120	469	175	176	399
Total	**1,426**	**27**	**483**	**12**	**1,948**	**892**	**432**	**293**	**329**	**1,952**	**334**	**513**	**1,423**

(1) In addition, we have two non-traditional stores, such as food carts.

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

Brazil

Brazil is our largest division in terms of restaurants, with 731 restaurants as of December 31, 2012 and $1,797.6 million in revenues in 2012, representing 37.5% and 47.3% of our total restaurants and revenues, respectively. Our operations in Brazil are based in Sao Paulo and McDonald's has been present in Brazil since opening its first restaurant in Rio de Janeiro in 1979.

Caribbean Division

The Caribbean division includes nine territories with 139 restaurants as of December 31, 2012 and $273.5 million in revenues in 2012, representing 7.1% and 7.2% of our total restaurants and revenues, respectively. Its primary market is Puerto Rico, where the division's management is based. McDonald's has been present in Puerto Rico since opening its first restaurant in San Juan in 1967. Puerto Rico represents 75.5% of the Caribbean division's restaurants and 55.2% of the Caribbean division's revenues. Puerto Rico is our fifth-largest market in terms of restaurants.

NOLAD

NOLAD includes three countries with 503 restaurants as of December 31, 2012 and $384.0 million in revenues in 2012, representing 25.8% and 10.1% 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 79.7% of NOLAD's restaurants and 55.4% of NOLAD's revenues, and Mexico is our second-largest market in terms of restaurants.

Our operations in Mexico differ from those in our other Territories (with the exception of Venezuela) in that the percentage of franchised restaurants is significantly higher than our systemwide average because some of McDonald's previous joint venture partners were converted into franchisees immediately prior to the Acquisition. Since the Acquisition, we have been adjusting our business model in Mexico as several factors had significantly eroded that market's profitability and, as a result, we have acquired 85 franchised restaurants. As of December 31, 2012, 37.2% of our restaurants in Mexico were franchised, while 25.4% of our restaurants overall were franchised.

SLAD

SLAD includes seven countries with 575 restaurants as of December 31, 2012 and $1,342.3 million in revenues in 2012, representing 29.5% and 35.3% of our total restaurants and revenues, respectively. Its primary markets are Argentina, where the division's management is based, and Venezuela. McDonald's has been present in Argentina since opening its first restaurant in Buenos Aires in 1986 and in Venezuela since opening its first restaurant in Caracas in 1985. As of December 31, 2012, Argentina and Venezuela, respectively, represented 36.5% and 24.2% of SLAD's restaurants and 44.3% and 26.0% of SLAD's revenues in 2012. Argentina and Venezuela, respectively, are our third- and fourth-largest markets 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 like International Organization for Standardization, or ISO, standards, British Retail Consortium, or BRC, standards and others, include cleanliness, product consistency and timeliness, meeting or exceeding all local food regulations and compliance with our Hazard Analysis Critical Control Plan, or HACCP, a systematic approach to food safety that emphasizes protection within the processing facility, rather than detection, through analysis, inspection and follow-up. Due to our supply chain management and high quality standards, we believe our products have a competitive advantage because they have many attributes that make them appealing to our customers. For instance, our McNuggets are made of 100% white meat; our frying oil is 100% free of trans fatty acids; the dairy mix for our sundaes and the McFlurry undergo aseptic processes to rid them of bacteria; our vegetables are washed and sanitized; and our hamburger patties are made with 100% beef and do not contain additives.

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

Since the process to become an approved supplier is lengthy, expensive and requires proof of compliance with McDonald's high quality standards, we have found that oral agreements with our approved suppliers generally are sufficient to ensure a reliable supply of quality food products, and we have developed long-term relationships with many of our suppliers. In addition, we enter into written agreements with most of our suppliers regarding the cost of such goods, which can be based on pricing protocols, formula costing, benchmarking or open bidding, as appropriate. Our 25 largest suppliers account for approximately 80% of our supplies, 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 Marfrig Alimentos S.A., McCain Foods Limited, Coca-Cola Company and Fresh Start Bakeries, Inc.

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, 2012, approximately 30% of the food and paper products used in our restaurants were imported, primarily from countries within Latin America, while the remaining amount were locally sourced. This percentage varies among the Territories; for example, 18% of the products consumed in Mexico are imported, while 20% and 90% of the products consumed in Brazil and the Caribbean division, respectively, are imported. This includes the toys distributed in our restaurants, which are imported from China. Certain supplies, such as beef, must often be locally sourced due to restrictions on their importation. Combined with the MFAs' requirement to purchase certain core supplies from approved suppliers, although we maintain contingency plans to back up restaurant supplies, we may not be able to quickly find alternate or additional supplies in the event a supplier is unable to meet our orders. See "Item 3. Key Information—D. Risk Factors—Certain Factors Relating to Our Business—We depend on oral agreements with third-party suppliers and distributors for the provision of products that are necessary for our operations." The suppliers send all of their products to distribution centers that are in charge of transportation, warehousing, financial administration, demand and inventory planning and customer service. The distribution centers interact directly with our Company-operated and franchised restaurants.

Until March 16, 2011 we owned and operated some of the distribution centers in the Territories, which operations and related properties we refer to as Axionlog (formerly known as Axis). See "Item 4. Information on the Company—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 continues to provide us with distribution services in Argentina, Chile, Colombia, Mexico and Venezuela. For additional information about our transactions with Axionlog, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Axionlog Split-off."

Supply Chain Management and Quality Assurance

All products that we sell meet McDonald's specifications, including new products and promotions. We work with our supplies to implement key standards testing at each stage of our supply chain, including raw materials, processing and distribution. With respect to raw materials, we verify that produce suppliers undergo verification audits. All protein suppliers also undergo Animal Welfare Policy, "mad cow" disease and HACCP audits. At the processing stage, we implement a supplier quality management system that encourages continuous improvement in each key product category. We conduct seminars annually with all key suppliers on topics such as standards calibration, product sensory evaluation and best practices and all suppliers are audited annually by a third party for compliance with McDonalds's SQMS. We measure compliance through visits to processing plants, supplier summits, regularly scheduled audits and sensory testing that is achieved through a combination of product, equipment and operational procedures. At the distribution stage, we have implemented the Distribution Quality Management Program, which includes a shelf-life management system, strict temperature controls for receiving and storage of food products, a sophisticated stock recovery program and a quality inspection program.

Our quality testing extends to restaurant operations, where we conduct restaurant improvement and food safety verification processes that allow us to track the implementation of changes in restaurant operations, new products, procedures and equipment. We participate in the restaurant operations improvement process designed by McDonald's, under which Company-operated and franchised restaurants are visited at least three times in any 21-month cycle to identify system opportunities to continuously improve our operations. Visits are conducted by our operations 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, convenience food stores, delicatessens and supermarkets. For more information about our competition, see "Item 4. Information on the Company—B. Business Overview—Our Industry."

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 575.9 million people in 2010—equivalent to the combined population of the United States, Germany, France, the United Kingdom and Italy—of which approximately 28% are under 14 years old and 46% are under 25 years old. As a business focused on young adults in the 14 to 35 age range and families with children, our operations have benefited, and we expect to continue to benefit, from our Territories' population size, age profile when compared to more developed markets and improving socio-economic conditions. In addition, our McCafé brand extension has successfully targeted a more adult customer base.

Despite variations in economic development throughout the Territories, Latin America and the Caribbean in general have presented very compelling growth prospects given their improving macroeconomic conditions, expanding buying power of the consumer sector in general and the rapidly growing QSR markets in particular. In addition, improvements in macroeconomic conditions in the Territories have led to a modernization of consumption patterns and increased affordability of our products across socio-economic segments, and we believe we are well-placed to capitalize on these trends. In Brazil alone, 29 million Brazilians joined the middle class between 2003 and 2009, and the percentage of the Brazilian population living in poverty decreased by 45.6% during the same period, according to the Brazilian Ministry of Finance. Moreover, according to Euromonitor, the percentage of households in Brazil with annual disposable incomes of $5,000 or more was greater than that in China and India in 2011.

In addition, the demand for QSR options has risen, and Euromonitor forecasts that the QSR sector in Latin America will grow at a 21% annual growth rate between 2012 and 2016. The confluence of favorable factors throughout the region, including growth in our target demographic markets, offer an opportunity of profitable growth and the ability to serve an ever-increasing number of customers.

Regulation

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

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

We are also subject to the labor laws applicable in the countries in which we operate. The adoption of new or more stringent labor laws or regulations could result in a material liability to us. For example, a law enacted in November 2010 in Argentina requires companies to pay overtime to all employees (except directors and managers) working on weekends, and a proposed bill in Argentina would require companies to distribute 10 percent of their profits to employees. See "Item 3. Key Information—D. Risk Factors—Certain Factors Relating to Our Business—Labor shortages or increased labor costs could harm our results of operations." New interpretations or unexpected applications of existing labor laws or regulations may also affect our business practices or results of operations. In August 2012, the Public Labor Ministry of the State of Pernambuco (*Ministério Público do Trabalho do Estado de Pernambuco*) in Brazil filed a civil complaint against us in the Labor Court of Pernambuco (*Justiça do Trabalho de Pernambuco*) regarding alleged noncompliance with certain labor laws. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings—Brazilian Labor Litigation."

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

Environmental Issues

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

Insurance

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

Charitable Activities and Social Initiatives

The McDonald's brand is enhanced through McDonald's and our social responsibility initiatives, which include a wide range of programs focused on positively impacting our employees, customers and the communities in which we operate. The following discussion summarizes some of our principal programs and contributions:

Employment Experience

We are an important employer in Latin America and the Caribbean and are creating new economic opportunities for Latin America's next generation. With more than 94,000 employees as of December 31, 2012, we are one of the largest employers in Latin America. For many of our employees, we are their first employer. We provide a strong foundation and teach them valuable customer service and leadership skills that can be applied to a wide range of career paths in the future.

We have been recognized by many independent organizations for being a "great place to work." In 2012, the Great Place to Work Institute ranked us fourth among the top 25 best multinational employers in Latin America, and we led the "*Súper Empresas*" (Super Companies) ranking by the *Expansión/CNN* magazine. The table below shows the good employer recognitions that we received in 2012:

Country	Award	Ranking
Argentina	"Best Companies to Work for" in Argentina	8th
Brazil	"Best Companies to Work for" in Brazil	22nd
Colombia	"Best Companies to Work for" in Colombia	4th
Costa Rica	"Best Companies to Work for" in Costa Rica	11th
Costa Rica and Panama	"Work and Life Balance" Certification	—
Chile	"Best Companies to Work for" in Chile	25th
Ecuador	"Best Companies to Work for" in Ecuador	2nd
Mexico	"Best Companies to Work for" in Mexico	3rd
Panama	"Best Companies to Work for" in Panama	2nd
Peru	"Best Companies to Work for" in Peru	9th
Uruguay	"Best Companies to Work for" in Uruguay	4th
Venezuela	"Best Companies to Work for" in Venezuela	4th

We pride ourselves on principles such as integrity, trust, honesty, hospitality and the importance of team work. To that end, we offer extensive training and continuing education opportunities for crew and corporate employees, and provide a collegial work environment that fosters teamwork and advancement. Each year, we dedicate resources to training and development in our restaurants, Regional Training Centers and McDonald's University in order to provide our employees with the tools necessary to advance within our Company and help positively impact business results.

In April 2012, we became one of the first companies to join the New Employment Opportunities (NEO) Program. Developed by the Inter-American Development Bank and the International Youth Foundation, the program helps to increase the employability of the region’s youth.

Community

The wellbeing of the communities where we operate is of considerable importance to us. One of our major charitable causes is the Ronald McDonald House Charities, which is dedicated to creating, finding and supporting programs that directly improve the health and well-being of children, including by combating pediatric cancer, one of the leading causes of death for children in Latin America.

As of December 31, 2012, there were 35 Ronald McDonald House Charities programs in 10 countries in Latin America and the Caribbean, including 16 Ronald McDonald Houses, 18 Ronald McDonald Family Rooms, which provide “a home away from home” to children undergoing serious medical treatment in hospitals and their families, and one Ronald McDonald Care Mobile, which was built to deliver pediatric care services to remote locations.

One of our biggest charitable events is McHappy Day, when McDonald’s restaurants across Latin America raise money for various children’s causes, including the Ronald McDonald House Charities foundation, by donating the proceeds generated from the sales of Big Macs on that day. McHappy Day has grown from being a “social marketing” campaign to becoming a community-wide effort. In 2012, McHappy Day was celebrated in all of the Territories, involving more than 35,000 community volunteers and our franchisees and suppliers. In 2012, our McHappy Day activities raised over $13.6 million. McHappy Day has become one of the most important campaigns that supports children in Latin America and is the biggest source of revenue for the Ronald McDonald House Charities foundation.

Nutrition and Well-being

As part of our commitment to offering nutritious and quality products to our customers, we are dedicated to actively promoting a balanced lifestyle. This includes teaching healthy eating habits and providing reliable, accessible information to guide educated nutritional decisions. We recently launched a website exclusively dedicated to helping parents and adults make healthy choices and lead balanced lifestyles. We provide nutritious meal options to our crew workers on a daily basis as well.

We participate in several educational, sports and well-being programs throughout Latin America and the Caribbean, promoting our brand and encouraging our employees and customers to participate. This includes sponsoring walks and races to raise funds and awareness of various health conditions. One such event is the McDonald’s 5K Women Run (*Las Mujeres Corremos*), a regional event that brings together more than 60,000 women in 22 cities and 19 countries in Latin America.

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.

In October 2011, we launched our new Happy Meal, with reduced sodium, calorie and fat totals. For example, the amount of sodium in buns, McNuggets, cheese and ketchup was reduced by an average of 10%. In addition, the amount of sugar added to the fruit juices was reduced by almost 40%, reaching no more than 5 grams of added sugar per 100 milliliters. Today, all of the standard Happy Meal combinations in Latin America contain less than 600 calories and automatically include fruit, such as sliced apples, as a fourth item. Additionally, we expect that in 2013 the majority of our restaurants in the region will begin providing customers with calorie information on its menu board for each of its products, building upon existing nutritional information available on McDonald’s website in each country and via in-store tray liners, brochures and/or signage.

Environmental Responsibility

We are committed to the continuous improvement of our environmental sustainability efforts, including frequently assessing our strengths and areas of improvement. While we have made many positive strides, we are in the process of setting direct and measurable goals that we will be working toward in the years ahead.

We strive to be an environmental steward dedicated to conserving natural resources and minimizing waste. We monitor and implement operational measures focused on reducing water consumption, energy utilization and waste production at our restaurants. We execute paper and waste recycling campaigns at our restaurants, whenever possible, and urge consumers to adopt responsible waste sorting and recycling behaviors. We also employ cutting-edge technology that minimizes our environmental footprint, favoring the use of clean-energy sources such as solar panels and wind generators, and recycling cooking oil from our restaurants to make biodiesel that fuels some of our supply trucks.

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

Protecting the Amazon—one of Latin America's greatest environmental treasures—is a top priority. One hundred percent of our suppliers have committed to ending procurement of any goods from the Amazon. In October 2011, McDonald's signed a global moratorium against harvesting soy from the Amazon and has maintained this commitment during 2012.

As of December 31, 2012, we had four ecological restaurants and one LEED-certified corporate university, which are more environmentally responsible and resource-efficient buildings throughout their life-cycle. In December 2008, we opened the first ecological restaurant in Latin America in Bertioga on the coast of São Paulo, Brazil. This restaurant received Leadership in Energy & Environmental Design, or LEED, certification, in September 2009, becoming the first McDonald's restaurant in Latin America to be so certified. In August 2009, we opened our second ecological restaurant in Lindora, Costa Rica, which was the first of its kind in Central America. In August 2010, we opened our third ecological restaurant in Pilar, Argentina. In July 2011, we re-inaugurated the McDonald's at Parque Hundido, in Mexico DF as our fourth ecological restaurant. This restaurant was recently awarded LEED certification by the US Green Building Council.

The McDonald's University in São Paulo, Brazil was remodeled and reopened in April 2011 as an ecological, LEED-certified building. This McDonald's University, one of seven such units in the world, is the corporate training center for employees from all over Latin America and the Caribbean.

The know-how accumulated in the construction of these ecological buildings is being used for the development of new McDonald's restaurants and the reimaging of certain existing ones in the Territories.

Sustainable Supply Chain

Our deep relationship with our suppliers is an important strategic asset. We work with more than 500 suppliers across Latin America who serve as strategic partners. Many of our suppliers have worked with McDonald's since it first entered the Latin American market in the 1970's. All suppliers are evaluated for and must comply with global McDonald's standards on core products such as beef, chicken, cheese, bread, beverages and others. This ensures a consistent customer experience throughout Latin America.

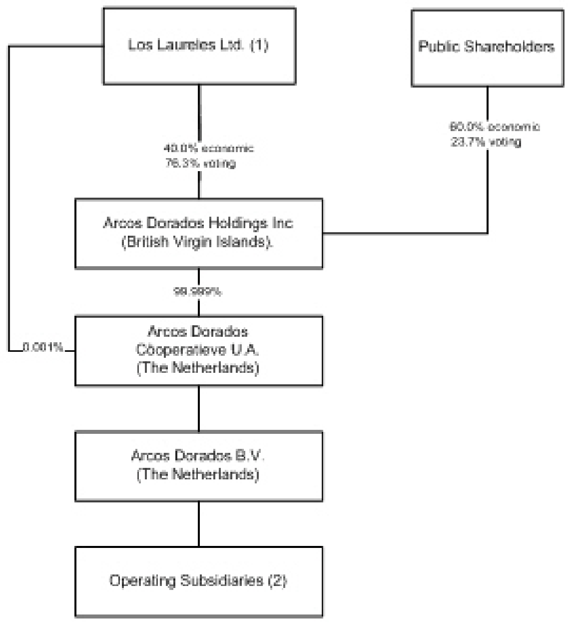
We hope to further strengthen our supply chain by developing local initiatives that meet our demand for goods while promoting the well-being and success of the farmers and suppliers we rely on. For example, our Qori Chacra Project offers local farmers in Cuzco, Peru the opportunity to improve their crops by providing training on various methods to improve yield and distribution options. Through this project, we hope to develop a sustainable supply chain program for the production of lettuce, which could ultimately be replicated in other countries with similar needs. As another example, in Brazil we work with suppliers to educate local farmers about sustainable agriculture. To date, 15 farms have been created and/or expanded to produce lettuce, tomatoes and other produce for McDonald's restaurants in the region. This enables us to source produce from sustainable farms, while also contributing to the local economy through the creation of jobs.

C. Organizational Structure

We conduct substantially all our business through our indirect, wholly-owned Dutch subsidiary Arcos Dorados B.V. Our controlling shareholder is Los Laureles Ltd., a British Virgin Islands company, which is beneficially owned by Mr. Staton, our Chairman and CEO. 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 March 31, 2013.



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

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

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

D. Property, Plants and Equipment

Property Operations

Our long-standing presence in Latin America and the Caribbean has allowed us to build a significant property portfolio with hard-to-replicate locations in key markets across the region that enhance our customers' experience and ultimately support our brand and market position. As of December 31, 2012, we owned the land for 513 of our 1,948 restaurants (totaling approximately 1.1 million square meters). We owned the buildings for all but 12 of our stand-alone restaurants, all of which are under developmental licenses, whereby the licensees own or lease the land and buildings on 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 own our corporate headquarters in Buenos Aires, Argentina, corporate offices, a manufacturing and logistics center in Sao Paulo, Brazil, and training centers in Sao Paulo, Brazil and Buenos Aires, Argentina.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

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, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010, 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, Curaçao, French Guiana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago and the U.S. Virgin Islands of St. Croix and St. Thomas; the North Latin America division, or NOLAD, consisting of Costa Rica, Mexico and Panama; and the South Latin America division, or SLAD, consisting of Argentina, Chile, Colombia, Ecuador, Peru, Uruguay and Venezuela. As of December 31, 2012, 37.5% of our restaurants were located in Brazil, 29.5% in SLAD, 25.8% in NOLAD and 7.1% 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 Topic 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.

In January 2013, we made certain organizational changes in the structure of our geographical divisions in order to balance their relative weight. As a result of the reorganization effective January 1, 2013, Colombia and Venezuela become part of the Caribbean division with headquarters located in Colombia. Therefore, as of the beginning of 2013, SLAD is comprised of Argentina, Chile, Ecuador, Peru and Uruguay, and the Caribbean division is comprised of Aruba, Curaçao, French Guyana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago, the U.S. Virgin Islands of St. Croix and St. Thomas, Colombia and Venezuela. In accordance with ASC 280 Segment Reporting, we will report the results of the revised structure of our geographical divisions on our segment financial reporting beginning in the first quarter of fiscal year 2013. The discussion of our financial condition and results of operations in this annual report does not reflect this change and is based on the structure prevailing as of December 31, 2012.

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 2012, sales by Company-operated restaurants and revenues from franchised restaurants represented 95.7% and 4.3% of our total revenues, respectively. In 2011, sales by Company-operated restaurants and revenues from franchised restaurants represented 95.8% and 4.2% of our total revenues, respectively. In 2010, sales by Company-operated restaurants and revenues from franchised restaurants represented 95.9% and 4.1% 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, as applicable, the costs of depreciating and maintaining the land and buildings upon which franchised restaurants are situated or the cost of leasing that property. A significant portion of our leases establish that rent payments are based on the greater of a flat fee or a specified percentage of the restaurant’s sales.

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

General and administrative expenses include the costs of overhead, including salaries and facilities, travel expenses, depreciation of office equipment, situated 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, net, include gains and losses on asset dispositions, impairment charges, rental income and depreciation expenses of excess properties, results from distribution centers (until March 16, 2011), the equity awards granted to our CEO until 2011, accrual for contingencies, write-off of inventory, recovery of taxes and other miscellaneous items.

Other Line Items

Net interest expense primarily includes interest expense on our short-term and long-term debt as well as the amortization of deferred financing costs. Loss from derivative instruments relates to the negative change in the fair market value of certain of our derivatives not designated as hedging instruments, which are used to help mitigate some of our foreign currency exchange rate risk.

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 monetary actualization adjustments related to tax credits, charitable donations not related to our operations, asset taxes 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 represents 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 27 restaurants at December 31, 2012 (24 restaurants at December 31, 2011).

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 addition, we use Adjusted EBITDA to facilitate operating performance comparisons from period to period. See "Presentation of Financial and Other Information—Other Financial Measures" and "Item 3. Key Information—A. Selected Financial Data." Systemwide results are driven primarily by our Company-operated restaurants, as 74.6% of our systemwide restaurants are Company-operated as of December 31, 2012. 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. Unless otherwise stated, comparable sales growth, average restaurant sales and sales growth are presented on a systemwide basis.

Comparable Sales

Comparable sales is a key performance indicator used within the retail industry and is indicative of the success of our initiatives as well as local economic, competitive and consumer trends. Comparable sales are driven by changes in traffic and average check, which is affected by changes in pricing and product mix. Increases or decreases in comparable sales represent the percent change in sales from the prior year for all restaurants in operation for at least thirteen months, including those temporarily closed. Some of the reasons restaurants may close temporarily include reimaging or remodeling, rebuilding, road construction and natural disasters. With respect to restaurants where there are changes in ownership, primarily changes from being franchised restaurants to becoming Company-operated restaurants, 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 of the prior year is impacted by the mix of days. The number of weekdays, weekend days and timing of holidays in a period can impact comparable sales positively or negatively. We refer to these impacts as calendar shift/trading day adjustments. These impacts vary geographically due to consumer spending patterns and have the greatest effect on monthly comparable sales while annual impacts are typically minimal.

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

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

Average Restaurant Sales

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

Sales Growth

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

Foreign Currency Translation

The financial statements of our foreign operating subsidiaries are translated in accordance with guidance in ASC Topic 830, Foreign Currency Matters. See Note 3 to our consolidated financial statements. Except for our Venezuelan operations, the functional currencies of our foreign operating subsidiaries are the local currencies of the countries in which we conduct our operations. Therefore, the assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rates as of the balance sheet date, and revenues and expenses are translated at the average exchange rates prevailing during the period. Translation adjustments are included in the “Accumulated other comprehensive loss” component of shareholders’ equity. We record foreign currency exchange results related to monetary assets and liabilities denominated in currencies other than our functional currencies in our consolidated income statement.

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

See Notes 21 and 27 to our consolidated financial statements for details about our operations in Venezuela and about the devaluation announced by the Venezuelan government subsequent to December 31, 2012, respectively.

Factors Affecting Comparability of Results

Seasonality

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

Critical Accounting Policies and Estimates

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

We consider an accounting estimate to be critical if:

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

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

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

Depreciation of Property and Equipment

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

Impairment of Long-Lived Assets and Goodwill

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

In the fourth quarter of 2012, 2011 and 2010, we assessed all markets for impairment indicators. As a result of these assessments, we performed impairment testing of our long-lived assets in Mexico, Puerto Rico and Peru in each fiscal year, as well as in Aruba, Curaçao and the U.S. Virgin Islands of St. Croix and St. Thomas in fiscal year 2012 considering the recent operating losses we incurred in these markets (indicator of potential impairment). As a result of these analyses, no impairments were recorded for our operations in Peru in fiscal years 2011 and 2010 nor in Aruba, Curaçao or the U.S. Virgin Islands of St. Croix and St. Thomas in fiscal year 2012 since the estimates of undiscounted future cash flows for each restaurant in these markets or the fair market value exceeded its carrying value. However, we did record impairment charges associated with certain restaurants in Mexico, Puerto Rico and Peru (the latter only in 2012) with undiscounted future cash flows insufficient to recover their carrying value. The impairment charges were measured by the excess of the carrying amount of each restaurant over its fair value. The impairment charges amounted to $2.0 million, $1.7 million and $4.7 million in 2012, 2011 and 2010, respectively.

In the fourth quarter of each year, we also performed impairment testing of our goodwill. As a result of these analyses, in 2012 and 2011 we recorded impairment charges of the full amount of goodwill that had been generated in the acquisition of restaurants in Puerto Rico and St. Croix, respectively, amounting to $0.7 million in 2012 and $2.1 million in 2011. No impairments of goodwill were recognized in 2010.

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

Share-Based Compensation

We have share-based compensation plans outstanding pursuant to which we granted liability awards to certain employees under a long-term incentive plan. The accrued liability is remeasured at the end of each reporting period until settlement. Effective December 31, 2010, we changed the method of measuring our liability awards from the intrinsic value method to a fair value method using the Black-Scholes model. At December 31, 2010, we considered the estimated initial public offering price per class A share ($16.50) in determining the fair value of the awards because in 2011 our Board of Directors decided that on a going forward basis the fair value would be based on that price instead of the formulas that had previously been used to value such awards. Beginning on April 14, 2011, the date of our initial public offering, we have considered the quoted market price per class A share in determining the fair value of the awards.

Accounting for our share-based compensation plans involves the use of estimates for determining: (a) the number of units that will vest based on the estimated completion of the requisite service period, and (b) the assumptions required by the closed-form pricing model (expected volatility, dividend yield, risk-free interest rate and expected term). All of these assumptions significantly impact the estimated fair value of the awards. We use historical data and estimates to determine these assumptions, and if these assumptions and/or the stock price change significantly in the future, our operating results and financial condition could be significantly impacted. See Note 16 to our consolidated financial statements.

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

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

On May 10, 2012, we made the grant of awards corresponding to fiscal year 2012 under the 2011 Plan. We granted to certain of our executive officers and other employees 211,169 restricted share units and 584,587 stock options. Both types of awards vest as follows: 40% on the second anniversary of the date of grant and 20% on each of the following three anniversaries. Each stock option granted represents the right to acquire one class A share at a strike price of $14.35 (the closing price on the date of grant), while each restricted share unit represents the right to receive one class A share when vested.

Restricted share units are measured at the grant-date fair value of our class A shares as if these shares were vested and issued on the grant date. Stock options are accounted for at their grant-date fair value. Fair value of stock options is calculated using the Black-Scholes option pricing model. This calculation is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables (expected volatility, dividend yield, risk-free interest rate and expected term). See Note 16 to our consolidated financial statements.

Accounting for Income 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, 2012, 2011 and 2010 amounted to $236.6 million, $223.8 million and $220.2 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 expiration date for tax losses carryforward. Because of the imprecision inherent in any forward-looking data, the further into the future our estimates cover, 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. During 2012, 2011 and 2010, we recognized a gain for the change in the valuation allowance amounting to $7.7 million, $21.0 million and $91.4 million, respectively, due to improvements in projected taxable income and a relative increase of positive evidence as compared to negative evidence due to the reversal of trends of historic operating losses in some markets. 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.

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 familiar 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.

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 isolates the effects of foreign exchange rates on our results of operations and financial condition. In particular, we have isolated the effects of appreciation and depreciation of local currencies in the Territories against the U.S. dollar because we believe that doing so is useful in understanding the development of our business. For these purposes, we eliminate the effect of movements in the exchange rates by converting the balances for both periods being compared from their local currencies to the U.S. dollar using the same exchange rate.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Set forth below are our results of operations for the years ended December 31, 2012 and 2011.

	For the Years Ended December 31,		
	2012	**2011**	**% Increase (Decrease)**
	(in thousands of U.S. dollars)		
Sales by Company-operated restaurants	$ 3,634,371	$ 3,504,128	3.7%
Revenues from franchised restaurants	163,023	153,521	6.2
Total revenues	**3,797,394**	**3,657,649**	**3.8**

	For the Years Ended December 31, 2012	2011	% Increase (Decrease)
	(in thousands of U.S. dollars)		
Company-operated restaurant expenses:			
Food and paper	(1,269,146)	(1,216,141)	4.4
Payroll and employee benefits	(753,120)	(701,278)	7.4
Occupancy and other operating expenses	(984,004)	(918,102)	7.2
Royalty fees	(180,547)	(170,400)	6.0
Franchised restaurants – occupancy expenses	(56,057)	(51,396)	9.1
General and administrative expenses	(314,619)	(334,914)	(6.1)
Other operating expenses, net	(3,261)	(14,665)	(77.8)
Total operating costs and expenses	**(3,560,754)**	**(3,406,896)**	**4.5**
Operating income	**236,640**	**250,753**	**(5.6)**
Net interest expense	(54,247)	(60,749)	(10.7)
Loss from derivative instruments	(891)	(9,237)	(90.4)
Foreign currency exchange results	(18,420)	(23,926)	(23.0)
Other non-operating (expenses) income, net	(2,119)	3,562	(159.5)
Income before income taxes	**160,963**	**160,403**	**0.3**
Income tax expense	(46,375)	(44,603)	4.0
Net income	**114,588**	**115,800**	**(1.0)**
Less: Net income attributable to non-controlling interests	(256)	(271)	(5.5)
Net income attributable to Arcos Dorados Holdings Inc.	**114,332**	**115,529**	**(1.0)**

Set forth below is a summary of changes to our systemwide, Company-operated and franchised restaurant portfolios in 2012 and 2011.

Systemwide Restaurants	For the Years Ended December 31, 2012	2011
Systemwide restaurants at beginning of period	1,840	1,755
Restaurant openings	130	101
Restaurant closings	(22)	(16)
Systemwide restaurants at end of period	1,948	1,840

Company-operated Restaurants	For the Years Ended December 31, 2012	2011
Company-operated restaurants at beginning of period	1,358	1,292
Restaurant openings	99	79
Restaurant closings	(16)	(15)
Net conversions of franchised restaurants to Company-operated restaurants	12	2
Company-operated restaurants at end of period	1,453	1,358

Franchised Restaurants	For the Years Ended December 31, 2012	2011
Franchised restaurants at beginning of period	482	463
Restaurant openings	31	22
Restaurant closings	(6)	(1)
Net conversions of franchised restaurants to Company-operated restaurants	(12)	(2)
Franchised restaurants at end of period	495	482

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. Unless otherwise stated, comparable sales growth, average restaurant sales and sales growth are presented on a systemwide basis.

Comparable Sales

	For the Year Ended December 31, 2012
Arcos Dorados	
Systemwide comparable sales growth	9.2%
Company-operated comparable sales growth	9.0
Franchised comparable sales growth	9.5
Systemwide Comparable Sales Growth by Division	
Brazil	5.2%
Caribbean division	2.6
NOLAD	4.4
SLAD	19.9
Company-operated Comparable Sales Growth by Division	
Brazil	4.8%
Caribbean division	4.3
NOLAD	4.5
SLAD	18.4
Franchised Comparable Sales Growth by Division	
Brazil	6.1%
Caribbean division	(2.1)
NOLAD	4.1
SLAD	26.1

Our comparable sales growth on a systemwide basis in 2012 was mainly driven by the increase in average check, which represented 89.8% of the increase in comparable sales. Average check growth resulted primarily from price increases. An increase in traffic caused 10.2% of the increase in comparable sales and was mainly driven by our value menu program.

Average Restaurant Sales

	For the Years Ended December 31,	
	2012	**2011**
	(in thousands of U.S. dollars)	
Systemwide average restaurant sales	$ 2,603	$ 2,648
Company-operated average restaurant sales	2,586	2,645
Franchised average restaurant sales	2,654	2,658

Our ARS decreased in 2012 because of the depreciation of most currencies in the Territories against the U.S. dollar, which was partially offset by comparable sales growth of 9.2%.

Sales Growth

	For the Year Ended December 31, 2012	
	(in nominal terms)	(in constant currency)
Brazil	(4.6)%	11.4%
Caribbean division	—	2.0
NOLAD	5.9	9.9
SLAD	18.6	23.5
Total Systemwide Sales Growth	**3.6**	**14.0**

In nominal terms, sales growth increased during 2012 due to comparable sales growth of 9.2% and the net addition of 193 restaurants systemwide since January 1, 2011. We had 1,453 Company-operated restaurants and 495 franchised restaurants as of December 31, 2012, compared to 1,358 Company-operated restaurants and 482 franchised restaurants as of December 31, 2011. This was partially offset by the negative impact of the depreciation of most currencies in the Territories against the U.S. dollar.

Revenues

	For the Years Ended December 31,		
	2012	2011	% Increase (Decrease)
	(in thousands of U.S. dollars)		
Sales by Company-operated Restaurants			
Brazil	$ 1,717,761	$ 1,811,390	(5.2)%
Caribbean division	262,449	254,251	3.2
NOLAD	364,588	336,004	8.5
SLAD	1,289,573	1,102,483	17.0
Total	**3,634,371**	**3,504,128**	**3.7**
Revenues from Franchised Restaurants			
Brazil	$ 79,795	$ 79,434	0.5%
Caribbean division	11,018	13,450	(18.1)
NOLAD.	19,453	19,261	1.0
SLAD	52,757	41,376	27.5
Total	**163,023**	**153,521**	**6.2**
Total Revenues			
Brazil	$ 1,797,556	$ 1,890,824	(4.9)%
Caribbean division	273,467	267,701	2.2
NOLAD	384,041	355,265	8.1
SLAD	1,342,330	1,143,859	17.4
Total	**3,797,394**	**3,657,649**	**3.8**

Sales by Company-operated Restaurants

Total sales by Company-operated restaurants increased by $130.2 million, or 3.7%, from $3,504.1 million in 2011 to $3,634.4 million in 2012. The 9.0% growth in comparable sales, 87.5% of which resulted from a higher average check and the rest of which resulted from increased traffic, caused sales to increase by $314.9 million. In addition, sales by Company-operated restaurants increased by $182.1 million as a result of 147 net restaurant openings and the conversion of 14 franchised restaurants into Company-operated restaurants since January 1, 2011. This was offset by $366.8 million as a result of the depreciation of most currencies in the Territories against the U.S. dollar.

In Brazil, sales by Company-operated restaurants decreased by $93.6 million, or 5.2%, to $1,717.8 million. The driver of the decrease was the depreciation of the *real* against the U.S. dollar, which caused sales to decrease by $290.1 million. In constant currency, sales increased by 10.8% mainly as a result of 79 net restaurant openings and the conversion of 1 franchised restaurant into a Company-operated restaurant since January 1, 2011, which contributed $110.1 million to the increase in sales in Brazil. In addition, 4.8% growth in comparable sales contributed $86.3 million to the increase. Average check growth represented 84.9% of comparable sales growth and the rest resulted from increased traffic. Average check growth resulted primarily from price increases, while the increase in traffic was primarily driven by our Big Pleasures, Small Prices value menu program.

In the Caribbean division, sales by Company-operated restaurants increased by $8.2 million, or 3.2%, to $262.4 million. The main driver of this increase was 4.3% growth in comparable sales, which represented $10.6 million. Average check was the driver of comparable sales growth and it resulted from price increases and the positive effect of changes in product mix. In addition, the net opening of 2 restaurants and the conversion of 3 franchised restaurants into Company-operated restaurants since January 1, 2011 contributed $4.5 million to the increase in sales. This was partially offset by the depreciation of the European euro, which is the local currency in several of our Territories in the Caribbean, against the U.S. dollar, which caused sales to decrease by $6.9 million.

In NOLAD, sales by Company-operated restaurants increased by $28.6 million, or 8.5%, to $364.6 million. This growth was mainly explained by 18 net restaurant openings and the conversion of 7 franchised restaurants into Company-operated restaurants since January 1, 2011, which resulted in a sales increase of $24.9 million. In addition, comparable sales growth of 4.5% caused sales to increase by $15.2 million. Increase in traffic, which represented 98.8% of comparable sales increase, resulted primarily from higher volumes in the dessert category in Mexico. This was partially offset by the depreciation of local currencies in 2012, which caused sales to decrease by $11.5 million.

In SLAD, sales by Company-operated restaurants increased by $187.1 million, or 17.0%, to $1,289.6 million. The 18.4% growth in comparable sales, which resulted primarily from a higher average check, caused sales to increase by $202.8 million due to price increases in line with or above inflation, mainly in Venezuela and Argentina. In addition, the net opening of 48 Company-operated restaurants and the conversion of 3 franchised restaurants into Company-operated restaurants since January 1, 2011 resulted in a sales increase of $42.6 million. This was partially offset by the depreciation of some currencies in the region against the U.S. dollar, which offset the increase in sales by $58.3 million.

Revenues from Franchised Restaurants

Our total revenues from franchised restaurants increased by $9.5 million, or 6.2%, from $153.5 million in 2011 to $163.0 million in 2012. The main contributors to this increase were comparable sales growth of 9.5%, which resulted in an increase in revenues of $15.8 million, and the net opening of 46 franchised restaurants since January 1, 2011, which was partially offset by the conversion of 14 franchised restaurants into Company-operated restaurants during the same period, which caused revenues from franchised restaurants to increase by $6.5 million. Increased rental income, as most of our franchise agreements provide for rent increases when sales increase, resulted in higher revenues from franchised restaurants of $2.9 million. In 2012, 71% and 29% of revenues from franchised restaurants were earned on the basis of a percentage of sales and on a flat fee basis, respectively. In 2011, 73% and 27% of revenues from franchised restaurants were earned on the basis of a percentage of sales and on a flat fee basis, respectively. The depreciation of most currencies in the Territories against the U.S. dollar offset the increase in revenues by $15.7 million.

In Brazil, revenues from franchised restaurants increased by $0.4 million, or 0.5%, to $79.8 million primarily as a result of 36 net franchised restaurant openings, which were partly offset by the conversion of 1 franchised restaurant into a Company-operated restaurant, since January 1, 2011, and comparable sales growth of 6.1%, which explained $5.8 million and $4.8 million of the increase, respectively. In addition, increased rental income resulted in increased revenues from franchised restaurants of $3.2 million. This was partially offset by the depreciation of the *real* against the U.S. dollar by $13.5 million.

In the Caribbean division, revenues from franchised restaurants decreased by $2.4 million, or 18.1%, to $11.0 million. This decrease is mainly explained by lower rent amounting to $1.3 million and the impact of the closing of 5 restaurants as well as the conversion of 3 franchised restaurants into Company-operated restaurants since January 1, 2011 of $0.8 million.

In NOLAD, revenues from franchised restaurants increased by $0.2 million, or 1.0%, to $19.5 million. This growth was a result of the 4.1% increase in comparable sales and 9 net franchised restaurant openings, partially offset by the conversion of 7 franchised restaurants into Company-operated restaurants, since January 1, 2011, which caused revenues from franchised restaurants to increase $0.7 million and $0.3 million, respectively. The depreciation of the Mexican *peso* against the U.S. dollar contributed to the decrease in revenues by $0.9 million.

In SLAD, revenues from franchised restaurants increased by $11.4 million, or 27.5%, to $52.8 million. This growth mainly resulted from a comparable sales growth of 26.1% ($10.5 million). In addition, the net openings of 6 restaurants partially offset by the conversion of 3 franchised restaurants into Company-operated restaurants since January 1, 2011 and higher rental income caused revenues to increase by $1.2 million and $1.0 million, respectively. The depreciation of some currencies in the region against the U.S. dollar represented a decrease in revenues of $1.3 million.

Operating Costs and Expenses

Food and Paper

Our total food and paper costs increased by $53.0 million, or 4.4%, to $1,269.1 million in 2012, as compared to 2011. As a percentage of our total sales by Company-operated restaurants, food and paper costs increased 0.2 percentage points to 34.9% primarily due to the depreciation of most currencies in the Territories against the U.S. dollar, as approximately 30% of our food and paper raw materials (excluding toys) and 100% of our Happy Meal toys are imported and paid for in U.S. dollars while our revenues are generated in local currencies.

In Brazil, food and paper costs decreased by $24.1 million, or 4.2%, to $551.4 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased 0.3 percentage points to 32.1%, primarily as a result of the depreciation of the Brazilian *real* against the U.S. dollar, as approximately 19% of food and paper costs are imported.

In the Caribbean division, food and paper costs increased by $2.9 million, or 3.4%, to $89.3 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs remained unchanged at 34 percentage points.

In NOLAD, food and paper costs increased by $10.2 million, or 7.2%, to $151.8 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased 0.5 percentage points to 41.6%, resulting primarily from average check increases higher than the increase in costs in Costa Rica and Panama coupled with efficiencies.

In SLAD, food and paper costs increased by $64.1 million, or 15.5%, to $476.6 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased 0.5 percentage points to 37.0%, mostly as a result of cost increases lower than the increase in the average check in Argentina and Venezuela.

Payroll and Employee Benefits

Our total payroll and employee benefits costs increased by $51.8 million, or 7.4%, to $753.1 million in 2012, as compared to 2011. As a percentage of our total sales by Company-operated restaurants, payroll and employee benefits costs increased 0.7 percentage points to 20.7%. This increase in payroll and employee benefits costs as a percentage of our total sales by Company-operated restaurants is mostly attributable to wage increases that outpaced our sales growth in several markets, which offset an increase in operational efficiency. Operational efficiency is defined as the number of transactions (receipts issued by cashiers) per crew hour. Wages increased mostly due to government-mandated minimum wage increases in our major Territories.

In Brazil, payroll and employee benefits costs remained unchanged at $355.4 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased 1.1 percentage points to 20.7% as a result of the government-mandated minimum wage increases above average check growth. This was partially offset by an increase in operational efficiency.

In the Caribbean division, payroll and employee benefits costs decreased by $1.6 million, or 2.2%, to $70.2 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs decreased 1.5 percentage points to 26.7% as a result of a reduction in overtime costs and the closing of 7 non-performing restaurants with higher than average payroll costs.

In NOLAD, payroll and employee benefits costs increased by $5.7 million, or 10.6%, to $59.1 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased 0.3 percentage points to 16.2% resulting from the average check increasing at a lower rate than wages in Panama and Costa Rica. This was partially offset by an increase in operational efficiency and the depreciation of the Mexican *peso* against the U.S. dollar, which contributed to a decrease in payroll costs of $2.0 million.

In SLAD, payroll and employee benefits costs increased by $47.8 million, or 21.7%, to $268.3 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits increased 0.8 percentage points to 20.8% as a result of salary increases higher than increases in our average check. This was partially offset by an increase in operational efficiency.

Occupancy and Other Operating Expenses

Our total occupancy and other operating expenses increased by $65.9 million, or 7.2%, to $984.0 million in 2012, as compared to 2011. As a percentage of our total sales by Company-operated restaurants, occupancy and other operating expenses increased 0.9 percentage points to 27.1% mainly due to an increase in depreciation and amortization as a result of the net openings in 2012 and higher outside services in some of the Territories.

In Brazil, occupancy and other operating expenses decreased by $9.6 million, or 1.9%, to $483.4 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased 0.9 percentage points to 28.1% mainly due to an increase in outside services.

In the Caribbean division, occupancy and other operating expenses increased by $3.0 million, or 4.2%, to $74.9 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased 0.3 percentage points to 28.5% as a result of an increase in depreciation expenses.

In NOLAD, occupancy and other operating expenses increased by $9.5 million, or 8.5%, to $120.7 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses remained unchanged at 33.1 percentage points.

In SLAD, occupancy and other operating expenses increased by $54.6 million, or 19.6%, to $332.7 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased 0.6 percentage points to 25.8% mainly due to higher outside services, maintenance and repair expenses and depreciation and amortization as a result of the net openings in 2012.

Royalty Fees

Our total royalty fees increased by $10.1 million, or 6.0%, to $180.5 million in 2012, as compared to 2011. As a percentage of sales, royalty fees increased 0.1 percentage points due to CIDE tax charges on royalty payments, as discussed below. This was partially offset by a partial relief granted by McDonald's Corporation in Venezuela due to the economic environment prevailing in that country.

In Brazil, royalty fees increased by $3.9 million, or 4.4%, to $92.1 million in 2012, as compared to 2011, due to CIDE tax charges on royalty payments that we started to pay in 2012. In 2011, CIDE tax charges on royalty payments were recorded within "Other operating expenses, net" as part of the accrual of the provision for contingencies. CIDE is a Brazilian social contribution tax that applies to Brazilian entities that pay royalties to non-residents. Prior to 2011, we were not required to pay CIDE under the then-existing interpretations of the Brazilian fiscal authorities. In 2011, there was a change in the interpretation of the Brazilian fiscal authorities, pursuant to which we decided to commence recognition of these charges.

In the Caribbean division, royalty fees increased by $0.6 million, or 4.6%, to $13.1 million in 2012, as compared to 2011, in line with the increase in sales by Company-operated restaurants.

In NOLAD, royalty fees increased by $1.3 million, or 8.3%, to $17.6 million in 2012, as compared to 2011, in line with the increase in sales by Company-operated restaurants.

In SLAD, royalty fees increased by $4.3 million, or 8.1%, to $57.8 million in 2012, as compared to 2011. As a percentage of sales by Company-operated restaurants, royalty fees decreased 0.4 percentage points to 4.5% due to the relief granted by McDonald's Corporation in Venezuela.

Franchised Restaurants—Occupancy Expenses

Occupancy expenses from franchised restaurants increased by $4.7 million, or 9.1%, to $56.1 million in 2012, as compared to 2011, primarily due to higher depreciation expense as well as higher rent expenses for leased properties as a consequence of the increase in sales generated by franchised restaurants. This was partially offset by lower allowance for doubtful accounts in Puerto Rico in 2012 as compared to 2011 and the reversal of allowances in Chile and Mexico.

In Brazil, occupancy expenses from franchised restaurants increased by $4.3 million, or 15.1%, to $32.8 million in 2012, as compared to 2011, primarily due to CIDE tax charges on royalty payments, depreciation expense and increased rent expenses for leased properties as a consequence of the increase in sales from franchised restaurants.

In the Caribbean division, occupancy expenses from franchised restaurants decreased by $1.5 million, or 29.0%, to $3.7 million in 2012, as compared to 2011. This is mainly explained by the abovementioned lower allowance for doubtful accounts in Puerto Rico.

In NOLAD, occupancy expenses from franchised restaurants decreased by $0.3 million, or 2.7%, to $10.4 million in 2012, as compared to 2011, primarily from a partial reversal of allowances for doubtful accounts in Mexico.

In SLAD, occupancy expenses from franchised restaurants increased by $1.2 million, or 12.0%, to $11.7 million in 2012, as compared to 2011. This resulted from increased rent expenses for leased properties as a consequence of the increase in sales from franchised restaurants and higher depreciation expense, partially offset by the reversal of allowances for doubtful accounts in Chile.

Set forth below are the margins for our franchised restaurants in 2012, as compared to 2011. 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,	
	2012	**2011**
Brazil	58.9%	64.2%
Caribbean Division	66.8	61.7
NOLAD	46.4	44.3
SLAD	77.9	74.8
Total	**65.6**	**66.5**

General and Administrative Expenses

General and administrative expenses decreased by $20.3 million, or 6.1%, to $314.6 million in 2012, as compared to 2011. This decrease was mostly due to a decrease in the stock-based compensation expense as a consequence of the impact of the variation in our stock price from period to period, which decrease amounted to $30.9 million, and from the depreciation of most currencies in the Territories against the U.S. dollar, amounting to $28.3 million. This was partially offset by an increase in expenses resulting primarily from higher payroll costs amounting to $25.5 million, mainly due to salary increases linked to Argentina's inflation and new hirings in Brazil due to the market expansion plan, higher professional services expenses amounting to $14.9 million, due to our ongoing systems integration and shared service center implementation throughout the region, and higher occupancy expenses amounting to $4.6 million.

In Brazil, general and administrative expenses decreased by $4.6 million, or 4.7%, to $92.9 million in 2012, as compared to 2011. The decrease resulted primarily from the depreciation of the *real* against the U.S. dollar amounting to $15.2 million. The increase in local currency is a consequence of higher payroll costs as a result of salary increases and the hiring of employees to fill new positions, most of which are related to our expansion plan and higher professional services, which totaled $6.9 million and $3.3 million, respectively.

In the Caribbean division, general and administrative expenses increased by $0.5 million, or 2.2%, to $23.0 million in 2012, as compared to 2011. This increase was mostly due to higher payroll cost, which explained $1.7 million. In addition, the depreciation of the European euro against the U.S. dollar and lower travel expenses contributed $0.5 million and $0.5 million to the decrease in expenses, respectively.

In NOLAD, general and administrative expenses decreased by $3.5 million, or 12.6%, to $24.5 million in 2012, as compared to 2011. This decrease was mostly due to lower payroll costs, which explained $1.5 million. In addition, the depreciation of the local currency in Mexico against the U.S. dollar contributed to a decrease in general and administrative expenses of $1.3 million.

In SLAD, general and administrative expenses increased by $1.7 million, or 2.5%, to $70.0 million in 2012, as compared to 2011, primarily as a result of higher payroll costs, mainly in Argentina and Venezuela, countries that have inflation levels above the rest of the countries in the region, which explained $5.2 million. This was partially offset mainly by lower professional services and the depreciation of some local currencies in the region against the U.S. dollar, which caused general and administrative expenses to decrease by $1.5 million and $1.9 million, respectively.

General and administrative expenses for Corporate and others decreased by $14.4 million, or 12.1%, to $104.2 million in 2012, as compared to 2011. This decrease was mostly due to a decrease in stock-based compensation expense of $30.9 million as a consequence of the variation in our stock price from period to period and the depreciation of most local currencies in the Territories against the U.S. dollar, which explained $9.3 million. This was partially offset by higher payroll costs due to salary increases linked to Argentina's inflation, as our corporate headquarters are located in Argentina, amounting to $13.1 million and higher professional services expenses related to our ongoing systems integration and shared service center implementation throughout the region,which increased by $12.9 million.

Other Operating Expenses, Net

Other operating expenses, net decreased by $11.4 million, to $3.3 million in 2012, as compared to 2011. This decrease was primarily attributable to the recovery of Brazilian tax credits in 2012 totaling $12.0 million.

Operating Income

	For the Years Ended December 31,		% Increase (Decrease)
	2012	2011	
	(in thousands of U.S. dollars)		
Brazil	$ 193,339	$ 246,926	(21.7)%
Caribbean division	(5,020)	(5,244)	4.3
NOLAD	(5,557)	(8,709)	36.2
SLAD	120,536	99,813	20.8
Corporate and others and purchase price allocation	(66,658)	(82,033)	18.7
Total	**236,640**	**250,753**	**(5.6)**

Operating income decreased by $14.1 million, or 5.6%, to $236.6 million in 2012, as compared to 2011.

Net Interest Expense

Net interest expense decreased by $6.5 million, or 10.7%, to $54.2 million in 2012, as compared to 2011, mainly due to the losses incurred in 2011 in connection with the partial redemption of the 2019 notes totaling $13.9 million, lower accrued interest in 2012 for $5.8 million as a consequence of this redemption, and lower other net interest charges in 2012 for $5.7 million. This was partially offset by an increase in interest expense of $18.9 million as a result of the issuances of the 2016 notes in April 2012 and July 2011.

Loss from Derivative Instruments

Loss from derivative instruments decreased by $8.3 million, or 90.4%, to $0.9 million in 2012, as compared to 2011, primarily due to the unwinding of our cross-currency interest rate swaps and mirror swaps in July 2011 ($9.7 million).

Foreign Currency Exchange Results

Foreign currency exchange results improved by $5.5 million, to a $18.4 million loss in 2012, as compared to 2011. This was mainly a consequence of the decreased depreciation of the Brazilian *real* against the U.S. dollar as well as to decreased exposure to foreign currency exchange risk in 2012 when compared to 2011, partially offset by higher losses incurred in the acquisition of U.S. dollars in Venezuela.

Other Non-Operating Income (Expenses), Net

Other non-operating income (expenses), net worsened by $5.7 million to a $2.1 million loss in 2012, as compared to 2011, primarily because in 2011 we recorded a gain as a result of the monetary actualization of certain tax credits in Brazil.

Income Tax Expense

Income tax expense increased by $1.8 million, from $44.6 million in 2011 to $46.4 million in 2012. Our consolidated effective tax rate increased by 1 percentage point to 28.8% in 2012, as compared to 2011, mainly as a result of a higher weighted-average statutory income tax rate ($4.8 million), a lower recovery of valuation allowances over deferred tax assets ($13.3 million) and a lower goodwill tax deduction in Brazil ($2.9 million) in 2012 when compared to 2011, partially offset by lower withholding income taxes on intercompany transactions ($5.6 million), lower non-deductible expenses ($6.5 million) and higher deductions related to permanent tax inflation adjustments ($7.5 million) in 2012 when compared to 2011.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests for 2012 remained unchanged at $0.3 million when compared to 2011.

Net Income Attributable to Arcos Dorados Holdings Inc.

As a result of the foregoing, net income attributable to Arcos Dorados Holdings Inc. decreased by $1.2 million, or 1.0%, to $114.3 million in 2012, as compared to 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Set forth below are our results of operations for the years ended December 31, 2011 and 2010.

	For the Years Ended December 31,		
	2011	2010	% Increase (Decrease)
	(in thousands of U.S. dollars)		
Sales by Company-operated restaurants	$ 3,504,128	$ 2,894,466	21.1%
Revenues from franchised restaurants	153,521	123,652	24.2
Total revenues	**3,657,649**	**3,018,118**	**21.2**
Company-operated restaurant expenses:			
Food and paper	(1,216,141)	(1,023,464)	18.8
Payroll and employee benefits	(701,278)	(569,084)	23.2
Occupancy and other operating expenses	(918,102)	(765,777)	19.9
Royalty fees	(170,400)	(140,973)	20.9
Franchised restaurants – occupancy expenses	(51,396)	(37,634)	36.6
General and administrative expenses	(334,914)	(254,165)	31.8
Other operating expenses, net	(14,665)	(22,464)	(34.7)
Total operating costs and expenses	**(3,406,896)**	**(2,813,561)**	**21.1**
Operating income	**250,753**	**204,557**	**22.6**
Net interest expense	(60,749)	(41,613)	46.0
Loss from derivative instruments	(9,237)	(32,809)	(71.8)
Foreign currency exchange results	(23,926)	3,237	(839.1)
Other non-operating income (expenses), net	3,562	(23,630)	115.1
Income before income taxes	**160,403**	**109,742**	**46.2**
Income tax expense	(44,603)	(3,450)	1,192.8
Net income	**115,800**	**106,292**	**8.9**
Less: Net income attributable to non-controlling interests	(271)	(271)	—
Net income attributable to Arcos Dorados Holdings Inc.	**115,529**	**106,021**	**9.0**

Set forth below is a summary of changes to our systemwide, Company-operated and franchised restaurant portfolios in 2011 and 2010.

Systemwide Restaurants	For the Years Ended December 31, 2011	2010
Systemwide restaurants at beginning of period	1,755	1,680
Restaurant openings	101	85
Restaurant closings	(16)	(10)
Systemwide restaurants at end of period	1,840	1,755

Company-operated Restaurants	For the Years Ended December 31, 2011	2010
Company-operated restaurants at beginning of period	1,292	1,226
Restaurant openings	79	63
Restaurant closings	(15)	(9)
Net conversions of franchised restaurants to Company-operated restaurants	2	12
Company-operated restaurants at end of period	1,358	1,292

Franchised Restaurants	For the Years Ended December 31, 2011	2010
Franchised restaurants at beginning of period	463	454
Restaurant openings	22	22
Restaurant closings	(1)	(1)
Net conversions of franchised restaurants to Company-operated restaurants	(2)	(12)
Franchised restaurants at end of period	482	463

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. Unless otherwise stated, comparable sales growth, average restaurant sales and sales growth are presented on a systemwide basis.

Comparable Sales

	For the Year Ended December 31, 2011
Arcos Dorados	
Systemwide comparable sales growth	13.7%
Company-operated comparable sales growth	13.4
Franchised comparable sales growth	14.5
Systemwide Comparable Sales Growth by Division	
Brazil	9.3%
Caribbean division	(0.6)
NOLAD	8.5
SLAD	29.6

	For the Year Ended December 31, 2011
Company-operated Comparable Sales Growth by Division	
Brazil	8.5%
Caribbean division	(0.6)
NOLAD	8.4
SLAD	28.1
Franchised Comparable Sales Growth by Division	
Brazil	11.5%
Caribbean division	(0.6)
NOLAD	8.8
SLAD	36.1

Our comparable sales growth on a systemwide basis in 2011 was mainly driven by the increase in average check, which represented 81.9% of the increase in comparable sales. Average check growth resulted primarily from price increases in line with or above inflation in our major markets and a shift in product mix in NOLAD. An increase in traffic caused 18.1% of the increase in comparable sales and was mainly driven by the increase in private consumption in the region coupled with our successful value menu program.

Average Restaurant Sales

	For the Years Ended December 31,	
	2011	2010
	(in thousands of U.S. dollars)	
Systemwide average restaurant sales	$ 2,648	$ 2,288
Company-operated average restaurant sales	2,645	2,299
Franchised average restaurant sales	2,658	2,257

Our ARS improved in 2011 because of comparable sales growth of 13.7% and the appreciation of most currencies in the Territories against the U.S. dollar.

Sales Growth

	For the Year Ended December 31, 2011	
	(in nominal terms)	(in constant currency)
Brazil	19.2%	13.6%
Caribbean division	1.4	0.2
NOLAD	14.9	12.8
SLAD	34.5	32.8
Total Systemwide Sales Growth	**21.1**	**17.3**

In nominal terms, sales growth increased during 2011 due to comparable sales growth of 13.7%, the positive impact of the appreciation of most currencies in the Territories against the U.S. dollar and the net addition of 160 restaurants systemwide since January 1, 2010. We had 1,358 Company-operated restaurants and 482 franchised restaurants as of December 31, 2011, compared to 1,292 Company-operated restaurants and 463 franchised restaurants as of December 31, 2010.

Revenues

	For the Years Ended December 31,		
	2011	2010	% Increase (Decrease)
	(in thousands of U.S. dollars)		
Sales by Company-operated Restaurants			
Brazil	$ 1,811,390	$ 1,531,386	18.3%
Caribbean division	254,251	248,470	2.3
NOLAD	336,004	287,920	16.7
SLAD	1,102,483	826,690	33.4
Total	**3,504,128**	**2,894,466**	**21.1**
Revenues from Franchised Restaurants			
Brazil	$ 79,434	$ 64,185	23.8%
Caribbean division	13,450	12,147	10.7
NOLAD.	19,261	17,097	12.7
SLAD	41,376	30,223	36.9
Total	**153,521**	**123,652**	**24.2**
Total Revenues			
Brazil	$ 1,890,824	$ 1,595,571	18.5%
Caribbean division	267,701	260,617	2.7
NOLAD	355,265	305,017	16.5
SLAD	1,143,859	856,913	33.5
Total	**3,657,649**	**3,018,118**	**21.2**

Sales by Company-operated Restaurants

Total sales by Company-operated restaurants increased by $609.7 million, or 21.1 %, from $2,894.5 million in 2010 to $3,504.1 million in 2011. The 13.4% growth in comparable sales, 81.9% of which resulted from a higher average check and the rest of which resulted from increased traffic, caused sales to increase by $386.3 million. In addition, sales by Company-operated restaurants increased by $121.1 million as a result of 118 net restaurant openings and the conversion of 14 franchised restaurants into Company-operated restaurants since January 1, 2010, and by $102.3 million as a result of the appreciation of most currencies in the Territories against the U.S. dollar.

In Brazil, sales by Company-operated restaurants increased by $280.0 million, or 18.3%, to $1,811.4 million. The main causes of this growth were the 8.5% growth in comparable sales and the appreciation of the *real* against the U.S. dollar, which represented $129.3 million and $85.6 million of the increase, respectively. Average check growth represented 89.1% of comparable sales growth and the rest resulted from increased traffic. Average check growth resulted primarily from price increases above inflation during the twelve months ended December 31, 2011, while the increase in traffic was primarily driven by our Big Pleasures, Small Prices value menu program. Fifty-five net restaurant openings and the conversion of one franchised restaurant into a Company-operated restaurant since January 1, 2010 contributed $65.1 million to the increase in sales in Brazil.

In the Caribbean division, sales by Company-operated restaurants increased by $5.8 million, or 2.3%, to $254.3 million. The main driver of this growth was the appreciation of the European euro, which is the local currency in several of our Territories in the Caribbean, against the U.S. dollar, which caused sales to increase by $4.2 million. The opening of three Company-operated restaurants contributed $3.0 million to the increase in sales. This was partially offset by a $1.4 million decrease due to 0.6% lower comparable sales. A decrease in the average check due to changes in product mix and lower traffic were the drivers of negative comparable sales growth.

In NOLAD, sales by Company-operated restaurants increased by $48.1 million, or 16.7%, to $336.0 million. This growth was mainly explained by comparable sales growth of 8.4%, which caused sales to increase by $23.9 million. Average check growth, which represented 76.9% of comparable sales increase, resulted primarily from changes in product mix in Mexico, Costa Rica and Panama. In addition, 18 net restaurant openings and the conversion of seven franchised restaurants into Company-operated restaurants since January 1, 2010 resulted in a sales increase of $17.4 million. On top of that, the appreciation of local currencies in Mexico and Costa Rica contributed $6.9 million to the increase in sales.

In SLAD, sales by Company-operated restaurants increased by $275.8 million, or 33.4%, to $1,102.5 million. The 28.1% growth in comparable sales, 81.3% of which resulted from a higher average check and the rest of which resulted from increased traffic, caused sales to increase by $234.6 million. The average check increased due to price increases in line with or above inflation, mainly in Venezuela, Argentina and Colombia. Traffic growth was primarily driven by the successful performance of premium sandwiches like the CBO (chicken, bacon and onion) in Argentina, bone-in-chicken in Peru and the Angus burger in several markets, coupled with an aggressive marketing strategy in Colombia. In addition, the opening of 42 Company-operated restaurants and the conversion of six franchised restaurants into Company-operated restaurants since January 1, 2010 resulted in sales increase of $35.6 million. On top of that, the appreciation of most currencies in the region against the U.S. dollar contributed $5.6 million to the increase in sales.

Revenues from Franchised Restaurants

Our total revenues from franchised restaurants increased by $29.9 million, or 24.2%, from $123.7 million in 2010 to $153.5 million in 2011. The main contributors to this increase were comparable sales growth of 14.5% and the appreciation of most currencies in the Territories against the U.S. dollar, which resulted in an increase in revenues of $19.2 million and $6.1 million, respectively. In addition, the net opening of 42 franchised restaurants since January 1, 2010, which was partially offset by the conversion of 14 franchised restaurants into Company-operated restaurants during the same period, caused revenues from franchised restaurants to increase $2.5 million. Increased rental income, as most of our franchise agreements provide for rent increases when sales increase, resulted in higher revenues from franchised restaurants of $2.1 million. In 2011 and 2010, 73% and 27% of revenues from franchised restaurants were earned on the basis of a percentage of sales and on a flat fee basis, respectively.

In Brazil, revenues from franchised restaurants increased by $15.2 million, or 23.8%, to $79.4 million primarily as a result of comparable sales growth of 11.5% and the appreciation of the *real* against the U.S. dollar, which explained $7.3 million and $3.8 million of the increase, respectively. In addition, 29 net franchised restaurant openings, which were partly offset by the conversion of one franchised restaurant into a Company-operated restaurant, since January 1, 2010, contributed $3.0 million of the increase. Increased rental income resulted in increased revenues from franchised restaurants of $1.2 million.

In the Caribbean division, revenues from franchised restaurants increased by $1.3 million, or 10.7%, to $13.5 million. This increase is mainly explained by a retroactive rent adjustment.

In NOLAD, revenues from franchised restaurants increased by $2.2 million, or 12.7%, to $19.3 million. This growth was a result of the 8.8% increase in comparable sales and 10 net franchised restaurant openings, partially offset by the conversion of 7 franchised restaurants into Company-operated restaurants, since January 1, 2010, which caused revenues from franchised restaurants to increase $1.5 million and $0.2 million, respectively. In addition, the appreciation of the Mexican *peso* against the U.S. dollar and an increase in rental income contributed $0.2 million and $0.3 million of the increase, respectively.

In SLAD, revenues from franchised restaurants increased by $11.2 million, or 36.9%, to $41.4 million. This growth resulted from a comparable sales growth of 36.1% and the appreciation of most currencies in the region against the U.S. dollar, which explained $10.5 million and $2.1 million of the increase, respectively. Revenues were negatively impacted by the conversion of six franchised restaurants into Company-operated restaurants, partly offset by four franchised restaurant openings since January 1, 2010 and lower rental income, which represented a decrease in revenues of $0.7 million and $0.7 million, respectively.

Operating Costs and Expenses

Food and Paper

Our total food and paper costs increased by $192.7 million, or 18.8%, to $1,216.1 million in 2011, as compared to 2010. As a percentage of our total sales by Company-operated restaurants, food and paper costs decreased 0.7 percentage points to 34.7% because we were able to increase prices at a higher rate than that at which our food and paper costs increased, despite pressure on commodity prices. In addition, the appreciation of most currencies in the Territories against the U.S. dollar helped to contain food and paper costs as a percentage of total sales by Company-operated restaurants, as approximately 25% of our food and paper raw materials (excluding toys) and 100% of our Happy Meal toys are imported and paid for in U.S. dollars while our revenues are generated in local currencies.

In Brazil, food and paper costs increased by $69.0 million, or 13.6%, to $575.5 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased 1.3 percentage points to 31.8%, primarily as a result of the appreciation of the Brazilian *real* against the U.S. dollar and our ability to increase prices at a higher rate than that at which our food and paper costs increased.

In the Caribbean division, food and paper costs increased by $5.0 million, or 6.1%, to $86.4 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased 1.2 percentage points to 34.0% mainly as a consequence of the increased weight of promotional items within the product mix, and cost increases higher than the increase in our average check in Puerto Rico.

In NOLAD, food and paper costs increased by $21.5 million, or 17.9%, to $141.6 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased 0.4 percentage points to 42.1%, resulting primarily from cost increases higher than the increase in the average check in Mexico and Costa Rica.

In SLAD, food and paper costs increased by $99.9 million, or 32.0%, to $412.5 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased 0.4 percentage points to 37.4%, mostly as a result of cost increases lower than the increase in the average check in Argentina and Venezuela.

Payroll and Employee Benefits

Our total payroll and employee benefits costs increased by $132.2 million, or 23.2%, to $701.3 million in 2011, as compared to 2010. As a percentage of our total sales by Company-operated restaurants, payroll and employee benefits costs increased 0.4 percentage points to 20.0%. This increase in payroll and employee benefits costs as a percentage of our total sales by Company-operated restaurants is mostly attributable to wage increases that outpaced our sales growth in several markets, which offset an increase in operational efficiency. Wages increased mostly due to government-mandated minimum wage increases in our major Territories.

In Brazil, payroll and employee benefits costs increased by $65.7 million, or 22.7%, to $355.4 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased 0.7 percentage points to 19.6% because we increased both the hourly rate for our night crew to improve staffing levels during that shift and the number of crew employees who are being trained in preparation for the expansion plans we have in that market. In addition, government-mandated minimum wage increases contributed to the increase in payroll and employee benefits expenses. These factors were partially offset by an increase in operational efficiency.

In the Caribbean division, payroll and employee benefits costs increased by $4.1 million, or 6.0%, to $71.8 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased 1.0 percentage points to 28.2% due to an increase in the minimum wage due to a general collective agreement in Guadeloupe and Martinique and because salaries increased more than our average check in Puerto Rico.

In NOLAD, payroll and employee benefits costs increased by $7.4 million, or 16.1%, to $53.5 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs decreased 0.1 percentage points to 15.9% due to an increase in operational efficiency and the average check increasing at a higher rate than wages in Mexico.

In SLAD, payroll and employee benefits costs increased by $55.0 million, or 33.2%, to $220.6 million, in line with the increase in sales. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits remained unchanged at 20.0% when compared to 2010.

Occupancy and Other Operating Expenses

Our total occupancy and other operating expenses increased by $152.3 million, or 19.9%, to $918.1 million in 2011, as compared to 2010. As a percentage of our total sales by Company-operated restaurants, occupancy and other operating expenses decreased 0.3 percentage points to 26.2% mainly because sales volumes increased while a portion of these expenses are fixed.

In Brazil, occupancy and other operating expenses increased by $71.4 million, or 16.9%, to $493.0 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased 0.3 percentage points to 27.2% mainly because sales volumes increased while a portion of these expenses are fixed.

In the Caribbean division, occupancy and other operating expenses increased by $9.1 million, or 14.5%, to $71.9 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased 3.0 percentage points to 28.3% as a result of higher utility and maintenance expenses, mainly in Puerto Rico, and start-up costs derived from the opening of the first three restaurants in Trinidad and Tobago.

In NOLAD, occupancy and other operating expenses increased by $15.0 million, or 15.6%, to $111.2 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased 0.3 percentage points to 33.1% mainly as a consequence of lower advertising expenses and efficiencies in utility expenses in Mexico.

In SLAD, occupancy and other operating expenses increased by $66.3 million, or 31.3%, to $278.2 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased 0.4 percentage points to 25.2% due to efficiencies in utility and maintenance expenses in several of SLAD's territories.

Royalty Fees

Our total royalty fees increased by $29.4 million, or 20.9%, to $170.4 million in 2011, as compared to 2010, in line with the increase in our sales by Company-operated restaurants.

In Brazil, royalty fees increased by $13.1 million, or 17.5%, to $88.2 million in 2011, as compared to 2010, in line with the increase in sales by Company-operated restaurants.

In the Caribbean division, royalty fees increased by $0.3 million, or 2.5%, to $12.5 million in 2011, as compared to 2010, in line with the increase in sales by Company-operated restaurants.

In NOLAD, royalty fees increased by $2.4 million, or 17.2%, to $16.2 million in 2011, as compared to 2010, in line with the increase in sales by Company-operated restaurants.

In SLAD, royalty fees increased by $13.6 million, or 34.2%, to $53.5 million in 2011, as compared to 2010, in line with the increase in sales by Company-operated restaurants.

Franchised Restaurants—Occupancy Expenses

Occupancy expenses from franchised restaurants increased by $13.8 million, or 36.6%, to $51.4 million in 2011, as compared to 2010, primarily due higher depreciation expense as well as higher rent expenses for leased properties as a consequence of the increase in sales generated by franchised restaurants. In addition, in 2011, we recorded an allowance for doubtful accounts in Puerto Rico.

In Brazil, occupancy expenses from franchised restaurants increased by $4.4 million, or 18.1%, to $28.5 million in 2011, as compared to 2010, primarily due to increased rent expenses for leased properties as a consequence of the increase in sales from franchised restaurants.

In the Caribbean division, occupancy expenses from franchised restaurants increased by $1.7 million, or 47.9%, to $5.1 million in 2011, as compared to 2010. This is mainly explained by the abovementioned allowance for doubtful accounts in Puerto Rico.

In NOLAD, occupancy expenses from franchised restaurants increased by $0.7 million, or 7.1%, to $10.7 million in 2011, as compared to 2010, primarily from increased rent expenses for leased properties as a consequence of the increase in sales from franchised restaurants.

In SLAD, occupancy expenses from franchised restaurants increased by $2.8 million, or 37.3%, to $10.4 million in 2011, as compared to 2010. This resulted from increased rent expenses for leased properties as a consequence of the increase in sales from franchised restaurants.

Set forth below are the margins for our franchised restaurants in 2011, as compared to 2010. 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,	
	2011	2010
Brazil	64.2%	62.4%
Caribbean Division	61.7	71.4
NOLAD	44.3	41.4
SLAD	74.8	74.9
Total	**66.5**	**69.6**

General and Administrative Expenses

General and administrative expenses increased by $80.7 million, or 31.8%, to $334.9 million in 2011, as compared to 2010. This increase was a consequence of higher travel and professional services expenses due to our ongoing systems integration and shared service center implementation throughout the region and higher payroll expenses as a result of higher stock-based compensation expenses, which increased by $20.9 million and $7.3 million, respectively. In addition, $30.8 million of the increase is explained by salary increases and the hiring of employees to fill new positions in expectation of continued growth.

In Brazil, general and administrative expenses increased by $22.7 million, or 30.4%, to $97.6 million in 2011, as compared to 2010. This increase resulted primarily from higher travel and professional services related to tax planning projects amounting to $6.6 million and higher payroll costs of $6.2 million as a result of salary increases and the hiring of employees to fill new positions, most of which related to our expansion plan in that market. In addition, the appreciation of the *real* against the U.S. dollar contributed to an increase of $4.6 million.

In the Caribbean division, general and administrative expenses increased by $1.7 million, or 8.3%, to $22.5 million in 2011, as compared to 2010. This increase was mostly due to a $0.6 million increase in travel expenses as a consequence of the initiation of operations in Trinidad and Tobago. In addition, the appreciation of the European euro against the U.S. dollar in the French West Indies resulted in an increase in expenses of $0.3 million.

In NOLAD, general and administrative expenses increased by $1.6 million, or 5.9%, to $28.0 million in 2011, as compared to 2010. This increase was mostly due to higher travel expenses and payroll costs as a result of salary increases of $1.2 million. In addition, the appreciation of the local currencies in Mexico and Costa Rica contributed to an increase of $0.5 million.

In SLAD, general and administrative expenses increased by $14.3 million, or 26.5%, to $68.3 million in 2011, as compared to 2010, primarily as a result of an increase in payroll and travel expenses by $6.5 million, mainly in Argentina and Venezuela, countries that have inflation levels above those of the rest of the countries in the region coupled with the devaluation of currencies well below inflation levels. In addition, hirings, mainly in Colombia due to our expansion plan in that market, caused an increase in general and administrative expenses of $1.0 million; and higher variable compensation accrual due to better results caused an increase in general and administrative expenses of $2.6 million. Lastly, the appreciation of some local currencies in the region against the U.S. dollar also contributed $1.5 million to the increase.

General and administrative expenses for Corporate and others increased by $40.4 million, or 51.7%, to $118.6 million in 2011, as compared to 2010. This increase was mostly due to increases in payroll expenses and professional services expenses related to our ongoing systems integration and shared service center implementation throughout the region by $21.4 million, an increase in payroll expenses of $2.6 million due to the hiring of employees, salary increases linked to Argentina's inflation, as our corporate headquarters are located in Argentina, amounting to $3.0 million, and an increase in stock-based compensation expenses of $7.3 million.

Other Operating Expenses, Net

Other operating expenses, net decreased by $7.8 million, to $14.7 million in 2011, as compared to 2010. This decrease was primarily attributable to a lower compensation expense related to the award right granted to our CEO amounting to $14.2 million, partially offset by a higher net charge for contingencies amounting to $7.0 million. In 2011, there was an increase in the provision for contingencies of $12.4 million driven by a change in the interpretation of the Brazilian fiscal authorities regarding CIDE taxes on royalty payments in Brazil as from January 1, 2011, on an ongoing basis.

Operating Income

	For the Years Ended December 31,		% Increase (Decrease)
	2011	2010	
	(in thousands of U.S. dollars)		
Brazil	$ 246,926	$ 208,102	18.7%
Caribbean division	(5,244)	11,189	(146.9)
NOLAD	(8,709)	(16,718)	47.9
SLAD	99,813	66,288	50.6
Corporate and others and purchase price allocation	(82,033)	(64,304)	(27.6)
Total	**250,753**	**204,557**	**22.6**

Operating income increased by $46.2 million, or 22.6%, to $250.8 million in 2011, as compared to 2010.

Net Interest Expense

Net interest expense increased by $19.1 million, or 46.0%, to $60.7 million in 2011, as compared to 2010, mainly due to the losses incurred in 2011 in connection with the partial redemption of the 2019 notes totaling $13.9 million, and the net increase in our long-term debt as a result of the issuance of the 2016 notes, which resulted in higher net interest expenses of $5.4 million.

Loss from Derivative Instruments

Loss from derivative instruments decreased by $23.6 million, or 71.8%, to $9.2 million in 2011, as compared to 2010, primarily due to the unwinding of our cross-currency interest rate swaps in July 2011 ($19.7 million).

Foreign Currency Exchange Results

Foreign currency exchange results decreased by $27.2 million, to a $23.9 million loss in 2011, as compared to 2010. This was mainly a consequence of the depreciation of the Brazilian *real* against the U.S. dollar in 2011 when compared to an appreciation in 2010, which impacted foreign exchange results by $20.7 million. In 2011 and 2010, we incurred a foreign exchange loss of $7.9 million and a foreign exchange gain of $3.3 million, respectively, as a result of an intercompany debt in Brazil denominated in U.S. dollars. In addition, in 2011 we incurred a foreign exchange net loss amounting to $9.3 million as a result of an intercompany receivable denominated in Brazilian *reais* held by our subsidiary, Arcos Dorados B.V., partially offset by the 2016 notes issued in July 2011. Foreign exchange results were also impacted by changes in exchange rates in other countries of $6.5 million.

Other Non-Operating Income (Expenses), Net

Other non-operating income (expenses), net improved by $ 27.2 million to a $3.6 million gain in 2011, as compared to 2010, primarily because in 2010 we incurred a loss of $22.5 million due to an agreement reached with McDonald's Corporation in connection with the indemnification of certain disputes with Brazilian tax authorities that were included in an amnesty program, and also because in 2011 we recorded a $7.6 million gain as a result of the monetary actualization of certain tax credits in Brazil.

Income Tax Expense

Income tax expense increased by $41.2 million, from $3.5 million in 2010 to $44.6 million in 2011. Our consolidated effective tax rate increased by 24.7 percentage points to 27.8% in 2011, as compared to 2010, as a result of a lower reversal of the valuation allowance related to our deferred tax assets in 2011 when compared to 2010 ($70.5 million), partially offset by (i) the deduction of goodwill in Brazil in 2011 as a result of the reorganization completed in November 2010 ($21.6 million) and (ii) lower non-deductible expenses in 2011 when compared to 2010 ($2.8 million).

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests for 2011 remained unchanged at $0.3 million when compared to 2010.

Net Income Attributable to Arcos Dorados Holdings Inc.

As a result of the foregoing, net income attributable to Arcos Dorados Holdings Inc. increased by $9.5 million, or 9.0%, to $115.5 million in 2011, as compared to 2010.

B. Liquidity and Capital Resources

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

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

Under the MFAs, we are required to agree with McDonald's on a restaurant opening plan and a reinvestment plan for each three-year period during the term of the MFAs. The restaurant opening plan specifies the number and type of new restaurants to be opened in the Territories during the applicable three-year period, while the reinvestment plan specifies the amount we must spend reimaging or upgrading restaurants during the applicable three-year period. As part of the reinvestment plan with respect to the three-year period that commenced on January 1, 2011, we must reinvest an aggregate of at least $60 million per year in the Territories. In addition, we have committed to open no less than 250 new restaurants during the current three-year restaurant opening plan. We estimate that the cost to comply with our restaurant opening commitments under the MFAs from 2011 through 2013 will be between $175 million and $385 million, depending on, among other factors, the type and location of restaurants we open. We expect to fund these commitments using cash flow from operations and possible future debt and/or equity financings.

Our management believes that our sources of liquidity and capital resources, including working capital, are adequate for our present requirements and business operations and will be adequate to satisfy our presently anticipated requirements during at least the next twelve months for working capital, capital expenditures and other corporate needs.

Overview

Net cash provided by operations was $230.1 million in 2012, compared to $261.6 million in 2011. Our investing activities program decreased by $13.7 million in 2012 to $306.4 million. Cash provided by financing activities increased by $55.0 million, from an inflow of $35.7 million in 2011 to an inflow of $90.6 million in 2012. This was mainly a consequence of the partial redemption of the 2019 notes for $152.0 million in 2011, lower net payments of derivative instruments of $114.6 million, the split-off of the Axionlog business for $35.4 million in 2011, lower settlements of short-term debt for $10.7 million and lower dividend payments of $6.6 million. This was partially offset by the issuance of class A shares in connection with the initial public offering with net proceeds amounting to $152.3 million in 2011, a decrease in the issuance of 2016 notes of $105.4 million and a decrease in the collection of collateral deposits of $15.0 million.

Net cash provided by operations was $261.6 million in 2011, compared to $263.9 million in 2010. Net cash used in investing activities amounted to $320.1 million, compared to $178.2 million in 2010, as a result of the acceleration of our capital expenditures program. Cash provided by financing activities increased by $87.0 million, from an outflow of $51.3 million in 2010 to an inflow of $35.7 million in 2011. This was mainly a consequence of the issuance of the 2016 notes for $255.1 million and the issuance of class A shares in connection with the initial public offering for $152.3 million, partially compensated by the partial redemption of the 2019 notes for $152.0 million, increased net payments of derivative instruments of $81.1 million, the split-off of the Axionlog business which caused an outflow of $35.4 million, an increase in dividend payments of $23.2 million, the settlement of short-term debt for $10.9 million and a decrease in the collection of collateral deposits of $10.0 million in 2011.

At December 31, 2012, our total financial debt was $659.8 million, consisting of $0.6 million in short-term debt, $651.6 million in long-term debt (of which $306.8 million related to the 2019 notes, including the original issue discount, and $331.9 million related to the 2016 notes), and $7.6 million related to the fair market value of our outstanding derivative instruments (net of the asset portion amounting to $1.7 million).

At December 31, 2011, our total financial debt was $532.3 million, consisting of $0.8 million in short-term debt, $528.9 million in long-term debt (of which $306.5 million related to the 2019 notes, including the original issue discount, and $214.2 million related to the 2016 notes), and $2.6 million related to the fair market value of our outstanding derivative instruments.

Cash and cash equivalents was $184.9 million at December 31, 2012 and $176.3 million at December 31, 2011.

Comparative Cash Flows

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

	For the Years Ended December 31,		
	2012	**2011**	**2010**
	(in thousands of U.S. dollars)		
Net cash provided by operating activities	$ 230,113	$ 261,624	$ 263,876
Net cash used in investing activities	(306,421)	(320,132)	(178,224)
Net cash provided by (used in) financing activities	90,646	35,673	(51,287)
Effect of exchange rate changes on cash and cash equivalents	(5,788)	(8,963)	5,759
Increase (decrease) in cash and cash equivalents	**8,550**	**(31,798)**	**40,124**

Operating Activities

	For the Years Ended December 31,		
	2012	**2011**	**2010**
	(in thousands of U.S. dollars)		
Net income attributable to Arcos Dorados Holdings Inc.	$ 114,332	$ 115,529	$ 106,021
Non-cash charges and credits	131,958	137,970	99,196
Changes in assets and liabilities	(16,177)	8,125	58,659
Net cash provided by operating activities	**230,113**	**261,624**	**263,876**

For the year ended December 31, 2012, net cash provided by operating activities was $230.1 million, compared to $261.6 million in 2011. The $31.5 million decrease is mainly attributable to lower net income adjusted for non-cash charges ($7.2 million) and to a negative change in assets and liabilities ($24.3 million).

For the year ended December 31, 2011, net cash provided by operating activities was $261.6 million, compared to $263.9 million in 2010. The $2.3 million decrease is mainly attributable to a negative change in assets and liabilities ($50.5 million) primarily due to the payment of the award right granted to our CEO ($34.0 million) as well as the payments under our long-term incentive plan as a result of awards exercised in 2011 ($9.8 million), partially offset by higher net income adjusted for non-cash charges ($48.3 million).

Investing Activities

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

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

	For the Years Ended December 31,		
	2012	2011	2010
	(in thousands of U.S. dollars)		
Property and equipment expenditures	$ (294,478)	$ (319,859)	$ (175,669)
Purchases of restaurant businesses	(6,004)	(5,993)	(504)
Proceeds from sales of property and equipment	6,643	10,681	6,215
Loans to related parties	(7,000)	—	—
Others, net	(5,582)	(4,961)	(8,266)
Net cash used in investing activities	**(306,421)**	**(320,132)**	**(178,224)**

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

	For the Years Ended December 31,		
	2012	2011	2010
	(in thousands of U.S. dollars)		
New restaurants	$ 177,329	$ 139,647	$ 69,448
Existing restaurants	79,717	139,140	68,140
Other(1)	37,432	41,072	38,081
Total property and equipment expenditures	**294,478**	**319,859**	**175,669**

(1) Primarily corporate equipment and other office related expenditures.

In 2012, net cash used in investing activities was $306.4 million, compared to $320.1 million in 2011. This $13.7 million decrease was primarily attributable to the adjustment downwards in our investment program by $25.4 million in 2012, partially offset by a decrease in proceeds from the sale of property and equipment ($4.0 million) and loans granted to related parties ($7.0 million).

Property and equipment expenditures decreased by $25.4 million, from $319.9 million in 2011 to $294.5 million in 2012. The decrease in property and equipment expenditures resulted from a decrease in reinvestment in existing restaurants and corporate equipment and other office expenditures ($63.1 million), partially offset by increased investment in new restaurants ($37.7 million). In 2012, we opened 130 restaurants and closed 22 restaurants.

Proceeds from sales of property and equipment decreased by $4.0 million to $6.6 million in 2012, as compared to 2011, primarily as a consequence of lower sales mainly in Puerto Rico and Venezuela ($2.5 million and $1.2 million, respectively). In addition, in 2012 and 2011 we used $6.0 million to convert franchised restaurants into Company-operated restaurants.

In 2011, net cash used in investing activities was $320.1 million, compared to $178.2 million in 2010. This $141.9 million increase was primarily attributable to the acceleration of our investment program ($144.2 million).

Property and equipment expenditures increased by $144.2 million, from $175.7 million in 2010 to $319.9 million in 2011. The increase in property and equipment expenditures resulted from increased investment in new restaurants ($70.2 million), reinvestment in existing ones ($71.0 million) and increased corporate equipment and other office expenditures ($3.0 million). Property and equipment expenditures, including the reimaging of existing restaurants and the opening of McCafé locations and Dessert Centers, reflected our commitment to increasing sales. In 2011, we opened 101 restaurants and closed 16 restaurants.

Proceeds from sales of property and equipment increased by $4.5 million to $10.7 million in 2011, as compared to 2010, primarily as a consequence of sales in Brazil and Argentina. In addition, in 2011 we used $6.0 million to convert franchised restaurants into Company-operated restaurants.

Financing Activities

	For the Years Ended December 31,		
	2012	2011	2010
	(in thousands of U.S. dollars)		
Partial redemption of the 2019 notes	$ —	$ (152,005)	$ —
Net payments of derivative instruments	(4,322)	(118,932)	(37,815)
Net short-term borrowings	(157)	(10,871)	3,805
Collateral deposits	—	15,000	25,000
Split-off of Axionlog business	—	(35,425)	—
Issuance of class A shares in connection with the initial public offering	—	152,281	—
Issuance of the 2016 notes	149,658	255,102	—
Distribution of dividends to our shareholders	(50,036)	(56,627)	(33,400)
Other financing activities	(4,497)	(12,850)	(8,877)
Net cash provided by (used in) financing activities	**90,646**	**35,673**	**(51,287)**

Net cash provided by financing activities was $90.6 million in 2012, compared to $35.7 million provided in 2011. The $55.0 million increase in the amount of cash provided by financing activities was primarily attributable to the partial redemption of the 2019 notes for $152.0 million in 2011, lower net payments of derivative instruments for $114.6 million, the split-off of the Axionlog business for $35.4 million in 2011, lower dividend payments for $6.6 million and lower settlements of short-term debt for $10.7 million, partially offset by the issuance of class A shares in connection with the initial public offering, with net proceeds amounting to $152.3 million, in 2011, a decrease in the issuance of 2016 notes of $105.4 million and a decrease in the collection of collateral deposits of $15.0 million.

Net cash provided by financing activities was $35.7 million in 2011, compared to $51.3 million used in 2010. The $87.0 million increase in the amount of cash provided by financing activities was primarily attributable to the issuance of the 2016 notes for $255.1 million and the issuance of class A shares in connection with the initial public offering, with net proceeds amounting to $152.3 million, partially offset by the partial redemption of the 2019 notes for $152.0 million, an increase in net payments of derivative instruments of $81.1 million, the split-off of the Axionlog business for $35.4 million, an increase in dividend payments of $23.2 million, the settlement of short-term debt for $10.9 million and a decrease in the collection of collateral deposits of $10.0 million in 2011.

Revolving Credit Facility

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 with a maturity date one year from the date of closing thereof. On August 3, 2012, Arcos Dorados B.V. renewed the revolving credit facility for an additional one-year period. The obligations of Arcos Dorados B.V. under the revolving credit facility are jointly and severally guaranteed by certain of our subsidiaries on an unconditional basis. This revolving credit facility will permit us to borrow money from time to time to cover our working capital needs and for other lawful general corporate purposes.

Each loan made to Arcos Dorados B.V. under the revolving credit facility will bear interest at a rate per annum equal to LIBOR plus 2.50%. Interest on each loan will be payable on the date of any prepayment, at maturity and on a quarterly basis, beginning with the date that is three calendar months following the date the loan is made.

The revolving credit facility includes customary covenants including, among others, restrictions on the ability of Arcos Dorados B.V., the guarantors and certain material subsidiaries to: (i) incur liens, (ii) enter into any merger, consolidation or amalgamation; (iii) sell, assign, lease or transfer all or substantially all of the borrower's or guarantor's business or property; (iv) enter into transactions with affiliates; (v) engage in substantially different lines of business; (vi) permit the consolidated net indebtedness to EBITDA ratio to be greater than 2.50 to 1 on the last day of any fiscal quarter of the borrower; and (vii) 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 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.

On April 3, 2012 Arcos Dorados B.V. borrowed $10.0 million under the revolving credit facility. This borrowing was settled on April 26, 2012 with the proceeds of the issuance of the 2016 notes.

On March 26, 2013 and April 2, 2013 Arcos Dorados B.V. borrowed $11.0 million and $21.0 million, respectively, under the revolving credit facility.

2016 Notes

In July 2011, we issued R$400 million aggregate principal amount of notes due 2016 bearing interest of 10.25% per year, payable in U.S. dollars, which we refer to as the 2016 notes. The 2016 notes are denominated in *reais*, but payment of principal and interest will be made in U.S. dollars. The 2016 notes mature on July 13, 2016. Interest is paid semi-annually in arrears on January 13 and July 13 of each year. The proceeds from the issuance of the 2016 notes were used to satisfy our capital expenditure program and for general corporate purposes.

In addition, on April 24, 2012, we issued an additional R$275 million aggregate principal amount of the 2016 notes at a price of 102.529%. The proceeds from the offering are being used to satisfy our capital expenditure program and for general corporate purposes.

The 2016 notes are fully and unconditionally guaranteed on a senior unsecured basis by certain of our subsidiaries. The 2016 notes and guarantees (i) are senior secured 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 value of our assets securing that indebtedness; and (iii) are structurally subordinated to all obligations of our subsidiaries that are not guarantors.

The indenture governing the 2016 notes limits our and our subsidiaries' ability to, among other things, (i) create 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 2016 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 2016 notes to be due and payable immediately.

The 2016 notes are listed on the Luxembourg Stock Exchange and trade on the Euro MTF Market.

We may issue additional 2016 notes from time to time pursuant to the indenture governing the 2016 notes.

2019 Notes

In October 2009, our subsidiary, Arcos Dorados B.V., issued senior notes for an aggregate principal amount of $450 million under an indenture dated October 1, 2009, which we refer to as the 2019 notes. The 2019 notes mature on October 1, 2019 and bear interest of 7.5% per year. Interest is paid semiannually on April 1 and October 1.

The 2019 notes are redeemable at the option of Arcos Dorados B.V. at any time at the applicable redemption prices set forth in the indenture. On June 13, 2011, Arcos Dorados B.V. exercised its option to redeem on July 18, 2011 a total of $141.4 million aggregate principal amount of the 2019 notes at a redemption price of 107.5% of the principal amount plus accrued and unpaid interest from April 1, 2011 to the redemption date. Following the redemption, a total of $308.6 million of the aggregate principal amount of the 2019 notes remained outstanding. As a result of the redemption, we incurred a one-time loss of $13.9 million in July 2011, including $2.3 million related to the accelerated amortization of deferred financing costs and $11.6 million related to the redemption of the 2019 notes at a redemption price above the book value of the 2019 notes.

The 2019 notes are fully and unconditionally guaranteed on a senior unsecured basis by the majority of our subsidiaries. The 2019 notes rank equally with all of our unsecured and unsubordinated indebtedness and are effectively junior to all of our secured indebtedness. The indenture governing the 2019 notes imposes certain restrictions on us and our subsidiaries, including some restrictions on our ability to: (i) incur additional indebtedness; (ii) pay dividends or redeem, repurchase or retire our capital stock; (iii) make investments; (iv) create liens; (v) create limitations on the ability of our subsidiaries to pay dividends, make loans or transfer property to the us; (vi) engage in transactions with affiliates; (vii) sell assets including the capital stock of the subsidiaries; and (viii) consolidate, merge or transfer assets. These covenants are subject to a number of important limitations and exceptions. The indenture governing the 2019 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 then outstanding 2019 notes to be due and payable immediately.

The 2019 notes are listed on the Luxembourg Stock Exchange and trade on the Euro MTF Market.

We may issue additional notes from time to time pursuant to the indenture governing the 2019 notes.

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

We have not had significant research and development activities for the past three years because we rely primarily on McDonald's research and development. McDonald's operates research and development facilities in the United States, Europe and Asia, and independent suppliers also conduct research activities that benefit McDonald's and us. Nevertheless, we have developed certain menu items, such as bone-in-chicken, *Pão de Queijo* (in Brazil), *McBurrito a la Mexicana* (in Mexico) and dessert items, to better tailor our product offerings to local tastes and to provide our customers with additional food options.

D. Trend Information

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

- *Social upward mobility in Latin America and the Caribbean*: Our sales have benefited, and we expect to continue to benefit, from our Territories' population size, younger age profile when compared to more developed markets and improving socio-economic conditions. 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.

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

- *Product offerings*: Our beverages, core meals, desserts, breakfast, reduced calorie and sodium products, and value menu item offerings have been popular among customers and—combined with our revenue management—have allowed us to create traffic into our restaurants.

- *Increased competition in some markets*: The popularity of the QSR concept in markets such as Puerto Rico and Mexico has attracted new competitors. Even though we have been able to maintain or even increase market share in 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 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 food and paper costs, occupancy and other operating expenses, general administrative expenses and labor costs.

- *Increased general and administrative costs to support future growth:* Our business has been growing at a very rapid pace, and we experienced increasing general and administrative expenses in order to support and prepare for our future growth (both operationally and as a public company). However, in 2012 general and administrative expenses decreased as a percentage of total revenues and we expect this trend to continue in the near future.

- *Increased volatility of foreign exchange rates:* Our results of operations have been impacted by increased volatility in foreign exchange rates in many of the Territories. 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. See Note 27 to our consolidated financial statements for details about the devaluation in Venezuela announced subsequent to December 31, 2012.

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, 2012.

Contractual Obligations	Payment Due by Period						
	Total	2013	2014	2015	2016	2017	Thereafter
	(in thousands of U.S. dollars)						
Capital lease obligations(1)	$ 13,760	$ 1,837	$ 1,811	$ 1,463	$ 1,299	$ 745	$ 6,605
Operating lease obligations	1,008,372	140,480	131,971	122,294	111,660	101,157	400,810
Contractual purchase obligations	172,747	64,207	43,563	23,750	21,863	19,364	—
2016 notes(1)	463,907	33,724	33,724	33,724	362,735	—	—
2019 notes(1)	470,615	23,145	23,145	23,145	23,145	23,145	354,890
Other long-term borrowings(1)	4,827	845	2,209	1,773	—	—	—
Derivative instruments	7,618	2,221	(1,522)	(1,326)	8,245	—	—
Total	**2,141,846**	**266,459**	**234,901**	**204,823**	**528,947**	**144,411**	**762,305**

(1) Includes interest payments.

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

G. Safe Harbor

See “Forward-Looking Statements.”

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Board of Directors

Our board of directors consists of nine members, four of whom are independent directors. In case of a tie vote by the board of directors, the Chairman will have the deciding vote. Our memorandum and articles of association authorize us to have eight members, and the number of authorized members may be increased or decreased by a resolution of shareholders or by a resolution of directors. On November 1, 2012, our Board of Directors passed a resolution increasing the number of authorized members of our Board of Directors to nine.

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 25, 2013, our shareholders re-elected Ms. Annette Franqui, Mr. Carlos Hernández-Artigas and Mr. Alejandro Ramírez Magaña to serve as Class II directors.

The classes are currently composed as follows:

- Mr. Staton, Mr. Lemonnier and Mr. Elias Ayub are Class I directors, whose term will expire at the annual meeting of shareholders to be held in 2015;

- Mr. Hernández-Artigas and Ms. Franqui and Mr. Ramírez are Class II directors, whose term will expire at the annual meeting of shareholders to be held in 2016; and

- Mr. Alonso, Mr. Chu and Mr. Vélez are Class III directors, whose term will expire at the annual meeting of shareholders to be held in 2014.

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	Chairman and CEO	63
Sergio Alonso	Chief Operating Officer	50
Germán Lemonnier	Chief Financial Officer	50
Annette Franqui	Director	51
Carlos Hernández-Artigas	Director	49
Michael Chu	Director	64
José Alberto Vélez	Director	63
Alfredo Elias Ayub	Director	63
Alejandro Ramírez Magaña	Director	40

The following is a brief summary of the business experience of our directors. Unless otherwise indicated, the current business addresses for our directors is Roque Saenz Peña 432, Olivos, Buenos Aires, Argentina (B1636 FFB) and Juncal 1408, Oficina 404, CP 11000, Montevideo, Uruguay.

Woods Staton. Mr. Staton is our CEO and Chairman of the Board and is a member of the Compensation Committee. He was McDonald's joint venture partner in Argentina for over 20 years and served as the President of SLAD beginning in 2004. Mr. Staton is a member of the International Advisory Board of Itaú Unibanco Holding S.A. Mr. Staton is also a member of the founding family and served as the CEO and Chairman of the board of directors of Panamerican Beverages, Inc., or Panamco, which was Coca-Cola's largest bottler in Latin America.

Sergio Alonso. Mr. Alonso is our Chief Operating Officer and was, prior to his appointment as such, 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 6 years. From 1999 until 2003, Mr. Alonso was involved in the development of the Aroma Café brand in Argentina.

Germán Lemonnier. Mr. Lemonnier is our Chief Financial Officer and was, prior to his appointment as such, the Chief Financial Officer of SLAD. He graduated with a degree in Accounting from Universidad de Buenos Aires in 1986. He began his career at McDonald's in 1993, as Accounting Chief of Argentina and after one year was promoted to Accounting Manager. In 1995, Mr. Lemonnier became the Finance & Administration Manager of Argentina and held the positions of Finance & Administration Director and Chief Financial Officer of Argentina from 1997 until his appointment as Chief Financial Officer of SLAD in 2005.

Annette Franqui. Ms. Franqui has been a member of our board of directors since 2007 and was a member of the Audit Committee until April 7, 2012. 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. Ms. 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. Ms. Franqui joined Panamco in 2001 as Vice President of Corporate Finance and became the Chief Financial Officer in 2002. She is one of the founding partners of Forrestal Capital and is currently a board member of Wireless WERX International, Axionlog Cold Solutions, Medina Medical and Latam LLC.

Carlos Hernández-Artigas. Mr. Hernández-Artigas has been a member of our board of directors since 2007 and is a member of the Compensation Committee. He graduated from Universidad Panamericana, Escuela de Derecho in 1987 and University of Texas at Austin, School of Law in 1988. He received an MBA from IPADE in Mexico City in 1996. Mr. Hernández-Artigas worked as a lawyer for several years in Mexico and as a foreign attorney in Dallas, Texas and New York. He served as the General Counsel, Chief Legal Officer and Secretary of Panamco for ten years. He is one of the founding partners of Forrestal Capital and is currently a board member of several companies, including Wireless WERX International, Axionlog Cold Solutions and Latam LLC.

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 M.B.A. with highest distinction from the Harvard Business School in 1976. From 1989 to 1993, Mr. Chu served as an executive and limited partner in the New York office of the private equity fund Kohlberg Kravis Roberts & Co. From 1993 to 2000, Mr. Chu was with ACCION International, a nonprofit corporation dedicated to microfinance, where he served as President and CEO. Mr. Chu currently holds an appointment as Senior Lecturer at the Harvard Business School and is Managing Director and co-founder of the IGNIA Fund, an investment firm dedicated to investing in commercial enterprises serving low-income populations in Latin America. He was a founding partner of, and continues to serve as Senior Advisor to, Pegasus Capital, a private equity firm in Buenos Aires.

José Alberto Vélez. Mr. Vélez has been an independent member of our board of directors since June 2011 and is a member of our Audit Committee. Mr. Vélez received a Master of Science in Engineering degree from the University of California, Los Angeles (UCLA), and a degree in Administrative Engineering from Universidad Nacional de Colombia. Mr. Vélez previously served as the CEO of Suramericana de Seguros, the leading insurance company in Colombia, and also as the CEO of Inversura, a holding company that integrates the leading insurance and social security companies in Colombia. He has been the Chief Executive Officer of Cementos Argos, S.A. since 2003. He is currently also a member of the Boards of Directors of Grupo Suramericana de Inversiones S.A., Bancolombia, Grupo Nutresa and Compañía Colombiana de Inversiones. He also is a member of the Universidad EAFIT Board of Directors and Chairman of CECODES, the Colombian chapter of the World Business Council for Sustainable Development (WBCSD). In addition, he sits on the Advisory Board of the Council of the Americas based in New York.

Alfredo Elias Ayub. Mr. Elias has been an independent member of our board of directors since August 2, 2012. Mr. Elias holds an MBA from Harvard Business School, where he graduated as a Baker Scholar, and a Civil Engineering degree from Mexico City's Universidad Anahuac, where he is a member of the Advisory Council of the School of Engineering. From 1999 until April 2011, Mr. Elias was the Chief Executive Officer of the Comisión Federal de Electricidad, Mexico's largest state-owned utilities company. Since 2012 Mr. Elias has served as member of the Dean's board of advisors for Harvard Business School.

Alejandro Ramírez Magaña. Mr. Ramírez has been an independent member of our board of directors since November 1, 2012. Mr. Ramírez holds an MBA from Harvard Business School, a Master of Sciences in Development Economics from the University of Oxford and a Bachelor of Arts in Economics from Harvard University. Mr. Ramírez is the General Director of Cinépolis, the largest cineplex chain in Latin America and the fourth largest in the world. He recently co-chaired the 2012 Annual Meeting of the World Economic Forum and was also appointed by former Mexican President Calderón as Chair of the G20's Business Summit (B20), in Mexico in June 2012. He currently serves as committee advisor for the World Bank and the United Nation Development Programme (UNDP). In 2005, he was also appointed as "Young Global Leader" by the Davos World Economic Forum in Switzerland.

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. Staton, our CEO and Chairman of the Board, 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 with Mr. Staton, and have worked together as a team for many years. Our executive officers were appointed by our board of directors for an indefinite term.

The following table lists our current executive officers:

Name	Position	Initial year of Appointment
Woods Staton	Chairman and CEO	2007
Sergio Alonso	Chief Operating Officer	2007
Germán Lemonnier	Chief Financial Officer	2007
Juan David Bastidas	Chief Legal Counsel	2010
José Valledor Rojo	Divisional President—Brazil	2011
José Fernandez	Divisional President—SLAD	2007
Juan Carlos Paba	Divisional President—Caribbean Division	2013
Marcelo Rabach	Divisional President—NOLAD	2013
Sebastian Magnasco	Vice President of Development	2007
Raul Mandía	Vice President of Marketing	2007
Pablo Rodriguez de la Torre	Vice President of Human Resources	2008
Flavia Vigio	Vice President of Communications	2007
Horacio Sbrolla	Vice President of Supply Chain	2007
Marlene Fernandez	Vice President of Government Relations	2011

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 Juncal 1408, Oficina 404, CP 11000, Montevideo, Uruguay.

Juan David Bastidas. Mr. Bastidas, 45, is our Chief Legal Counsel. He attended Universidad Pontificia Bolivariana in Colombia in 1989, where he received a Law Degree. In 1990, he graduated as a Business Law Specialist from the same university. He received an MBA from New York University in 1994. He has post-graduate studies in International Business (2000) from EAFIT in Colombia and Senior Management (2009) from Universidad de Los Andes in Colombia. Mr. Bastidas worked from 1994 to 1995 as an international operations lawyer for Banco Industrial Colombiano (Bancolombia). He served as General 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.

José Valledor Rojo. Mr. Valledor Rojo, 46, was promoted to the position of Divisional President in Brazil, effective August 1, 2011. Prior to his appointment as such, he was Regional Director for the Southern Cone. 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 post-graduate degree from the Instituto de Altos Estudios (IAE) in Buenos Aires, Argentina.

José Fernandez. Mr. Fernandez, 51, is our Divisional President of the operations in SLAD and was, prior to his appointment as such, the Managing Director of Argentina. He graduated with a degree in Mechanical Engineering from Instituto Tecnológico Buenos Aires in 1985. He began his career at McDonald's in 1986 as Project Manager and after two years was promoted to Development Manager. He also held the positions of Development Director and Development Vice President before becoming Managing Director for Argentina.

Juan Carlos Paba. Mr. Paba, 45, is our Divisional President for the Caribbean Division. Prior to his appointment to this position effective as of January 1, 2013, he was the Director of the Andean Region from 2008 through 2012. He joined McDonald's Colombia in 1995 as a Project Manager and led the opening of the first restaurant at the Centro Andino. In 1998, he became manager of the Development Area and also began to play a role in Ecuador. In June 2002, Mr. Paba became manager of all of the development activities in Peru, Colombia and Bolivia. In 2003, he was named Managing Director of Colombia and in 2007, he also assumed responsibility for Ecuador and Peru prior to his appointment in 2008 as Director of the Andean Region. Mr. Paba graduated with a degree in architecture from Universidad de los Andes in Bogota, Colombia. He also holds an Master of Science in Professional Management degree and an MBA from the University of Miami in the United States.

Marcelo Rabach. Mr. Rabach, 42, is our Divisional President for NOLAD, and was, prior to his appointment as such, Vice President of Operations Development since 2012 and Divisional President in Brazil since 2008. He graduated with a degree in Business Administration from Universidad Argentina de la Empresa in 2002. He began his career at McDonald's Argentina in 1990 and has over 17 years of line operations experience, starting as a crew employee and steadily advancing into larger operational roles. From 1999 until his appointment as McDonald's Chief Operating Officer in Venezuela in 2005, Mr. Rabach was responsible for the operations, real estate, construction, human resources, local store marketing, and training and franchising of a region within Argentina, holding the positions of Operations Manager and Operations Director. He was the Chief Operating Officer in Venezuela from 2005 until 2008.

Sebastian Magnasco. Mr. Magnasco, 43, is our Vice President of Development and served, prior to his appointment as such, in the same capacity in SLAD. He graduated with a degree in Engineering from Instituto Tecnológico Buenos Aires, in 1990. He began his career at McDonald's in 1994 and held the positions of Real Estate & Equipment Director of Argentina and IT, Real Estate and Equipment Director of Argentina until his appointment as Vice President of Development of SLAD in 2005.

Raul Mandía. Mr. Mandía, 51, is our Vice President of Marketing and served, prior to his appointment as such, in the same capacity in SLAD. He graduated with a degree in Accounting from Northern Virginia Community College, Virginia in 1988. He began his career at McDonald's in 1991 as Finance Manager in Uruguay. In 2000, he became Director of Operations, Learning and Development in the Latin American group of McDonald's corporate headquarters, and in 2002 he returned to McDonald's Uruguay as Managing Director until he was appointed as Vice President of Marketing of SLAD in 2005.

Pablo Rodriguez de la Torre. Mr. Rodriguez, 48, joined the Company in April 2008 as Vice President of Human Resources. Mr. Rodriguez started his professional career in 1985 working for the Argentinean law firm Estudio Costa & Asociados, specializing in labor law after having graduated with a degree in Law from Buenos Aires University in 1988. In 1999, Mr. Rodriguez joined Internet operator UOL International, where he held different senior positions, mainly in Human Resources, dealing with the company's operations in the major Latin American countries, including assignments in Brazil and Mexico. In 2002, he joined Starwood Hotels & Resorts Worldwide Inc. as Vice President of Human Resources Latin America, based in Miami, where he stayed until joining Arcos Dorados.

Flavia Vigio. Ms. Vigio, 43, is our Vice President of Communications. She graduated with a degree in Journalism from Pontifícia Universidade Católica in Rio de Janeiro. She is responsible for the areas of Media and Public Relations, Government Relations, Internal Communication, Corporate Citizenship, Customer Relations and Crisis Management for the region. Prior to her appointment as such, she was responsible for communications in Brazil. At the beginning of her career, Flavia spent five years living in Milan, Italy, where she worked as a Public Relations Supervisor at Prima Classe, a leather goods retailer. She began her McDonald's career as the Internal Communications Manager in Brazil in 2002.

Horacio Sbrolla. Mr. Sbrolla, 50, is our Vice President of Supply Chain and served, prior to his appointment as such, in the same capacity in SLAD. He graduated with a degree in Industrial Engineering from Instituto Tecnológico Buenos Aires, in 1986. He began his career at McDonald's in 1988 as Equipment Manager of Argentina. In 2001, he became the Regional Leader for the implementation of the "ERP" solution within all Latin American markets and since 2002 was the Managing Director of Chile until his appointment as Vice President of Supply Chain of SLAD in 2005.

Marlene Fernandez. Ms. Fernandez, 51, was recently appointed our Vice President of Government Relations. Prior to joining us in 2009, she served as Executive Director of the Gallup Organization in Latin America and held various governmental positions, including member of Bolivia's Chamber of Deputies, Bolivian Ambassador to the United States and Permanent Representative to the Organization of American States in Washington, D.C., the European Union and Italy. Ms. Fernandez graduated with a degree in Communications and Public Relations from John F. Kennedy University in Buenos Aires. She holds a Master of Science with a specialization in broadcast journalism from Boston University and has completed doctorate courses at Harvard University in Law and Diplomacy, Strategic Communications, Conflict Resolution and Negotiations in Conflict Areas.

B. Compensation

Long-term and Equity Incentive Plans

Long-term Incentive Plan

We implemented a long-term incentive plan in 2008 to reward certain employees for the success of our business. In accordance with this plan, we historically granted phantom equity units, called CADs, annually to certain employees, pursuant to which such employees are entitled to receive, upon vesting, a cash payment equal to the appreciation in the fair value of the award over the base value of the award. In 2011, our Board approved the use of the Company's market capitalization following our initial public offering as the metric used to determine the Company's fair market value under this incentive plan in place of the existing formula used to determine the current value of the awards. The CADs vest over a five-year period, subject to continued employment with us, as follows: 40% on the second anniversary of the date of grant and 20% on each of the following three anniversaries. The right is cumulative and, once it has become exercisable, it may be exercised during a quarterly window period in whole or in part until the date of termination, which occurs at the fifth anniversary of the grant date. Any outstanding CADs at the date of termination will be automatically settled by us.

As of December 31, 2012, 2,129,221 CADs were outstanding, as compared to 2,923,582 CADs as of December 31, 2011. During 2012, 696,067 CADs were exercised, and the total amount paid for these exercises was $5.8 million. A total of 98,294 CADs were forfeited during 2012. At December 31, 2012, we maintain a current payable of $0.9 million related to these exercises that is disclosed within "accrued payroll and other liabilities" in our balance sheet. See Note 16 to our consolidated financial statements for additional information.

Equity Incentive Plan

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

Pursuant to the 2011 Plan, on April 14, 2011, the first trading day of our class A shares on the NYSE, we made the annual grants for 2011 to certain of our executive officers and other employees. The grants included 231,455 restricted share units and 833,388 stock options that will vest as follows: 40% on the second anniversary of the date of grant and 20% on each of the following three anniversaries. In addition, on April 14, 2011, we granted special awards of restricted share units and stock options to certain of our executive officers and other employees in connection with our initial public offering. The special grant included 782,137 restricted share units and 1,046,459 stock options that will vest 1/3 on each of the second, third and fourth anniversaries of the grant date. With respect to all of the grants made on April 14, 2011, each stock option represents the right to acquire one class A share at a strike price of $21.20 (the closing price on the date of grant), while each restricted share unit represents the right to receive one class A share, when vested.

Pursuant to the 2011 Plan, on May 10, 2012, we made the annual grants for 2012 to certain of our executive officers and other employees. The grants include 211,169 restricted share units and 548,587 stock options that will vest as follows: 40% on the second anniversary of the grant date and 20% on each of the following three anniversaries. Each stock option granted represents the right to acquire one class A share at a strike price of $14.35 (the closing price on the grant date), while each restricted share unit represents the right to receive one class A share when vested.

We intend to make the 2013 annual grant under the 2011 Plan during the second quarter of 2013.

The maximum number of shares that may be issued under the 2011 Plan is 5,238,235 class A shares, equal to 2.5% of our total outstanding class A and class B shares immediately following our initial public offering on April 14, 2011. We will issue 338,014 class A shares in April 2013 in connection with the partial vesting of outstanding restricted share units.

Compensation of Directors and Officers

General

The approximate aggregate annual total cash compensation for our 15 officers (including the Vice President of Operations Development, which position is not considered to be an executive officer beginning in 2013) was $11.5 million in 2012. In 2012, we approved annual compensation for our non-executive directors of $140,000 each, payable 50% in cash and 50% in stock options. The cash payments corresponding to services performed in 2012 were paid in 2012 and the stock options will be granted during the second quarter of 2013, at the same time that we make the 2013 annual grant under the 2011 Plan described above. Terms of the stock options will be determined in accordance with market practice and will be reviewed by our compensation committee. 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. Chu and Mr. Vélez. Mr. Chu and Mr. Vélez are independent within the meaning of the SEC and NYSE corporate governance rules. Our board of directors has determined that Mr. Chu and Mr. Vélez are "audit committee financial experts" as defined by the SEC.

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

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

Compensation Committee

Our compensation committee consists of Mr. Staton, Mr. Hernández-Artigas and Ms. Franqui. Pursuant to its charter, the compensation 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; 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, 2012, we had a total of approximately 94,282 employees throughout the Territories. Of this number, 84% were crew, 14% were restaurant managers and the remainder were professional staff. Approximately 43% of our employees were located in Brazil.

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

In the beginning of 2012, we decided to transition to fixed work schedules and hourly wages for our employees in Brazil. Our employees will work between 180 and 220 hours per month, with proportional wages based on the quantity of hours fixed in their employment agreements.

In August 2012, the Public Labor Ministry of the State of Pernambuco (*Ministério Público do Trabalho do Estado de Pernambuco*) filed a civil complaint against us in the Labor Court of Pernambuco (*Justiça do Trabalho de Pernambuco*) regarding alleged non-compliance with certain labor laws. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings—Brazilian Labor Litigation.”

The following table illustrates the distribution of our employees by division and employee category as of December 31, 2012.

Division	Crew	Restaurant Managers	Professional Staff	Total
Brazil	33,805	6,099	526	40,430
Caribbean division	5,158	710	158	6,026
NOLAD	10,672	1,811	305	12,788
SLAD	29,279	4,671	554	34,504
Corporate and other	—	—	534	534
Total	**78,914**	**13,291**	**2,077**	**94,282**

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 2012, 15,800 people attended different courses or events at 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.” In 2012, the Great Place to Work Institute ranked us fourth among the top 25 best multinational employers in Latin America, and we led the “*Súper Empresas*” (Super Companies) ranking by the *Expansión/CNN* magazine.

Although we have unions in some of our most important markets, including Brazil, Argentina and Mexico, the unions do not have an active role in the restaurants. In these markets, the restaurant industry is unionized by law.

E. Share Ownership

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

Shareholder	Class A Shares	Percentage of Outstanding Class A Shares	Class B Shares	Percentage of Outstanding Class B Shares	Total Economic Interest	Total Voting Interest(1)
Los Laureles Ltd.(2)(3)	—	—	80,000,000	100.0%	38.2%	75.5%
Woods Staton(3)	3,782,424	2.9%	—	—	1.8%	0.7%
Sergio Alonso	*	*	—	—	*	*
Germán Lemonnier	*	*	—	—	*	*
Annette Franqui	*	*	—	—	*	*
Carlos Hernández-Artigas	*	*	—	—	*	*
Juan David Bastidas	*	*	—	—	*	*
José Valledor Rojo	*	*	—	—	*	*
José Fernandez	*	*	—	—	*	*
Juan Carlos Paba	*	*	—	—	*	*
Marcelo Rabach	*	*	—	—	*	*
Sebastian Magnasco	*	*	—	—	*	*
Raul Mandía	*	*	—	—	*	*
Pablo Rodriguez de la Torre	*	*	—	—	*	*
Flavia Vigio	*	*	—	—	*	*
Horacio Sbrolla	*	*	—	—	*	*
Marlene Fernandez	*	*	—	—	*	*

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

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

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

(3) In addition to the class B shares he beneficially owns through Los Laureles Ltd., Mr. Staton beneficially owns class A shares through direct and indirect ownership. On a combined basis, Mr. Staton is the beneficial owner of an aggregate of 40.0% of our total economic interests and 76.3% of our total voting interests.

As of the date of this annual report, our 14 officers had been granted (i) a total of 682,569 restricted share units, 1,053,622 options at an exercise price of $21.20 per share and 337,953 stock options at an exercise price of $14.35 per share pursuant to the 2011 Plan. For more information, see "—B. Compensation—Long-term and Equity Incentive Plans" above. Our non-executive directors have not received any restricted share units or stock options.

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 38.2% of our issued and outstanding share capital, and 75.5% of our voting power by virtue of its ownership of 100% of our class B shares. The following table presents the beneficial ownership of our shares as of the date of this annual report:

Shareholder	Class A Shares	% of Outstanding Class A Shares	Class B Shares	% of Outstanding Class B Shares	Total Economic Interest	Total Voting Interest(1)
Los Laureles Ltd(2)(3).	—	—	80,000,000	100.0%	38.2%	75.5%
Woods Staton(3)	3,782,424	2.9%	—	—	1.8%	0.7%
Capital World Investors(4)	15,218,352	11.7%	—	—	7.3%	2.9%
Massachusetts Financial Services Company(5)	14,503,395	11.2%	—	—	6.9%	2.7%
Capital Group International, Inc.(6)	13,829,432	10.7%	—	—	6.6%	2.6%
Baillie Gifford & Co(7)	9,424,141	7.3%	—	—	4.5%	1.8%
Artisan Partners Holdings LP, Artisan Investment Corporation, Artisan Partners Limited Partnership, Artisan Investments GP LLC, ZFIC, Inc., Andrew A. Ziegler and Carlene M. Ziegler(8)	6,876,322	5.3%	—	—	3.3%	1.3%
Public	65,895,346	50.9%	—	—	31.4%	12.4%
Total	129,529,412	100.0%	80,000,000	100.0%	100.0%	100.0%(9)

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

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

(3) In addition to the class B shares he beneficially owns through Los Laureles Ltd., Mr. Staton beneficially owns class A shares through direct and indirect ownership. On a combined basis, Mr. Staton is the beneficial owner of an aggregate of 40.0% of the total economic interests of Arcos Dorados and 76.3% of its total voting interests.

(4) Capital World Investors, a division of Capital Research and Management Company (CRMC), filed with the SEC a Schedule 13G/A dated February 7, 2013. Based solely on the disclosure set forth in such Schedule 13G/A, Capital World Investors has sole voting power with respect to 15,218,352 class A shares and sole dispositive power with respect to 15,218,352 class A shares, but has disclaimed beneficial ownership of these class A shares. Capital World Investors is deemed to be the beneficial owner of these class A shares as a result of CRMC acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. The address of Capital World Investors is 333 South Hope Street, Los Angeles, CA 90071.

(5) Massachusetts Financial Services Company filed with the SEC a Schedule 13G/A dated April 3, 2013. Based solely on the disclosure set forth in such Schedule 13G/A, Massachusetts Financial Services Company has sole voting power with respect to 14,164,641 class A shares and sole dispositive power with respect to 14,503,395 class A shares. The address of Massachusetts Financial Services Company is 111 Huntington Avenue, Boston, MA 02199.

(6) Capital Group International, Inc. filed with the SEC a Schedule 13G/A dated March 8, 2013. Based solely on the disclosure set forth in such Schedule 13G/A, Capital Group International, Inc. has sole voting power with respect to 13,289,332 class A shares and sole dispositive power with respect to 13,829,432 class A shares, but Capital Group International, Inc. has disclaimed beneficial ownership of these class A shares. Capital Group International, Inc. is the parent holding company of a group of investment management companies that hold investment power and, in some cases, voting power over the class A shares reported in such Schedule 13G/A. The address of Capital Group International, Inc. is 11100 Santa Monica Blvd., Los Angeles, CA 90025.

(7) Baillie Gifford & Co, a Scottish partnership, filed with the SEC a Schedule 13G/A dated February 11, 2013. Based solely on the disclosure set forth in such Schedule 13G/A, Baillie Gifford & Co has sole voting power with respect to 7,972,640 class A shares and sole dispositive power with respect to 9,424,141 class A shares. Securities reported on such Schedule 13G/A as being beneficially owned by Baillie Gifford & Co are held by Baillie Gifford & Co and/or one or more of its investment adviser subsidiaries, which may include Baillie Gifford Overseas Limited, on behalf of investment advisory clients, which may include investment companies registered under the Investment Company Act, employee benefit plans, pension funds or other institutional clients. The address of Baillie Gifford & Co is Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland, UK.

(8) Artisan Partners Holdings LP, Artisan Investment Corporation, Artisan Partners Limited Partnership, Artisan Investments GP LLC, ZFIC, Inc., Andrew A. Ziegler and Carlene M. Ziegler filed with the SEC a Schedule 13G dated February 6, 2013. Based solely on the disclosure set forth in such Schedule 13G, Artisan Partners Holdings LP, Artisan Investment Corporation, Artisan Partners Limited Partnership, Artisan Investments GP LLC, ZFIC, Inc., Andrew A. Ziegler and Carlene M. Ziegler have shared voting power with respect to 5,718,505 class A shares and shared dispositive power with respect to 6,876,322 class A shares. The address of Artisan Partners Holdings LP, Artisan Investment Corporation, Artisan Partners Limited Partnership, Artisan Investments GP LLC and ZFIC, Inc., Andrew A. Ziegler and Carlene M. Ziegler is 875 East Wisconsin Avenue, Suite 800, Milwaukee, WI 53202.

(9) Does not sum due to rounding.

Los Laureles Ltd.

Los Laureles Ltd. is our controlling shareholder and is beneficially owned by Mr. Staton, our Chairman and CEO. Los Laureles Ltd. currently owns 38.2% of the economic interests of Arcos Dorados and 75.5% of its voting interests. Los Laureles Ltd. has established a voting trust with respect to the voting interests in us held by Los Laureles Ltd. Los Laureles Ltd. is the beneficiary of the voting trust. The voting trust exercises the vote of the class B shares through a voting committee which consists of only Mr. Staton. The decision of the voting committee must be approved by Los Laureles (PTC) Limited, a British Virgin Islands company that is a wholly-owned subsidiary of Los Laureles Limited. Mr. Staton is the sole director of Los Laureles (PTC) Limited. Without the consent of McDonald’s, Mr. Staton may add any one or more of his descendants, certain other relatives, any board member of Arcos Dorados and the chief executive officer, chief operating officer or chief financial officer of Arcos Dorados to the committee.

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

Significant Changes in Ownership by Major Shareholders

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

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

As of April 25, 2013, there were five class A shareholders of record. We believe the number of beneficial owners is substantially greater than the number of record holders because a large portion of class A shares is held in “street name” by brokers.

B. Related Party Transactions

Letter of Credit

As security for the performance of our obligations under the MFAs, we obtained an irrevocable standby letter of credit in favor of McDonald's in an amount of $65.0 million, issued by Credit Suisse acting as issuing bank. Credit Suisse owns 49% of the general partner and is a limited partner of DLJ South American Partners L.L.C., which through its affiliates controlled two of our founding private equity shareholders. We believe that the terms of the transaction are consistent with those that could have been obtained in a comparable arm's-length transaction with an unrelated party.

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 redemption, 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 continues to provide us with distribution services in Argentina, Chile, Colombia, Mexico and Venezuela. On November 9, 2011, we entered into a revolving loan agreement with Axionlog B.V. (formerly known as Axis Distribution B.V.), a holding company of the Axionlog business, pursuant to which we agreed to lend Axionlog the total sum of $12.0 million at an interest rate of LIBOR plus 6%. This revolving loan facility will mature on November 7, 2016. During 2012, Axionlog B.V. borrowed $7.0 million from us in connection with this revolving loan facility. In addition, we maintain guarantee deposits for the benefit of certain of Axionlog's suppliers consisting of payments made to them as collateral for the outstanding obligations of Axionlog to these suppliers. In the event that Axionlog does not pay a supplier by the date set forth in the relevant agreement, the guarantee deposit will be released to the supplier and we will have the right to seek reimbursement from Axionlog of the amount released. Neither fees nor interest are charged under this agreement with Axionlog. As of December 31, 2012, the outstanding amount of these guarantee deposits was $2.3 million. See Note 25 to our consolidated financial statements for details of the outstanding balances and transactions as of and for the fiscal years ended December 31, 2012 and 2011.

On March 19, 2013 Axionlog B.V. borrowed $1.0 million from us in connection with the revolving credit facility discussed above.

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 and certain subsidiaries, which we purchased in the Acquisition. The lawsuit was filed before the Puerto Rico Court of First Instance in San

Juan, Puerto Rico and originally sought declaratory judgment and damages in the amount of $11 million plus plaintiffs' attorney fees. In January 2008, the plaintiffs filed an amended complaint that increased the amount of damages sought to $66.7 million plus plaintiffs' attorneys' fees. The complaint, as amended, requests that the court declare that the plaintiffs' respective franchise agreements and contractual relationships with McDonald's Corporation, which agreements and relationships were assigned or otherwise transferred to us as part of the Acquisition, are governed by the Dealers' Act of Puerto Rico, or Law 75, a Puerto Rican law that limits the grounds under which a principal may terminate or refuse to renew a distribution contract. The complaint also seeks preliminary and permanent injunctions to restrict us from declining to renew the plaintiffs' agreements except for just cause, and to prohibit us from opening restaurants or kiosks within a 3-mile radius of a franchisee's restaurant. In September 2008, we filed a counter-suit requesting the termination of the franchise agreements with these franchisees due to several material breaches. On December 23, 2010, the Commissioner assigned by the Court of First Instance to this case issued a resolution holding that Law 75 applies to the parties' commercial relationship. On July 20, 2011, the Court of First Instance adopted the Commissioner's determination with respect to the application of Law 75. This determination is an interlocutory determination that defines the legislation applicable to the franchisee rights and obligations. Law 75 will be the applicable law during the trial process. After the trial's conclusion, we can still reiterate in appeal the position that Law 75 does not apply to the franchised agreements. The franchisees will still need to demonstrate and prove that the franchisor has breached their respective contracts. Therefore, no provision has been recorded regarding this lawsuit because we believe that a final negative resolution has a low probability of occurrence. Both parties have concluded discovery and the pretrial hearing was held on August 30, 2012. The trial commenced on September 10, 2012 and has been scheduled for several dates during 2012 and 2013. We do not anticipate that the trial hearings will conclude in the first semester of 2013.

Brazilian Labor Litigation

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

On February 22, 2013, the Public Labor Ministry of the State 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 Public Labor Ministry of the State of Pernambuco also added a demand that all employees should be allowed to bring their own meals for consumption during breaks in our restaurants.

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

On March 21, 2013, at a hearing before the Labor Court of Pernambuco, we agreed with the Public Labor Ministry of the State of Pernambuco to the following terms:

- our commitment to implement a fixed work schedule in the states of Sergipe, Espírito Santo, Bahia, Santa Catarina and Rio Grande do Sul;
- our commitment to comply with overtime payment, breaks between workdays, night shift premiums, duration of breaks, and weekly rest time requirements, among others requirements;
- a reduction of the fine for proved alleged noncompliance with the abovementioned items from R$3,000 to R$2,000 per employee per month;

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

The claim to guarantee the payment of the minimum wage independently of working hours will continue to be subject to legal discussion. No provision has been recorded regarding this claim because we believe that a final negative resolution has a low probability based on the fact that this labor practice complies with prevailing laws and regulations.

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, 2012 we maintained a provision for contingencies amounting to $27.8 million ($71.9 million as of December 31, 2011), which is disclosed net of judicial deposits amounting to $7.2 million ($6.9 million as of December 31, 2011) that we were required to make in connection with the proceedings. As of December 31, 2012, the net amount of $20.6 million was disclosed as follows: $0.5 million as a current liability and $20.1 million as a non-current liability. See Note 17 to our consolidated financial statements for more details.

Pursuant to the Acquisition, McDonald's Corporation indemnifies us for certain Brazilian claims as well as for specific and limited claims arising from the Puerto Rican franchisee lawsuit. As of December 31, 2012, the non-current portion of the provision for contingencies included $5.7 million ($12.1 million as of December 31, 2011) related to Brazilian claims that are 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.

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.

On April 20, 2012, we declared a dividend of $50.0 million for 2012, which was paid in four equal installments on May 4, 2012, July 20, 2012, October 26, 2012 and December 26, 2012. On March 22, 2013, we announced that our Board of Directors had approved a total dividend cash payment of U.S.$50.0 million for 2013 to be paid in four equal installments. The payments will be made on April 5, July 5 and October 4, 2013 and January 3, 2014, in each case in the aggregate amount of U.S.$12.5 million on outstanding class A and class B shares to shareholders of record as of the close of business on April 2, July 2, October 1 and December 30, 2013, respectively.

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

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

B. Significant Changes

See "Operating and Financial Review and Prospects—Segment Presentation" and Note 27 to our consolidated financial statements for details about the changes to our segment financial reporting effective January 1, 2013.

See "Item 3. Key Information—A. Selected Financial Data—Exchange Rates and Exchange Controls—Venezuela" and Note 27 to our consolidated financial statements for details about the devaluation announced by the Venezuelan government subsequent to December 31, 2012.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

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

	Low	High
Year Ended December 31:		
2011 (since April 14, 2011)	$ 19.55	$ 28.52
2012	$ 10.73	$ 22.94
Year Ended December 31, 2011:		
Second Quarter (since April 14, 2011)	$ 20.15	$ 24.73
Third Quarter	$ 19.98	$ 28.52
Fourth Quarter	$ 19.55	$ 25.74
Year Ended December 31, 2012:		
First Quarter	$ 17.85	$ 22.94
Second Quarter	$ 12.39	$ 19.02
Third Quarter	$ 12.22	$ 15.49
Fourth Quarter	$ 10.73	$ 15.83
Year Ended December 31, 2013:		
First Quarter	$ 12.19	$ 14.25
Month Ended:		
October 31, 2012	$ 12.91	$ 15.83
November 30, 2012	$ 10.73	$ 12.89
December 31, 2012	$ 11.83	$ 12.64
January 31, 2013	$ 12.31	$ 13.95
February 28, 2013	$ 12.67	$ 14.25
March 31, 2013	$ 12.19	$ 13.70
April 30, 2013 (through April 24)	$ 12.13	$ 12.55

B. Plan of Distribution

Not applicable.

C. Markets

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

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

General

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

Our company number in the British Virgin Island 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, 129,529,412 class A shares and 80,000,000 class B shares were issued, fully paid and outstanding.

The maximum number of shares that we are authorized to issue may be changed by resolution of shareholders amending our memorandum and articles of association. Shares may be issued from time to time only by resolution of shareholders.

Our class A shares are listed on the New York Stock Exchange 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 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 laws and our articles of association in relation to our shareholders' meetings:

- the directors of the Company may convene meetings of shareholders at such times and in such manner and places within or outside the British Virgin Islands as the directors consider necessary or desirable; provided, that at least one meeting of shareholders be held each year;

- upon the written request of shareholders entitled to exercise 30 percent or more of the voting rights in respect of the matter for which the meeting is requested, the directors are required to convene a meeting of the shareholders. Any such request must state the proposed purpose of the meeting;

- the directors convening a meeting must give not less than ten days' notice of a meeting of shareholders to: (i) those shareholders whose names on the date the notice is given appear as shareholders in the register of members of our company and are entitled to vote at the meeting, and (ii) the other directors;

- a meeting of shareholders held in contravention of the requirement to give notice is valid if shareholders holding at least 90 percent of the total voting rights on all the matters to be considered at the meeting have waived notice of the meeting and, for this purpose, the presence of a shareholder at the meeting shall constitute waiver in relation to all the shares that such shareholder holds;

- a shareholder may be represented at a meeting of shareholders by a proxy who may speak and vote on behalf of the shareholder;
- a meeting of shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than 50 percent of the votes of the shares or class or series of shares entitled to vote on resolutions of shareholders to be considered at the meeting;
- if within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved; in any other case it shall be adjourned to the next business day in the jurisdiction in which the meeting was to have been held at the same time and place or to such other date, time and place as the directors may determine, and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the shares or each class or series of shares entitled to vote on the matters to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved. Notice of the adjourned meeting need not be given if the date, time and place of such meeting are announced at the meeting at which the adjournment is taken;
- a resolution of shareholders is valid (i) if approved at a duly convened and constituted meeting of shareholders by the affirmative vote of a majority of the votes of the shares entitled to vote thereon which were present at the meeting and were voted, or (ii) if it is a resolution consented to in writing by a majority of the votes of shares entitled to vote thereon; and
- an action that may be taken by the shareholders at a meeting may also be taken by a resolution of shareholders consented to in writing by a majority of the votes of shares entitled to vote thereon, without the need for any notice, but if any resolution of shareholders is adopted otherwise than by unanimous written consent of all shareholders, a copy of such resolution shall forthwith be sent to all shareholders not consenting to such resolution.

We held our most recent annual shareholder meeting on April 25, 2013 in Lima, Peru.

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 application 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 charges if the company has elected to file such a register.

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.

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 who or 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 discriminating or unfairly prejudicial to him, he may apply to the court for an order based on such conduct.

Any shareholder of a company may apply to court for the appointment of a liquidator of the company and the court may appoint a liquidator of the company if it is of the opinion that it is just and equitable to do so.

The BVI Act provides that any shareholder of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following: (a) a merger, if the company is a constituent company, unless the company is the surviving company and the member continues to hold the same or similar shares; (b) a consolidation, if the company is a constituent company; (c) any sale, transfer, lease, exchange or other disposition of more than 50% in value of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including (i) a disposition pursuant to an order of the court having jurisdiction in the matter, (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the shareholders in accordance with their respective interest within one year after the date of disposition, or (iii) a transfer pursuant to the power of the directors to transfer assets for the protection thereof; (d) a redemption of 10% or fewer of the issued shares of the company required by the holders of 90% or more of the shares of the company pursuant to the terms of the BVI Act; and (e) an arrangement, if permitted by the court.

Generally any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the British Virgin Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

C. Material Contracts

The MFAs

We received exclusive master franchising rights from McDonald's for the Territories on August 3, 2007 when Mr. Staton, our Chairman, CEO and controlling shareholder and our founding private equity shareholders purchased McDonald's LatAm business for $698.1 million (including $18.7 million of acquisition costs) and entered into the MFAs. Prior to the Acquisition, Mr. Staton had been the joint venture partner of McDonald's Corporation in Argentina for over 20 years and had served as President of McDonald's South Latin America division since 2004.

McDonald's has a longstanding 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 and June 3, 2011, entered into by us, our wholly owned subsidiary Arcos Dorados Coöperatieve U.A., Arcos Dorados B.V. (or these two entities together with us collectively, the Owner Entities), LatAm, LLC, or the Master Franchisee, certain subsidiaries of the Master Franchisee, Los Laureles, Ltd. and McDonald's. On August 3, 2007, our subsidiary Arcos Dourados Comercio de Alimentos Ltda., or the Brazilian Master Franchisee, and McDonald's entered into the separate, but substantially identical, Brazilian MFA, which was amended and restated on November 10, 2008.

The MFAs set forth McDonald's and our rights and obligations in respect of the ownership and operation of the McDonald's-branded restaurants located in the Territories. The MFAs do not include the following Latin American and Caribbean countries and territories, among others: Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bolivia, the British Virgin Islands, the Cayman Islands, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guiana, Haiti, Honduras, Jamaica, Montserrat, Nicaragua, Paraguay, Suriname, St. Barthélemy, St. Kitts and Nevis, St. Lucia, St. Maarten, St. Vincent and the Grenadines, Turks & Caicos Islands and the U.S. Virgin Islands, with the exception of St. Croix and St. Thomas.

The material provisions of the MFAs are set forth below.

Term

The initial term of the franchise granted pursuant to the MFAs is 20 years for all of the Territories other than French Guiana, Guadeloupe and Martinique. After the expiration of the initial term, McDonald's may grant us an option to extend the term of the MFAs with respect to all Territories for an additional period of 10 years. The initial term of the franchise for French Guiana, Guadeloupe and Martinique is 10 years. We have the right to extend the term of the MFA with respect to French Guiana, Guadeloupe and Martinique for an additional term of 10 years.

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. We are responsible for collecting the continuing franchise fee from our franchisees and must pay that amount to McDonald's. In the event that a franchisee does not pay the full amount of the fee or any of our subsidiaries are unable to transfer funds to us due to currency restrictions or otherwise, we are responsible for any resulting shortfall. See "Item 3. Key Information—D. Risk Factors—Certain Factors Relating to Our Business—Our financial condition and results of operations depend, to a certain extent, on the financial condition of our franchisees and their ability to fulfill their obligations under their franchise agreements" and "Item 3. Key Information—D. Risk Factors—Certain Factors Relating to Latin America and the Caribbean—We are subject to significant foreign currency controls in certain countries in which we operate."

In the event of a voluntary or involuntary transfer of any of the McDonald's restaurants located in the Territories to a person other than a subsidiary of ours or an affiliate of one of our franchisees, we must charge a transfer fee of not less than $10,000, and must pay to McDonald's an amount equal to 50% of the fee charged.

All payments to McDonald's must be made in U.S. dollars, but are based on local currency exchange rates at the time of payment.

Material Breach

A material breach under the MFAs would occur if we, or our subsidiaries that are a party to the MFAs, materially breached any of the representations or warranties or obligations (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 achieve (a) at least 80% of the targeted openings during any one calendar year of any restaurant opening plan; or (b) at least 90% of the targeted openings during the three-calendar year term of any restaurant opening plan; and our failure to comply with at least 80% of the funding requirements of any reinvestment plan with respect to any Territory for a period of one year.

Business of the Company and the Other Owner Entities

In addition to the payment of franchise fees described above, we and the other Owner Entities are subject to a variety of obligations and restrictions under the MFAs.

Under the MFAs, we cannot, directly or indirectly, enter into any other QSR business or any business other than the operation of McDonald’s-branded restaurants in the Territories. Neither we nor any of the other Owner Entities can engage in a business other than holding, directly or indirectly, our equity interests. In addition, neither we nor any of the other Owner Entities can engage in any activity or participate in any business that competes with McDonald’s business.

Under the MFAs, Los Laureles Ltd., a British Virgin Islands company beneficially owned by Mr. Staton, our Chairman, CEO and controlling shareholder, is required to own not less than 40% of our economic interests and 51% of our voting interests. The MFAs do provide an exception for any dilution following an initial public offering, so long as such dilution does not cause Los Laureles Ltd. to be diluted below 30% of our economic interests. Also, under the MFAs, we are required to own, directly or indirectly, 100% of the equity interests of our subsidiaries and cannot enter into any partnership, joint venture or similar arrangement without McDonald’s consent. In addition, at least 50% of all McDonald’s-branded restaurants in the Territories must be Company-operated restaurants.

Real Estate

Under the MFAs, we must own or lease the real estate property where all of our Company-operated restaurants are located. We cannot transfer or encumber any of the real estate properties that we own without McDonald’s consent. Due to the geographic and commercial importance of certain restaurants, we may not sell certain “iconic” properties without the prior written consent of McDonald’s. For certain of these selected properties, we have already perfected a first priority lien in favor of McDonald’s.

Under the MFAs, no more than 50% of the total number of restaurants in each Territory, and no more than 10% of the total number of restaurants in all the Territories, can be located on real estate property that is owned, held or leased by our franchisees.

In addition, the MFA lists 25 restaurants that we are prohibited from selling or otherwise transferring without McDonald’s consent.

Transfer of Equity Interests or Significant Assets

Under the MFAs, neither we nor any of the other Owner Entities can transfer or pledge the equity interests of any of our subsidiaries, or any significant portion of our assets, without McDonald’s consent.

Operational Control

Under the MFAs, McDonald’s is entitled to approve the appointment of our chief executive officer and our chief operating officer.

In the event that McDonald’s modifies its standards applicable to technology and related equipment, we must purchase any new or modified technology, software, hardware or equipment necessary to comply with the modified standards.

Restaurant Opening Plan and Reinvestment Plan

Under the MFAs, we are required to agree with McDonald’s on a restaurant opening plan and a reinvestment plan for each three-year period during the term of the MFAs. The restaurant opening plan specifies the number and type of new restaurants to be opened in the Territories during the applicable three-year period, while the reinvestment plan specifies the amount we must spend reimaging or upgrading restaurants during the applicable three-year period. Prior to the expiration of the then-applicable three-year period we must agree with McDonald's on a subsequent restaurant opening plan and reinvestment plan.

As part of the reinvestment plan with respect to the three-year period that commenced on January 1, 2011, we must reinvest an aggregate of at least $60 million per year in the Territories. In addition, we have committed to open no less than 250 new restaurants during the current three-year restaurant opening plan. We estimate that the cost to comply with our restaurant opening commitments under the MFAs from 2011 through 2013 will be between $175 million and $385 million, depending on, among other factors, the type and location of restaurants we open. See "Item 4. Information on the Company—Capital Expenditures and Divestitures." In the event we are unable to reach an agreement on subsequent plans prior to the expiration of the then-existing plan, the MFAs provide for an automatic increase of 20% in the required amount of reinvestments as compared to the then-existing plan and a number of new restaurants no less than 210 multiplied by a factor that increases each period during the subsequent three-year restaurant opening plan.

Advertising and Promotion Plan

Under the MFAs, we must develop and implement a marketing plan with respect to each Territory that must be approved in advance by McDonald's. The MFAs require us to spend at least 5% of our gross sales on advertisement and promotion activities. Our advertisement and promotion activities are guided by our overall marketing plan, which identifies the key strategic platforms that we aim to leverage in order to drive sales.

Insurance

Under the MFAs, we are required to acquire and maintain a variety of insurance policies with certain minimum coverage limits, including commercial general liability, workers compensation, "all risk" property and business interruption insurance, among others.

Call Option Right and Security Interest in Equity Interests of the Company

Under the MFAs, McDonald's has the right, or Call Option, to acquire our non-public shares or our interests in one or more Territories upon: (i) the expiration of the initial term of the MFAs on August 2, 2027 if the initial term is not extended, (ii) the occurrence of a material breach of the MFAs or (iii) during the period of 12 months following the earlier of (x) the 18th month anniversary of the death or permanent incapacity of Mr. Staton or (y) the receipt by McDonald's of notice from Mr. Staton's heirs that they have elected to have the period of 12 months commence as of the date specified in the notice. McDonald's generally has the right either to exercise the Call Option with respect to all of the Territories, or, in its sole discretion, with respect to the Territory or Territories identified by McDonald's as being affected by such material breach or to which such material breach may be attributable except upon the occurrence of an initial material breach relating to any Territory or Territories in which there are less than 100 restaurants in operation. In such case, McDonald's only has the right to acquire the equity interests of any of our subsidiaries in the relevant Territory or Territories. As of December 31, 2012, we had more than 100 restaurants in operation in each of Argentina, Brazil, Mexico, Puerto Rico and Venezuela. No other Territory had more than 80 restaurants in operation.

If McDonald's exercises the Call Option upon the occurrence of the events described in clause (i) or (iii) of the preceding paragraph, it must pay a purchase price equal to 100% of the fair market value of our non-public shares. If the Call Option is exercised upon the occurrence of a material breach, however, the purchase price is reduced to 80% of the fair market value of all of our non-public shares or of all of the equity interests of the subsidiaries operating restaurants in the Territory related to such material breach, as applicable. The purchase price paid by McDonald's upon exercise of the Call Option is, in all events, reduced by the amount of debt and contingencies and increased by the amount of cash attributable to the entity whose equity interests are being acquired pursuant to the Call Option. In the event McDonald's were to exercise its right to acquire all of our non-public shares, McDonald's would become our controlling shareholder.

If McDonald's exercises the Call Option with respect to any of our subsidiaries (but not all of them) and the amount of debt and contingencies (minus cash) attributable to the equity interests of those subsidiaries is greater than the fair market value of those equity interests, we must, at our election, either (i) assume the debts and contingencies (minus cash) and deliver the equity interests to McDonald's free of any obligations with respect thereto or (ii) pay to McDonald's the absolute value of that amount. The fair market value of any of the equity interests is to be determined by internationally recognized investment banks without taking into consideration the debt, contingencies or cash attributable to the equity interests.

In order to secure McDonald's right to exercise the Call Option, McDonald's was granted a perfected security interest in the equity interests of the Master Franchisee, the Brazilian Master Franchisee and our subsidiaries other than our subsidiaries organized in Costa Rica, Mexico, French Guiana, Guadeloupe and Martinique. The equity interests of our subsidiaries organized in Costa Rica and Mexico were transferred to a trust for the benefit of McDonald's. McDonald's does not have a security interest in the equity interests of our subsidiaries organized in French Guiana, Guadeloupe and Martinique.

The equity interests were transferred to Citibank, N.A., acting as escrow agent. Subject to the terms of the Escrow Agreement and the Intercreditor Agreement, upon McDonald's exercise of the Call Option and its payment of the respective purchase price, the escrow agent must transfer the equity interests, free of any liens or encumbrances, to McDonald's.

Limitations on Indebtedness

Under the MFAs, we cannot incur any indebtedness secured by the collateral pledged by us and certain of our subsidiaries in connection with the letters of credit or amend or waive any of the terms related to the collateral, without McDonald's consent. The pledged collateral includes the equity interests of certain of our subsidiaries, certain of our rights under certain of the Acquisition documents, franchise document payment rights, and our intercompany debt and notes.

Under the MFAs, we must maintain a fixed charge coverage ratio (as defined therein) at least equal to (a) 1.25 from August 31, 2010 through the fiscal quarter ended September 30, 2011 and (b) 1.50, commencing with the fiscal quarter ended December 31, 2011 and thereafter; and a leverage ratio (as defined therein) not in excess of (a) 5.0, from August 31, 2010 through the fiscal quarter ended June 30, 2011, (b) 4.75 for the fiscal quarter ended September 30, 2011, and (c) 4.25, commencing with the fiscal quarter ended December 31, 2011 and thereafter. As of December 31, 2012, our fixed charge coverage ratio was 1.92 and our leverage ratio was 4.07.

Letters of Credit

As security for the performance of our obligations under the MFAs, we have obtained (i) an irrevocable standby letter of credit in favor of McDonald's in an amount of $65.0 million, issued by Credit Suisse acting as issuing bank through its Cayman Island Branch, and (ii) 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. Both letters of credit expire on November 10, 2014, 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 on May 9, 2011 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 guarantying 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.

Termination

The MFAs automatically terminate without the need for any party to it to take any further action if any type of insolvency or similar proceeding in respect of us or any of the other Owner Entities commences.

In the event of the occurrence of certain material breaches, such as if we fail to comply with the reinvestment or restaurant opening plans, McDonald's has the right to terminate the MFAs.

Upon the termination of the MFAs, McDonald's has the right to acquire all, but not less than all, of our equity interests at fair market value, which is to be calculated by internationally recognized investment banks selected by us and McDonald's. The fair market value of our equity interests shall be calculated in U.S. dollars based on the amount that would be received for our equity interests in an arm's-length transaction between a willing buyer and a willing seller, taking into account the benefits provided by the MFAs.

The 2016 Notes and the 2019 Notes

For a description of the 2016 Notes and the 2019 Notes, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—2016 Notes" and "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—2019 Notes," respectively.

The Revolving Credit Facility

For a description of the revolving credit facility entered into by Arcos Dorados B.V. with Bank of America, N.A., see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Revolving Credit Facility."

The 2012 Swap Transaction

On August 13, 2012, we entered into an equity total return swap transaction, or the swap transaction, among us, our subsidiary Arcos Dorados B.V. and Goldman Sachs International, or GSI. The purpose of the swap transaction is to reduce the impact that class A share price volatility has on our income statement due to recognition of compensation expense from the long-term incentive plan that we implemented in 2008. See "Item 6. Directors, Senior Management and Employees—B. Compensation—Long-term and Equity Incentive Plans—Long-term Incentive Plan."

Under the terms of the swap transaction, we will receive from GSI any notional gains and dividends and/or pay to GSI any notional losses, as the case may be, from time to time on 2,272,551 class A shares, or the number of notional shares, as described below. The reference price for the swap transaction (which is equal to the Rule 10b-18 volume-weighted average price at which an affiliate of GSI initially acquired a number of class A shares equal to the number of notional shares to hedge GSI's equity price risk under the swap transaction, or the hedge shares) is $13.7689 per class A share and is subject to adjustment in the event of certain corporate transactions and events. We will also make quarterly payments to GSI at a floating interest rate in an amount based on the equity notional amount of the swap transaction, which is equal to the number of notional shares, multiplied by the reference price (initially approximately $31.3 million). The swap transaction will mature no later than September 2013, but we may reduce the number of notional shares underlying the swap transaction, and therefore the equity notional amount of the swap transaction, from time to time prior to maturity of the swap transaction, at our option, subject to certain limitations.

On March 26, 2013, we filed a shelf registration statement on Form F-3 and a prospectus supplement thereto with the SEC relating to the offering from time to time by GSI of up to 2,272,551 class A shares through its affiliate Goldman, Sachs & Co., or Goldman Sachs. We expect to effect share reductions at one or more times concurrently with, or shortly following, certain exercises of CADs by our employees under the long-term incentive plan, and we expect that each share reduction will correspond to a number of notional shares approximately equal to the number of class A shares underlying the CADs exercised by our employees. In connection with any share reduction and at maturity of the swap transaction, Goldman Sachs will offer and sell in a registered offering under the F-3 shelf registration statement and prospectus supplement thereto a number of hedge shares equal to the number of notional shares by which we elect to reduce the notional size of the swap transaction (in the case of any share reduction) or the total number of notional shares underlying the swap transaction at such time (at maturity of the swap transaction), as the case may be.

GSI will calculate our gain or loss under the swap transaction by comparing the average net price per share at which its affiliate sells hedge shares in such offering, or the final price, to the then-current reference price. At settlement following any share reduction and at maturity of the swap transaction:

- if the relevant final price is greater than the then-current reference price, we will realize a gain in respect of the relevant number of notional shares subject to such settlement (and GSI will make a cash payment to us in an amount equal to such gain); and

- if the relevant final price is less than the then-current reference price, we will realize a loss in respect of the relevant number of notional shares subject to such settlement (and we will make a cash payment to GSI in an amount equal to such loss).

In addition, we will receive at maturity of the swap transaction the aggregate amount of any quarterly cash dividends we pay per class A share, multiplied by the number of notional shares underlying the swap transaction as of the ex-dividend date for each such dividend.

As of April 19, 2013, Goldman Sachs has sold 583,707 class A shares under the F-3 shelf registration statement and prospectus supplement thereto. In connection with the sales of these class A shares, we have paid Goldman Sachs an aggregate amount of $369,194.90 as settlement of the share reductions and an aggregate amount of fees amounting to $34,452.62. We expect to pay an additional aggregate amount of $289,944.50 as settlement of the share reductions and an additional aggregate amount of fees amounting to $16,655.20 by April 30, 2013. We also expect to pay certain expenses of Goldman Sachs in the amount of approximately $102,507.

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, Mexico, Puerto Rico and Venezuela, see “Item 3. Key Information—A. Selected Financial Data—Exchange Rates and Exchange Controls.”

E. Taxation

The following summary contains a description of certain British Virgin Islands and U.S. federal income 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 summary is based upon the tax laws of the British Virgin Islands and regulations thereunder and on the tax laws of the United States and regulations thereunder as of the date hereof, which are subject to change.

British Virgin Islands Tax Considerations

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.

EC Council Directive 2003/48/EC on the taxation of savings income (the “Directive”) is designed to facilitate the exchange of information on individuals’ savings income between the tax authorities of the members states of the European Union (each an “EU Member State”). The Directive and associated legislation provides that institutions, termed “paying agents”, must report to their local tax authority details of payments of interest or other similar income paid by them to an individual resident of or certain limited types of entities established in an EU Member State (each such individual or entity, an “Applicable Resident”). The local tax authority in turn must disclose to the tax authority in the EU Member State where the Applicable Resident is resident details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an Applicable Resident of that other EU Member State (the foregoing reporting and disclosure obligations being referred to as the “Automatic Exchange of Information Regime”). However, for a transitional period (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), Austria and Luxembourg may instead apply (unless during such period they elect otherwise) a withholding system in relation to such payments (the foregoing witholding system being referred to as the “Transitional Withholding Tax Regime”).

A number of non-EU countries and certain dependent or associated territories of certain EU Member States (including the BVI; together with the EU Member States the “Applicable Jurisdictions”), have adopted measures similar to either the Automatic Exchange of Information Regime or the Transitional Withholding Tax Regime in relation to payments made by a paying agent within its jurisdiction to, or collected by such a paying agent for, an Applicable Resident. In addition, the EU Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent in an EU Member State to, or collected by such a paying agent for, an individual resident or certain limited types of entities established in one of those territories. In 2008, the European Commission proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

The Directive was implemented in the BVI by way of a series of bilateral agreements with certain Applicable Jurisdictions together with amendments to the Mutual Legal Assistance (Tax Matters) Act, 2003. When the Directive was originally introduced, the BVI opted to give Applicable Residents the choice between the Automatic Exchange of Information Regime or a Transitional Withholding Tax Regime. However, pursuant to the Mutual Legal Assistance (Tax Matters) (Automatic Exchange Information) Order, 2011, with effect from 1 January 2012 paying agents established in the BVI are no longer subject to, or able to rely on, the Transitional Withholding Tax Regime as a way of complying with the Directive. Therefore, with effect from that date, paying agents in the BVI must comply with the Automatic Exchange of Information Regime.

There is no income tax treaty currently in effect between the United States and the BVI. However, a Tax Information Exchange Agreement (“TIEA”) is in place. The parties to the TIEA have agreed to provide assistance through the exchange of information relating to the administration and enforcement of the domestic laws of the parties concerning the taxes and the tax matters covered by the TIEA, including information that may be relevant to the determination, assessment, verification, enforcement, or collection of tax claims with respect to persons subject to such taxes, or to the investigation or prosecution of criminal tax evasion in relation to such persons.

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 hold such securities. This summary applies only to U.S. Holders (as defined below) that hold 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 U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding class A shares as part of a hedge, “straddle,” wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the class A shares;
- persons whose “functional currency” for U.S. federal income tax purposes is not the U.S. dollar;
- tax exempt entities, including “individual retirement accounts” and “Roth IRAs”;
- entities classified as partnerships for U.S. federal income tax purposes;
- persons that own or are deemed to own ten percent or more of our voting shares;
- persons who acquired our class A shares pursuant to the exercise of an employee stock option or otherwise as compensation; or
- persons holding class A shares in connection with a trade or business conducted outside the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds class A shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding class A shares and partners in such partnerships are encouraged to 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 Colombia; 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 are encouraged to 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 taxable at rates applicable to long-term capital gains. U.S. Holders should consult their tax advisers regarding the availability of the reduced tax rate 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 held 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 2012 taxable year. However, because the application of the 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 held class A shares, gain recognized by a U.S. Holder on a sale or other taxable 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 taxable 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 such 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 the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain on the sale of a share of a PFIC, described immediately above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the class A shares. U.S. Holders are encouraged to consult their tax advisers to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

Certain U.S. Holders who are individuals 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). Certain U.S. Holders that are entities may be subject to similar rules in the future. U.S. Holders are encouraged to consult their tax advisers regarding the effect, if any, of these reporting requirements on their ownership and disposition of class A shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other information filed with the SEC at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will send the transfer agent a copy of all notices of shareholders’ meetings and other reports, communications and information that are made generally available to shareholders. The transfer agent has agreed to mail to all shareholders a notice containing the information (or a summary of the information) contained in any notice of a meeting of our shareholders received by the transfer agent and will make available to all shareholders such notices and all such other reports and communications received by the transfer agent.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

In the ordinary course of our business activities, we are exposed to various market risks that are beyond our control, including fluctuations in foreign exchange rates and the price of our primary supplies, and which may have an adverse effect on the value of our financial assets and liabilities, future cash flows and profit. As a result of these market risks, we could suffer a loss due to adverse changes in foreign exchange rates and the price of commodities in the international markets. In addition, we are subject to equity price risk relating to our share-based compensation plans. Our policy with respect to these market risks is to assess the potential of experiencing losses and the consolidated impact thereof, and to mitigate these market risks. We are not currently exposed to significant interest rate risk because most of our long-term debt is at fixed interest rates. 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 2012

We are exposed to foreign currency exchange rate risk primarily in connection with the fluctuation in the value of the local currencies of the countries in which we operate, primarily the Brazilian *real* and Argentine *peso*, against the U.S. dollar. 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. Moreover, our continuing franchise fee payments to McDonald’s pursuant to the MFAs must be translated into and paid in U.S. dollars using the exchange rate of the last business day of the month, payable on the seventh day subsequent to each month-end. As such, in the intervening period we are subject to significant foreign exchange risk.

While substantially all our income is denominated in the local currencies of the countries in which we operate, our supply chain management involves the importation of various products, and some of our imports are denominated in U.S. dollars. Therefore, we are exposed to foreign currency exchange risk related to imports. We have entered into various forward contracts maturing in 2013 to hedge a portion of the foreign exchange risk associated with the forecasted imports of Chile, Colombia, Peru and Uruguay. See Note 27 to our consolidated financial statements for details. In addition, we attempt to minimize this risk also by entering into annual and semi-annual pricing arrangements with our main suppliers.

We are also exposed to foreign exchange risk related to U.S. dollar-denominated intercompany balances held by certain of our operating subsidiaries with our holding companies, and to foreign currency-denominated intercompany balances held by our holding companies with certain operating subsidiaries. Although these intercompany balances are eliminated through consolidation, an adverse change in exchange rates could have a significant impact on our results through the recognition of foreign currency exchange losses in our consolidated income statement.

To help mitigate some of this foreign currency exchange rate risk, we have entered into a cross-currency interest rate swap agreement, to hedge the changes in the cash flows of a portion of the 2016 Notes related to changes in foreign currency exchange rates in order to fix the functional currency cash flows. See Note 11 to our consolidated financial statements for details. As of December 31, 2012, 50.9% of the principal amount of our long-term debt is denominated in *reais* and 47.2% is denominated in U.S. dollars.

A decrease of 10% in the value of the Brazilian *real* against the U.S. dollar would result in a net foreign exchange loss totaling $1.0 million over (i) the outstanding balance of the 2016 notes (R$713.1 million including accrued interest), (ii) the cross-currency interest rate swap used to partially hedge the 2016 notes (R$73.4 million including accrued interest), (iii) the Brazilian *reais*-denominated intercompany receivable held by our subsidiary, Arcos Dorados B.V. (R$551.9 million including accrued interest), and (iv) the outstanding balance of the U.S. dollar-denominated intercompany net debt held by our Brazilian subsidiaries of $53.6 million as of December 31, 2012.

A decrease of 10% in the value of the Argentine *peso* against the U.S. dollar would result in a foreign exchange loss of $6.0 million over the outstanding U.S. dollar-denominated intercompany debt held by our Argentinean subsidiaries of $65.6 million as of December 31, 2012.

A decrease of 10% in the value of the Colombian *peso* against the U.S. dollar would result in a foreign exchange loss of $1.2 million over the outstanding U.S. dollar-denominated intercompany debt held by our Colombian subsidiaries of $13.1 million as of December 31, 2012.

An increase of 10% in the value of the European euro against the U.S. dollar would result in a foreign exchange loss of $0.9 million over the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Martinique of $8.3 million as of December 31, 2012.

An increase of 10% in the value of the Uruguayan *peso* against the U.S. dollar would result in a foreign exchange loss of $2.2 million over the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Uruguay of $19.7 million as of December 31, 2012.

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, 2012 since there are no other significant intercompany balances exposed to foreign exchange risk.

We are also exposed to foreign currency exchange risk related to the currency translation of our Venezuelan operations. A depreciation of the Venezuelan *bolívar fuerte* against the U.S. dollar would result in a foreign currency exchange loss as a result of remeasuring monetary balances denominated in *bolívares fuertes*. See Notes 21 and 27 to our consolidated financial statements for details about our operations in Venezuela and about the devaluation announced by the Venezuelan government subsequent to December 31, 2012, respectively.

Summary of Foreign Currency Exchange Rate Risk in 2011

As of December 31, 2011, a decrease of 10% in the value of the Brazilian *real* against the U.S. dollar would have resulted in a foreign exchange loss of R$7.4 million over the outstanding balance of the 2016 notes (R$400 million) and the Brazilian *reais*-denominated intercompany receivable held by our subsidiary, Arcos Dorados B.V. (R$473.6 million) and a foreign exchange loss of $6.4 million over the outstanding balance of the U.S. dollar-denominated intercompany debt held by our Brazilian subsidiaries of $70.2 million.

As of December 31, 2011, a decrease of 10% in the value of the Argentine *peso* against the U.S. dollar would have resulted in a foreign exchange loss of $3.4 million over the outstanding U.S. dollar-denominated intercompany debt held by our Argentinean subsidiaries of $36.9 million.

As of December 31, 2011, a decrease of 10% in the value of the Chilean *peso* against the U.S. dollar would have resulted in a foreign exchange loss of $0.9 million over the outstanding U.S. dollar-denominated intercompany debt held by our Chilean subsidiaries of $10.1 million.

As of December 31, 2011, an increase of 10% in the value of the European euro against the U.S. dollar would have resulted in a foreign exchange loss of $2.4 million over the outstanding euro-denominated intercompany debt held by our subsidiary, Arcos Dorados B.V., of $21.8 million.

Fluctuations in the value of the other local currencies against the U.S. dollar would not have resulted in material foreign exchange gains or losses as of December 31, 2011.

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.

Equity Price Risk

On August 13, 2012, we entered into the swap transaction in order to mitigate the impact that the volatility of our class A share price has on our income statement due to recognition of compensation expense from our CADs. See “Item 6. Directors, Senior Management and Employees—B. Compensation—Long-term and Equity Incentive Plans—Long-term Incentive Plan.” Under the terms of the swap transaction, we will receive from GSI any notional gains and dividends and/or pay to GSI any notional losses, as the case may be, from time to time on 2,272,551 class A shares, or the number of notional shares. The swap transaction will mature no later than September 2013, but we may reduce the number of notional shares underlying the swap transaction, and therefore the equity notional amount of the swap transaction, from time to time prior to maturity of the swap transaction, at our option, subject to certain limitations. See “Item 10. Additional Information—C. Material Contracts—2012 Swap Transaction.” We have significantly reduced our exposure to equity price risk from our CADs as a result of entering into this contract.

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, 2012, 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, 2012 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, 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, 2012, based on the guidelines set forth by the COSO.

Based on this assessment, management believes that, as of December 31, 2012, 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, 2012.

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, 2012, as stated in their report which appears below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
ARCOS DORADOS HOLDINGS INC.:

We have audited Arcos Dorados Holdings Inc. and subsidiaries' internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Arcos Dorados Holdings Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Arcos Dorados Holdings Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Arcos Dorados Holdings Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2012, and our report dated March 8, 2013 expressed an unqualified opinion thereon.

Buenos Aires, Argentina
March 8, 2013

/s/ Pistrelli, Henry Martin y Asociados S.R.L.
PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global

D. Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15 or 15d-15 that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our audit committee consists of 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. The current version of the Standards of Business Conduct is posted and maintained on the Arcos Dorados website at www.arcosdorados.com. The information contained on our website is not a part of this annual report.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table describes the amounts billed to us by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, independent registered public accounting firm, for audit and other services performed in fiscal years 2012 and 2011.

	2012	2011
	(in thousands of U.S. dollars)	
Audit fees	2,824	2,803
Audit-related fees	65	22
Tax fees	921	1,473
All other fees	7	737

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 Securities and Exchange Commission.

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 2012 and 2011 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 statue 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

The following table reflects purchases of our class A shares by or on behalf of us or by any affiliated purchaser in 2012.

2012	Total Number of Class A Shares Purchased	Average Price Paid per Class A Share in U.S.$	Total Number of Class A Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Class A Shares that May Yet Be Purchased Under the Plans or Programs
January 1 to January 31	—	—	—	—
February 1 to February 28	—	—	—	—
March 1 to March 31	—	—	—	—
April 1 to April 30	—	—	—	—
May 1 to May 31	—	—	—	—
June 1 to June 30	—	—	—	—
July 1 to July 31	—	—	—	—
August 1 to August 31	2,272,551(1)	13.77	—	—
September 1 to September 30	—	—	—	—
October 1 to October 31	—	—	—	—
November 1 to November 30	—	—	—	—
December 1 to December 31	—	—	—	—
Total	**2,272,551(1)**	**13.77**	**—**	**—**

(1) Represents class A shares purchased in open-market transactions in connection with the swap transaction among us, our subsidiary Arcos Dorados B.V. and Goldman Sachs International. See "Item 10. Additional Information—C. Material Contracts—The 2012 Swap Transaction."

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Our class A shares are listed on the New York Stock Exchange, or 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 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 nine members, four 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. While we do have a compensation committee, none of the members of our compensation committee are independent.

Independence of the compensation committee and its advisers

On January 11, 2013, the SEC approved new NYSE listing standards that will 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 will be required to take into consideration six specific factors, as well as all other factors relevant to an adviser's independence. Compliance with the compensation committee member independence standards will be required by the earlier of a listed company's first annual meeting after January 15, 2014 or October 31, 2014. Other standards, including those that relate to the compensation committee adviser requirements and certain additional compensation committee charter requirements, will become effective on July 1, 2013.

Foreign private issuers such as us will be exempt from these new requirements if home country practice is followed. British Virgin Islands law does not impose similar requirements, so we will not be required to implement the new NYSE listing standards relating to compensation committees. None of the members of our compensation committee are independent, and the charter of our compensation committee does not require the compensation committee to consider the independence of any advisers that assist them in fulfilling their duties.

Miscellaneous

In addition to the above differences, we are not required to: make our audit and compensation 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

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 July 13, 2011 among Arcos Dorados Holdings Inc., as issuer, the subsidiary guarantors named therein, Citibank N.A., as trustee, calculation agent, registrar, paying agent and transfer agent, and Dexia Banque Internationale à Luxembourg, Société Anonyme, as Luxembourg paying agent, incorporated herein by reference to Exhibit 4.2 to the Company's Registration Statement on Form F-1 (File No. 333-177210) filed with the SEC on October 7, 2011.
2.2	Indenture dated October 1, 2009 among Arcos Dorados B.V., the Subsidiary Guarantors named therein and Citibank N.A., as trustee, incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
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	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.
4.5	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.
4.6	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.
4.7	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.
4.8	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.
4.9	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.
4.10	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.
4.11	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.

4.12	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.
4.13	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.
4.14	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.
4.15	Confirmation dated August 13, 2012 among Goldman Sachs International, Arcos Dorados B.V. and Arcos Dorados Holdings Inc., incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form F-3 (File No. 333-187531) filed with the SEC on March 26, 2013.
4.16	Amendment to Share Swap Transaction Confirmation dated October 22, 2012 among Goldman Sachs International, Arcos Dorados B.V. and Arcos Dorados Holdings Inc., incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form F-3 (File No. 333-187531) filed with the SEC on March 26, 2013.
4.17	Amendment No. 2 to Share Swap Transaction Confirmation dated November 28, 2012 among Goldman Sachs International, Arcos Dorados B.V. and Arcos Dorados Holdings Inc., incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form F-3 (File No. 333-187531) filed with the SEC on March 26, 2013.
4.18*	Amendment No. 3 to Share Swap Transaction Confirmation dated April 4, 2013 among Goldman Sachs International, Arcos Dorados B.V. and Arcos Dorados Holdings Inc.
4.19*	ISDA Master Agreement dated as of April 20, 2012 between Bank of America, N.A. and Arcos Dorados Holdings Inc.
4.20*	ISDA Schedule to the 2012 Master Agreement dated as of April 20, 2012 between Bank of America, N.A. and Arcos Dorados Holdings Inc.
4.21*	Guarantee dated as of April 20, 2012 of Arcos Dourados Comercio de Alimentos Ltda. in favor of Bank of America, N.A. in connection with the ISDA Master Agreement and Schedule thereto, each dated as of April 20, 2012, and any confirmations thereunder.
4.22*	Confirmation dated June 8, 2012 between Arcos Dorados Holdings Inc. and Bank of America, N.A.
4.23*	Credit Agreement dated as of August 3, 2011 among Arcos Dorados B.V., as borrower, certain subsidiaries of the borrower, as guarantors, and Bank of America, N.A., as lender.
4.24*	First Amendment to Credit Agreement dated as of August 3, 2012 among Arcos Dorados B.V., as borrower, certain subsidiaries of the borrower, as guarantors, and Bank of America, N.A., as lender.
8.1*	List of subsidiaries.
12.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
12.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
13.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.
13.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.
15.1*	Consent of Euromonitor International Ltd.
15.2*	Consent of Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, independent registered public accounting firm.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed with this Annual Report on Form 20-F.

** As permitted by Rule 405(a)(2)(ii) of Regulation S-T, the registrant's XBRL (eXtensible Business Reporting Language) information will be furnished in an amendment to this Form 20-F that will be filed no more than 30 days after the date hereof. In accordance with Rule 406T(b)(2) of Regulation S-T, such XBRL information will be furnished and not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, will be deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise will not be subject to liability under those sections.

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/ Germán Lemonnier

Name: Germán Lemonnier

Title: Chief Financial Officer

Date: April 26, 2013

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.:

We have audited the accompanying consolidated balance sheets of Arcos Dorados Holdings Inc. and subsidiaries (the “Company”) as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arcos Dorados Holdings Inc. and subsidiaries as of December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2013 expressed an unqualified opinion thereon.

Buenos Aires, Argentina
March 8, 2013

/s/ Pistrelli, Henry Martin y Asociados S.R.L.
PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global

Arcos Dorados Holdings Inc.

Consolidated Statements of Income

For the fiscal years ended December 31, 2012, 2011 and 2010

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

REVENUES	2012	2011	2010
Sales by Company-operated restaurants	$3,634,371	$3,504,128	$2,894,466
Revenues from franchised restaurants	163,023	153,521	123,652
Total revenues .	**3,797,394**	**3,657,649**	**3,018,118**
OPERATING COSTS AND EXPENSES			
Company-operated restaurant expenses:			
Food and paper	(1,269,146)	(1,216,141)	(1,023,464)
Payroll and employee benefits	(753,120)	(701,278)	(569,084)
Occupancy and other operating expenses	(984,004)	(918,102)	(765,777)
Royalty fees	(180,547)	(170,400)	(140,973)
Franchised restaurants – occupancy expenses	(56,057)	(51,396)	(37,634)
General and administrative expenses	(314,619)	(334,914)	(254,165)
Other operating expenses, net	(3,261)	(14,665)	(22,464)
Total operating costs and expenses	**(3,560,754)**	**(3,406,896)**	**(2,813,561)**
Operating income	**236,640**	**250,753**	**204,557**
Net interest expense	(54,247)	(60,749)	(41,613)
Loss from derivative instruments	(891)	(9,237)	(32,809)
Foreign currency exchange results	(18,420)	(23,926)	3,237
Other non-operating (expenses) income, net	(2,119)	3,562	(23,630)
Income before income taxes	**160,963**	**160,403**	**109,742**
Income tax expense	(46,375)	(44,603)	(3,450)
Net income	**114,588**	**115,800**	**106,292**
Less: Net income attributable to non-controlling interests	(256)	(271)	(271)
Net income attributable to Arcos Dorados Holdings Inc.	**$114,332**	**$115,529**	**$106,021**
Earnings per share information:			
Basic net income per common share attributable to Arcos Dorados Holdings Inc.	$0.55	$0.54	$0.44
Diluted net income per common share attributable to Arcos Dorados Holdings Inc.	0.55	0.54	0.44

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statements of Comprehensive Income

For the fiscal years ended December 31, 2012, 2011 and 2010

Amounts in thousands of US dollars

	2012	2011	2010
Net income	**$114,588**	**$115,800**	**$106,292**
Other comprehensive income (loss), net of tax:			
Foreign currency translation (including $13,100 of income taxes in 2010)	(8,104)	(50,826)	29,927
Unrecognized prior service cost of post-employment benefits (net of $624 of income taxes in 2012)	(1,213)	-	-
Unrealized results on cash flow hedges:			
Unrealized net (losses) gains on cash flow hedges (net of $nil of income taxes)	(4,195)	131	(1,134)
Plus: reclassification adjustment for net losses included in net income (net of $nil of income taxes)	3,101	451	273
Unrealized results on cash flow hedges	(1,094)	582	(861)
Total other comprehensive (loss) income	**(10,411)**	**(50,244)**	**29,066**
Comprehensive income	**104,177**	**65,556**	**135,358**
(Less) Plus: Comprehensive (income) expense attributable to non-controlling interests	(277)	248	(212)
Comprehensive income attributable to Arcos Dorados Holdings Inc.	**$103,900**	**$65,804**	**$135,146**

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Balance Sheets

As of December 31, 2012 and 2011

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

ASSETS	2012	2011
Current assets		
Cash and cash equivalents	$ 184,851	$ 176,301
Accounts and notes receivable, net	105,019	93,862
Other receivables	131,747	66,605
Inventories	54,824	50,729
Prepaid expenses and other current assets	101,148	140,654
Derivative instruments	1,731	-
Deferred income taxes	22,178	36,713
McDonald's Corporation's indemnification for contingencies	-	23,750
Total current assets	**601,498**	**588,614**
Non-current assets		
Miscellaneous	59,304	44,879
Collateral deposits	5,325	5,325
Property and equipment, net	1,176,350	1,023,180
Net intangible assets and goodwill	67,271	58,419
Deferred income taxes	133,708	142,848
McDonald's Corporation's indemnification for contingencies	5,707	12,141
Total non-current assets	**1,447,665**	**1,286,792**
Total assets	**$ 2,049,163**	**$ 1,875,406**
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 244,365	$ 220,941
Royalties payable to McDonald's Corporation	29,278	19,002
Income taxes payable	21,051	50,379
Other taxes payable	104,662	88,610
Accrued payroll and other liabilities	150,690	146,721
Provision for contingencies	507	41,959
Interest payable	21,567	16,028
Short-term debt	568	840
Current portion of long-term debt	1,634	2,971
Derivative instruments	3,952	1,841
Total current liabilities	**578,274**	**589,292**
Non-current liabilities		
Accrued payroll and other liabilities	40,115	52,065
Provision for contingencies	20,092	23,077
Long-term debt, excluding current portion	649,968	525,951
Derivative instruments	5,397	742
Deferred income taxes	9,007	4,650
Total non-current liabilities	**724,579**	**606,485**
Total liabilities	**1,302,853**	**1,195,777**
Equity		
Class A shares - no par value common stock; 420,000,000 shares authorized, 129,529,412 shares issued and outstanding at December 31, 2012 and 2011	351,654	351,654
Class B shares - no par value common stock; 80,000,000 shares authorized, issued and outstanding at December 31, 2012 and 2011	132,915	132,915
Additional paid-in capital	18,634	5,734
Retained earnings	400,761	336,707
Accumulated other comprehensive loss	(158,821)	(148,389)
Total Arcos Dorados Holdings Inc. shareholders' equity	**745,143**	**678,621**
Non-controlling interests in subsidiaries	1,167	1,008
Total equity	**746,310**	**679,629**
Total liabilities and equity	**$ 2,049,163**	**$ 1,875,406**

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statements of Cash Flows

For the fiscal years ended December 31, 2012, 2011 and 2010

Amounts in thousands of US dollars

	2012	2011	2010
Operating activities			
Net income attributable to Arcos Dorados Holdings Inc.	$ 114,332	$ 115,529	$ 106,021
Adjustments to reconcile net income attributable to Arcos Dorados Holdings Inc. to cash provided by operations:			
Non-cash charges and credits:			
Depreciation and amortization	92,328	68,971	60,585
Loss from derivative instruments	891	9,237	32,809
Amortization of deferred financing costs	1,314	3,316	979
Amortization and accrual of letter of credit fees	3,028	2,847	2,633
Net income attributable to non-controlling interests	256	271	271
Deferred income taxes	14,228	(2,882)	(61,101)
Foreign currency exchange results	13,788	16,209	(1,072)
Accrued compensation expense	1,265	29,712	36,551
Loss on amnesty program	-	-	25,532
Others, net	4,860	10,289	2,009
Changes in assets and liabilities:			
Accounts payable	22,575	60,234	52,077
Accounts and notes receivable and other receivables	(48,168)	(14,609)	(70,762)
Inventories, prepaid and other assets	14,628	(42,415)	(39,742)
Income taxes payable	(23,042)	17,455	13,085
Other taxes payable	8,414	6,627	12,134
Interest payable	6,134	8,961	105
Accrued payroll and other liabilities and provision for contingencies	(9,956)	(34,479)	82,688
Others	13,238	6,351	9,074
Net cash provided by operating activities	**230,113**	**261,624**	**263,876**
Investing activities			
Property and equipment expenditures	(294,478)	(319,859)	(175,669)
Purchases of restaurant businesses	(6,004)	(5,993)	(504)
Proceeds from sale of property and equipment	6,643	10,681	6,215
Loans to related parties	(7,000)	-	-
Other investing activity	(5,582)	(4,961)	(8,266)
Net cash used in investing activities	**(306,421)**	**(320,132)**	**(178,224)**
Financing activities			
Issuance of class A shares in connection with the initial public offering	-	152,281	-
Dividend payments to Arcos Dorados Holdings Inc.' shareholders	(50,036)	(56,627)	(33,400)
Net payment of derivative instruments	(4,322)	(118,932)	(37,815)
Collateral deposits	-	15,000	25,000
Cash and cash equivalents of split-off Axis Business	-	(35,425)	-
Partial redemption of 2019 Notes	-	(152,005)	-
Issuance of 2016 Notes	149,658	255,102	-
Net short-term borrowings	(157)	(10,871)	3,805
Other financing activities	(4,497)	(12,850)	(8,877)
Net cash provided by (used in) financing activities	**90,646**	**35,673**	**(51,287)**
Effect of exchange rate changes on cash and cash equivalents	(5,788)	(8,963)	5,759
Increase (Decrease) in cash and cash equivalents	**8,550**	**(31,798)**	**40,124**
Cash and cash equivalents at the beginning of the year	176,301	208,099	167,975
Cash and cash equivalents at the end of the year	**$ 184,851**	**$ 176,301**	**$ 208,099**
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 55,347	$ 46,022	$ 42,034
Income tax	30,700	50,952	40,391
Non-cash transactions:			
Seller financings	-	-	2,423
Split-off Axis Business – non-cash portion	-	9,833	-

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statements of Changes in Equity

For the fiscal years ended December 31, 2012, 2011 and 2010

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

	Arcos Dorados Holdings Inc.' Shareholders									
	Class A shares of common stock		Class B shares of common stock							
	Number	Amount	Number	Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total
Balances at December 31, 2009	**145,129,780**	**226,528**	**96,753,186**	**151,018**	**(2,468)**	**205,366**	**(127,789)**	**452,655**	**1,391**	**454,046**
Net income for the year	-	-	-	-	-	106,021	-	106,021	271	106,292
Other comprehensive income	-	-	-	-	-	-	29,125	29,125	(59)	29,066
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(209)	(209)
Dividends to Arcos Dorados Holding Inc.'s shareholders ($0.17 per share). ' Shareholders	-	-	-	-	-	(40,000)	-	(40,000)	-	(40,000)
Balances at December 31, 2010	**145,129,780**	**226,528**	**96,753,186**	**151,018**	**(2,468)**	**271,387**	**(98,664)**	**547,801**	**1,394**	**549,195**
Net income for the year	-	-	-	-	-	115,529	-	115,529	271	115,800
Other comprehensive income	-	-	-	-	-	-	(49,725)	(49,725)	(519)	(50,244)
Split-off of Axis Business	(25,129,780)	(27,155)	(16,753,186)	(18,103)	-	-	-	(45,258)	-	(45,258)
Dividends to Arcos Dorados Holdings Inc.'s shareholders ($0.24 per share)	-	-	-	-	-	(50,027)	-	(50,027)	-	(50,027)
Issuance of class A shares in connection with the initial public offering	9,529,412	152,281	-	-	-	-	-	152,281	-	152,281
Stock-based compensation related to the 2011 Equity Incentive Plan	-	-	-	-	8,202	-	-	8,202	-	8,202
Dividends on restricted share units under the 2011 Equity Incentive Plan	-	-	-	-	-	(182)	-	(182)	-	(182)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(138)	(138)
Balances at December 31, 2011	**129,529,412**	**351,654**	**80,000,000**	**132,915**	**5,734**	**336,707**	**(148,389)**	**678,621**	**1,008**	**679,629**
Net income for the year	-	-	-	-	-	114,332	-	114,332	256	114,588
Other comprehensive income	-	-	-	-	-	-	(10,432)	(10,432)	21	(10,411)
Dividends to Arcos Dorados Holdings Inc.'s shareholders ($0.24 per share)	-	-	-	-	-	(50,036)	-	(50,036)	-	(50,036)
Stock-based compensation related to the 2011 Equity Incentive Plan	-	-	-	-	12,900	-	-	12,900	-	12,900
Dividends on restricted share units under the 2011 Equity Incentive Plan	-	-	-	-	-	(242)	-	(242)	-	(242)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(118)	(118)
Balances at December 31, 2012	**129,529,412**	**351,654**	**80,000,000**	**132,915**	**18,634**	**400,761**	**(158,821)**	**745,143**	**1,167**	**746,310**

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012

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

1. Organization and nature of business

Arcos Dorados Holdings Inc. (the “Company”) is a limited liability company organized and existing under the laws of the British Virgin Islands. The Company was incorporated on December 9, 2010 in connection with the reorganization made for purposes of the offering and listing of the Company’s shares on the New York Stock Exchange. The reorganization involved the creation of Arcos Dorados Holdings Inc. as a wholly-owned subsidiary of Arcos Dorados Limited and a subsequent downstream merger, being Arcos Dorados Holdings Inc. the surviving entity. Following the merger, Arcos Dorados Holdings Inc. replaced Arcos Dorados Limited in the corporate structure. The reorganization 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 it was incorporated in July 2006. The Company’s fiscal year ends on the last day of December. The Company has a 99.999% equity interest in Arcos Dorados Cooperatieve U.A., which has a 100% equity interest in Arcos Dorados B.V. (“ADBV”).

On August 3, 2007 the Company, indirectly through its wholly-owned subsidiary ADBV, entered into a Stock Purchase Agreement and Master Franchise Agreements (“MFAs”) with McDonald’s Corporation pursuant to which the Company completed the acquisition of the McDonald’s business in Latin America and the Caribbean (“LatAm business”). See Note 4 for details. Prior to this acquisition, the Company did not carry out operations.

The Company, 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 and Venezuela. All restaurants are operated either by the Company’s subsidiaries or by independent entrepreneurs under the terms of sub-franchisee agreements (franchisees).

2. Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”) and include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company has elected to report its consolidated financial statements in United States dollars (“$” or “US dollars”).

Reclassifications

Certain reclassifications have been made within current liabilities to the prior year information to conform to the current year presentation.

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.

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

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3. Summary of significant accounting policies (continued)

Foreign currency translation

The financial statements of the Company's foreign operating subsidiaries are translated in accordance with guidance in ASC Topic 830 Foreign Currency Matters. Except for the Company's Venezuelan operations as from January 1, 2010, 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 U.S. dollars at the balance sheets date exchange rates, and revenues and expenses are translated at average rates prevailing during the periods. Translation adjustments are included in the "Accumulated other comprehensive loss" component of shareholders' equity. The Company includes foreign currency exchange results related to monetary assets and liabilities denominated in currencies other than its functional currencies in its income statement.

Effective January 1, 2010, Venezuela is considered to be highly inflationary, and as such, the financial statements of the Company's Venezuelan subsidiaries are remeasured as if their functional currencies were the reporting currency (U.S. dollars). As a result, remeasurement gains and losses are recognized in earnings rather than in the cumulative translation adjustment, component of other comprehensive income within shareholders' equity.

See Note 21 for additional information pertaining to the Company's Venezuelan operations, including currency restrictions and controls existing in the country and a discussion of the exchange rate used for remeasurement purposes.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less, from the date of purchase, to be cash equivalents.

Revenue recognition

The Company's revenues consist of sales by Company-operated restaurants and revenues from restaurants operated by franchisees. Sales by Company-operated restaurants are recognized on a cash basis. The Company presents sales net of sales tax and other sales-related taxes. Revenues from restaurants operated by franchisees include rental income, initial franchise fees and royalty income. Rental income is measured on a monthly basis based on the greater of a fixed rent, computed on a straight-line basis, or a certain percentage of gross sales reported by franchisees. Initial franchise fees represent the difference between the amount the Company collects from the franchisee and the amount the Company pays to McDonald's Corporation upon the opening of a new restaurant, which is when the Company has performed substantially all initial services required by the franchisee agreement. Royalty income represents the difference, if any, between the amount the Company collects from the franchisee and the amount the Company is required to pay to McDonald's Corporation. Royalty income is recognized in the period earned.

Accounts and notes receivable and allowance for doubtful accounts

Accounts receivable primarily consist of royalty and rent receivables due from franchisees and debit and credit card receivables. Accounts receivable are initially recorded at fair value and do not bear interest. Notes receivable relates to interest-bearing financing granted to certain franchisees in connection with the acquisition of equipment and third-party suppliers. The Company maintains an allowance for doubtful accounts in an amount that it considers sufficient to cover losses resulting from the inability of its franchisees to make required payments. In judging the adequacy of the allowance for doubtful accounts, the Company considers multiple factors including historical bad debt experience, the current economic environment and the aging of the receivables.

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3. Summary of significant accounting policies (continued)

Other receivables

Other receivables primarily consist of value-added tax and other tax receivables (amounting to $35,527 and $30,358 as of December 31, 2012 and 2011, respectively), guarantee deposits (amounting to $2,292 and $16,100 at December 31, 2012 and 2011, respectively) and receivables from related parties (amounting to $73,664 and $5,538 at December 31, 2012 and 2011, respectively). Other receivables are reported at the amount expected to be collected.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined on a first-in, first-out basis.

Property and equipment, net

Property and equipment are stated at cost, net of accumulated depreciation. Property costs include costs of land and building for both company-operated and franchise restaurants while equipment costs primarily relate to company-operated restaurants. Cost of property and equipment acquired from McDonald's Corporation (as part of the acquisition of LatAm business) was determined based on its estimated fair market value at the acquisition date, then partially reduced by the allocation of the negative goodwill that resulted from the purchase price allocation. Cost of property and equipment acquired or constructed after the acquisition of LatAm business in connection with the Company's restaurant reimaging and extension program is comprised of acquisition and construction costs and capitalized internal costs. Capitalized internal costs include payroll expenses related to employees fully dedicated to restaurant construction projects and related travel expenses. Capitalized payroll costs are allocated to each new restaurant location based on the actual time spent on each project. The Company commences capitalizing costs related to construction projects when it becomes probable that the project will be developed – when the site has been identified and the related profitability assessment has been approved. Maintenance and repairs are expensed as incurred. Accumulated depreciation is calculated using the straight-line method over the following estimated useful lives: buildings – up to 40 years; leasehold improvements – the lesser of useful lives of assets or lease terms which generally include option periods; and equipment – 3 to 12 years.

Intangible assets, net

Intangible assets include computer software costs, initial franchise fees, reacquired rights under franchise agreements and letter of credit fees.

The Company follows the provisions of ASC 350-40-30 within ASC Topic 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 (generally 20 years).

A reacquired franchise right is recognized as an intangible asset as part of the business combination in the acquisition of franchise 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 current market terms. 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.

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3. Summary of significant accounting policies (continued)

Impairment and disposal of long-lived assets

In accordance with the guidance within ASC 360-10-35, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of the asset may not be recoverable. For purposes of reviewing assets for potential impairment, assets are grouped at a country level for each of the operating markets. The Company manages its restaurants as a group or portfolio with significant common costs and promotional activities; as such, each restaurant's cash flows are not largely independent of the cash flows of others in a market. If an indicator of impairment exists for any grouping of assets, an estimate of undiscounted future cash flows produced by each individual restaurant within the asset grouping is compared to its carrying value. If an individual restaurant is determined to be impaired, the loss is measured by the excess of the carrying amount of the restaurant over its fair value considering its highest and best use, as determined by an estimate of discounted future cash flows or its market value. In the fourth quarter of 2012, 2011 and 2010, the Company assessed all markets for impairment indicators. As a result of these assessments, the Company performed the impairment testing of its long-lived assets in Mexico, Puerto Rico and Peru in each fiscal year, as well as in Aruba, Curacao and the U.S. Virgin Islands of St. Croix and St. Thomas in fiscal year 2012 considering recent operating losses incurred in these markets (indicator of potential impairment). As a result of these analyses, no impairments were recorded for the Company's operations in Peru in fiscal years 2011 and 2010 nor in Aruba, Curacao and the U.S. Virgin Islands of St. Croix and St. Thomas in fiscal year 2012 since the estimates of undiscounted future cash flows for each restaurant in these markets or the fair market value exceeded its carrying value. However, the Company recorded impairment charges associated with certain restaurants in Mexico, Puerto Rico and Peru (the latter only in 2012) with undiscounted future cash flows insufficient to recover their carrying value. The impairment charges were measured by the excess of the carrying amount of the restaurants over their fair value. The impairment charges totaling $1,982, $1,715 and $4,668 in 2012, 2011 and 2010, respectively, are included within "Other operating expenses, net" in the consolidated statements of income.

Losses on assets held for disposal are recognized when management and the Board of Directors, as required, has approved and committed to a plan to dispose of the assets, the assets are available for disposal, the disposal is probable of occurring within 12 months, and the net sales proceeds are expected to be less than the assets' net book value. Generally, such losses relate to restaurants that have closed and ceased operations as well as restaurants that meet the criteria to be considered "held for sale" in accordance with ASC 360-10-45.

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 Topic 350 Intangibles-Goodwill and Other, goodwill is stated at cost and reviewed for impairment on an annual basis. The annual impairment test is performed during the fourth quarter of the fiscal year and compares the fair value of each reporting unit, generally based on discounted future cash flows, with its carrying amount including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is measured as the difference between the implied fair value of the reporting unit's goodwill and the carrying amount of goodwill. As a result of the analyses performed in the fourth quarter of 2012 and 2011, the Company recorded impairment charges of the full amounts of goodwill that had been generated in the acquisition of restaurants in Puerto Rico and St. Croix, respectively. The impairment charges amounting to $683 in 2012 and $2,077 in 2011 are included within "Other operating expenses, net" in the consolidated statements of income. No impairments of goodwill were recognized during fiscal year 2010.

Advertising costs

Advertising costs are expensed as incurred. Advertising expenses related to Company-operated restaurants were $147,194, $139,749 and $116,251 in 2012, 2011 and 2010, 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 $46,614, $44,779 and $36,355 in 2012, 2011 and 2010, respectively.

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3. Summary of significant accounting policies (continued)

Accounting for income taxes

The Company records deferred income taxes using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The guidance requires companies to set up a valuation allowance for that component of net deferred tax assets which does not meet the more likely than not criterion for realization.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company is regularly audited by tax authorities, and tax assessments may arise several years after tax returns have been filed. Accordingly, tax liabilities are recorded when, in management's judgment, a tax position does not meet the more likely than not threshold for recognition. For tax positions that meet the more likely than not threshold, a tax liability may be recorded depending on management's assessment of how the tax position will ultimately be settled. The Company records interest and penalties on unrecognized tax benefits in the provision for income taxes.

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, 2012 and 2011, approximately $2.0 million and $nil, 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 16 for details of the outstanding plans and the related accounting policies.

Derivative financial instruments

The Company utilizes certain hedge instruments to manage its interest rate and foreign currency rate exposures. The counterparties to these instruments generally are major financial institutions. The Company does not hold or issue derivative instruments for trading purposes. In entering into these contracts, the Company assumes the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. The Company does not expect any losses as a result of counterparty defaults. All derivatives are recognized as either assets or liabilities in the balance sheets and are measured at fair value. Additionally, the fair value adjustments will affect either shareholders' equity as accumulated other comprehensive income (loss) or net income (loss) depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity.

Severance payments

Under certain laws and labor agreements of the countries in which the Company operates, the Company is required to make minimum severance payments to employees who are dismissed without cause and employees leaving its employment in certain other circumstances. The Company accrues severance costs if they relate to services already rendered, are related to rights that accumulate or vest, are probable of payment and can be reasonably estimated. Otherwise, severance payments are expensed as incurred.

3. Summary of significant accounting policies (continued)

Post-employment benefits

In 2012 became effective in Venezuela the new Organic Law of Labor and Workers (known as "LOTTT," its Spanish acronym) that, among other regulations, provides for a post-employment 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 is required to make quarterly deposits in a trust fund. The Company obtained an actuarial valuation of the unfunded post-employment liability. The accumulated post-employment obligation at December 31, 2012 was $2,506, of which $1,837 relate to unrecognized prior service costs as a component of comprehensive income; and $669 to post-employment expenses included in “General and administrative expenses”. Post-employment expenses consist of service cost and interest cost amounting to $374 and $295, respectively.

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 17 for details.

Comprehensive income

Comprehensive 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 gains and losses, unrealized results on cash flow hedges as well as unrecognized prior service costs of post-employment benefits as components of comprehensive income.

Recent accounting pronouncements

In May 2011, the FASB issued ASU 2011-04 to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. The Company adopted this guidance on January 1, 2012. The adoption of this ASU had no significant impact on the Company’s consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05 which provides new guidance on the presentation of comprehensive income. ASU 2011-05 eliminates the option to report other comprehensive income and its components in the statement of changes in shareholders’ equity and instead requires an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income from that of prior accounting guidance. The Company adopted this new guidance on January 1, 2012. As a result of such adoption, the Company has changed the presentation, and as from the first quarter of 2012 reports comprehensive income in a separate but consecutive statement.

In September 2011 and July 2012, the FASB issued ASU 2011-08 and ASU 2012-02, respectively, which provide an entity the option to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test for goodwill and indefinite-lived intangible assets, respectively. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit or an indefinite-lived intangible asset is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The Company adopted the ASU 2011-08 for its fiscal year beginning on January 1, 2012, with no significant impact on the Company’s consolidated financial statements. The Company will adopt the ASU 2012-02 for its fiscal year beginning on January 1, 2013, expecting no significant 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 $679,357. The purchase price was comprised of (a) a base purchase price amounting to $700,000, and (b) an additional purchase price equal to the final working capital of the acquired business amounting to negative $20,643. The Company paid the base purchase price and the estimated additional purchase price at the transaction date totaling $701,244. Subsequently, the Company recorded a receivable from McDonald's Corporation amounting to $21,887 for the difference between the final working capital and the working capital estimated at the transaction date. This receivable was collected in 2008 ($15,015 in cash and $6,872 by assignment of a receivable from suppliers). Fees and expenses associated with this acquisition amounted to $18,723. The final purchase price was $698,080.

The acquisition of the LatAm business was accounted for by the purchase method of accounting and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of acquisition. When the fair value of the net assets acquired exceeded the purchase price, the resulting negative goodwill was allocated to partially reduce the fair value of the non-current assets acquired on a pro-rata basis.

In connection with this transaction, ADBV and certain subsidiaries (the "MF subsidiaries") also entered into 20-year Master Franchise Agreements ("MFAs") with McDonald's Corporation which grants to the Company and its MF subsidiaries the following:

i. The right to own and operate, directly or indirectly, franchised restaurants in each territory;
ii. The right and license to grant sub franchises in each territory;
iii. The right to adopt and use, and to grant the right and license to sub franchisees to adopt and use, the system in each territory;
iv. The right to advertise to the public that it is a franchisee of McDonald's;
v. The right and license to grant sub franchises and sublicenses of each of the foregoing rights and licenses to each MF subsidiary.

The Company is required to pay to McDonald's Corporation continuing franchise fees (Royalty fees) on a monthly basis. The amount to be paid during the first 10 years of the MFAs is equal to 5% of the US dollar equivalent of the gross product sales of each of the franchised restaurants. This percentage increases to 6% and 7% for the subsequent two 5-year periods of the agreement. Payment of monthly royalties is due on the seventh business day of the next calendar month.

Pursuant to the MFAs provisions, McDonald's Corporation has the right to (a) terminate the MFAs, or (b) exercise a call option over the Company's shares or any MF subsidiary, if the Company or any MF subsidiary (i) fails to comply with the McDonald's System (as defined in the MFAs), (ii) files for bankruptcy, (iii) defaults on its financial debt payments, (iv) substantially fails to achieve targeted openings and reinvestments requirements, or (v) upon the occurrence of any other event of default as defined in the MFAs.

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4. Acquisition of businesses (continued)

Other acquisitions

In 2010, the Company acquired franchised restaurants in Mexico and Chile. In 2011, the Company acquired franchised restaurants in Brazil and Chile. In 2012, the Company acquired franchised restaurants in Colombia, Chile, Mexico and Puerto Rico. Presented below is supplemental information about these non-significant acquisitions:

Purchases of restaurant businesses:	**2012**	**2011**	**2010**
Property and equipment	$ 1,793	$ 1,704	$ 2,016
Identifiable intangible assets	6,061	-	183
Goodwill	1,196	4,952	1,276
Gain on bargain purchase of franchised restaurants	(1,161)	-	-
Purchase price	**7,889**	**6,656**	**3,475**
Settlement of franchise receivables	(1,885)	(663)	(548)
Seller financing	-	-	(2,423)
Purchase price paid	**$ 6,004**	**$ 5,993**	**$ 504**

5. Accounts and notes receivable, net

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

	2012	**2011**
Debit and credit card receivables	$45,223	$42,344
Receivables from franchisees	38,079	33,823
Meal voucher receivables	16,800	13,737
Notes receivable	8,939	10,348
Allowance for doubtful accounts	(4,022)	(6,390)
	$105,019	**$93,862**

6. Prepaid expenses and other current assets

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

	2012	**2011**
Prepaid expenses and taxes	$ 86,249	$ 129,554
Promotion items	14,899	11,100
	$ 101,148	**$ 140,654**

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7. Property and equipment, net

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

	2012	2011
Land	$ 200,340	$ 189,801
Buildings and leasehold improvements	712,908	599,350
Equipment	544,213	438,601
Total cost	1,457,461	1,227,752
Total accumulated depreciation	(281,111)	(204,572)
	$ 1,176,350	**$ 1,023,180**

Total depreciation expense for fiscal years 2012, 2011 and 2010 amounted to $77,503, $57,827 and $53,845, respectively.

8. Net intangible assets and goodwill

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

	2012	2011
Net intangible assets (i)		
Computer software cost	$ 62,159	$ 52,555
Initial franchise fees	20,429	15,342
Reacquired franchised rights	6,076	-
Letter of credit fees	940	940
Total cost	89,604	68,837
Total accumulated amortization	(40,512)	(28,172)
Subtotal	**49,092**	**40,665**
Goodwill (ii)		
Mexico Martinique (i)	7,780	7,180
Brazil	8,086	8,892
Ecuador	273	273
Peru	220	208
Chile	1,553	1,201
Colombia	267	-
Subtotal	**18,179**	**17,754**
	$ 67,271	**$ 58,419**

(i) Total amortization expense for fiscal years 2012, 2011 and 2010 amounted to $14,825, $11,144 and $6,740, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows: $14,824 for 2013; $14,791 for 2014; $10,392 for 2015; $3,047 for 2016; $1,531 for 2017 and thereafter $4,507.

(ii) Related to the acquisition of franchise restaurants (Mexico, Brazil, Peru, Colombia and Chile) and non-controlling interests in subsidiaries (Ecuador and Chile).

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9. Accrued payroll and other liabilities

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

	2012	2011
Current:		
Accrued payroll	$ 110,499	$ 100,254
Long-term incentive plan	8,843	20,490
Accrued expenses	17,908	20,029
Amnesty program	10,236	2,480
Other liabilities	3,204	3,468
	$ 150,690	**$ 146,721**
Non-current:		
Long-term incentive plan	$ 2,968	$ 12,879
Amnesty program	20,210	25,972
Other liabilities	16,937	13,214
	$ 40,115	**$ 52,065**

10. Short-term debt

At December 31, 2012 and 2011 short-term debt consists of bank overdrafts and short-term loans.

Revolving Credit Facility

On August 3, 2011, ADBV entered into a committed revolving credit facility with Bank of America, N.A., as lender, for $50 million with a maturity date one year from the date of closing thereof. On August 3, 2012, ADBV renewed the revolving credit facility for an additional one-year period. The obligations of ADBV under the revolving credit facility are jointly and severally guaranteed by certain of the Company's subsidiaries on an unconditional basis. 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. Each loan made to ADBV under the revolving credit facility will bear interest at an annual rate equal to LIBOR plus 2.50%. Interest on each loan will be payable on the date of any prepayment, at maturity and on a quarterly basis, beginning with the date that is three calendar months following the date the loan is made.

The revolving credit facility includes customary covenants including, among others, restrictions on the ability of ADBV, 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) permit the consolidated net indebtedness to EBITDA ratio to be greater than 2.50 to 1 on the last day of any fiscal quarter of the borrower; and (vii) 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 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.

On April 3, 2012 the Company borrowed $10,000 under the revolving credit facility. This borrowing was settled on April 26, 2012 with the proceeds of the issuance of the 2016 Notes discussed in Note 11.

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

11. Long-term debt

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

	2012	2011
2019 Notes	$ 306,798	$ 306,532
2016 Notes	331,859	214,248
Capital lease obligations	9,121	5,171
Other long-term borrowings	3,824	2,971
Total	**651,602**	**528,922**
Current portion of long-term debt	1,634	2,971
Long-term debt, excluding current portion	**$ 649,968**	**$ 525,951**

2019 Notes

In October 2009, ADBV issued senior notes for an aggregate principal amount of $450,000 at a price of 99.136% (the “2019 Notes”). The 2019 Notes mature on October 1, 2019 and bear interest of 7.5% per year. Periodic payments of principal are not required under the 2019 Notes. Interest is paid semi-annually. The Company incurred $8,928 of financing costs related to this issuance, which were capitalized as deferred financing costs and are being amortized over the life of the notes.

On July 18, 2011 the Company redeemed 31.42% or $141,400 of the outstanding principal amount of its 2019 Notes at a redemption price of 107.5% plus accrued and unpaid interest. As a result, the Company incurred a loss of $13,933, including $2,319 related to the accelerated amortization of deferred financing costs and $1,009 related to the accelerated accretion of the original discount.

Interest expense related to the 2019 Notes was $23,145, $28,948 and $33,750 during fiscal year 2012, 2011 and 2010, respectively. Amortization of deferred financing costs related to the 2019 Notes (including the accelerated amortization as a result of the redemption in 2011) amounted to $610, $3,067 and $979 for fiscal year 2012, 2011 and 2010, respectively. Accretion of the original discount related to the 2019 Notes (including the acceleration accretion as a result of the redemption in 2011) totaled $266, $1,335 and $387 for fiscal year 2012, 2011 and 2010, respectively. Loss from the partial redemption of the 2019 Notes at a price higher than the nominal value amounted to $10,605 in 2011. These charges are included within “Net interest expense” in the consolidated statements of income.

The 2019 Notes are redeemable at the option of the Company at any time at the applicable redemption prices set forth in the indenture governing the 2019 Notes. The 2019 Notes are fully and unconditionally guaranteed on a senior unsecured basis by the majority of the Company’s subsidiaries. The 2019 Notes rank equally with all of the Company’s unsecured and unsubordinated indebtedness and are effectively junior to all secured indebtedness of the Company. The indenture governing the 2019 Notes imposes certain restrictions on the Company and its subsidiaries, including some restrictions on their ability, with certain permitted exceptions, to: incur additional indebtedness, pay dividends or redeem, repurchase or retire the Company’s capital stock, make investments, create liens, create limitations on the ability of the Company’s subsidiaries to pay dividends, make loans or transfer property to the Company, engage in transactions with affiliates, sell assets including the capital stock of the subsidiaries, and consolidate merge or transfer assets.

The 2019 Notes are listed on the Luxembourg Stock Exchange and trade on the Euro MTF Market.

2016 Notes

On July 13, 2011 the Company issued R$ 400 million of Brazilian reais notes due 2016 in a private placement (the “Brazilian notes” or “2016 Notes”). The Brazilian notes bear interest of 10.25% per year, payable semi-annually beginning on January 13, 2012. The proceeds from the offering were used by the Company to satisfy its capital expenditure program, including opening and reimaging restaurants, and for general corporate purposes.

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

11. Long-term debt (continued)

2016 Notes (continued)

In addition, on April 24, 2012, the Company issued an additional R$275 million aggregate principal amount of the 2016 Notes at a price of 102.529%. The proceeds from the offering are being used by the Company to satisfy its capital expenditure program and for general corporate purposes.

The Brazilian notes mature on July 13, 2016 and are fully and unconditionally guaranteed on a senior unsecured basis by certain of the Company's subsidiaries. The Company incurred $3,699 of financing costs related to these issuances, which were capitalized as deferred financing costs and are being amortized over the life of the notes.

Interest expense related to the Brazilian notes was $30,051 and $11,119 for fiscal year 2012 and 2011, respectively. Amortization of deferred financing costs related to the Brazilian notes amounted to $704 and $250 for fiscal year 2012 and 2011, respectively. These charges are included with "Net interest expense" in the consolidated statements of income.

The 2016 Notes are fully and unconditionally guaranteed on a senior unsecured basis by certain of the Company's subsidiaries. The 2016 Notes and guarantees (i) are senior secured obligations and rank equal in right of payment with all of the Company's and guarantors' existing and future senior unsecured indebtedness; (ii) will be effectively junior to all of Company's and guarantors' existing and future secured indebtedness to the extent of the value of the Company's assets securing that indebtedness; and (iii) are structurally subordinated to all obligations of the Company's subsidiaries that are not guarantors.

The indenture governing the 2016 Notes limits the Company's and its subsidiaries' ability to, among other things, (i) create 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 2016 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 2016 Notes to be due and payable immediately.

The 2016 Notes are listed on the Luxembourg Stock Exchange and trade on the Euro MTF Market.

Other required disclosures

At December 31, 2012, future payments related to the Company's long-term debt are as follows:

	Principal	Interest	Total
2013	$ 1,633	$ 57,918	$ 59,551
2014	3,167	57,722	60,889
2015	2,707	57,398	60,105
2016	329,960	57,219	387,179
2017	443	23,447	23,890
Thereafter	312,645	48,850	361,495
Total payments	**650,555**	**302,554**	**953,109**
Interest	-	(302,554)	(302,554)
Discount on 2019 Notes	(1,802)	-	(1,802)
Premium on 2016 Notes	2,849	-	2,849
Long-term debt	**$ 651,602**	**$ -**	**$ 651,602**

12. Derivative instruments

Derivatives not designated as hedging instruments

Cross-currency interest rate swaps and mirror swaps

At December 31, 2009 the Company had certain derivative instruments outstanding pursuant to which the Company converted a portion of its long-term debt ($200 million) to Brazilian reais denominated debt (R$466.2 million), paying net interests at a weighted-average interest rate of 10.13% over the notional amount in Brazilian reais. These derivative instruments did not qualify for hedge accounting under ASC Topic 815. Therefore, these derivative instruments were carried at fair market value in the consolidated balance sheets with changes reported in earnings.

On July 19, 2011 and July 20, 2011, the Company settled these derivative instruments before their maturity. During fiscal year 2011 and 2010, the Company made net payments to the counterparties totaling $113,594 and $34,287, respectively, in connection with these agreements. During fiscal years 2011 and 2010, the Company recorded net losses for $9,732 and $22,878, respectively, within “Loss from derivative instruments” in the Company’s consolidated statements of income.

Forward contracts

At December 31, 2010, the Company had forward contracts with outstanding to buy a total amount of $20 million on May 10, 2011 at the forward exchange rate of 1.7355 Brazilian reais per U.S. dollar. When settled, the Company entered into additional forwards contracts to buy a total amount of $40 million on September 2, 2011 at the forward exchange rate of 1.6152 Brazilian reais per U.S. dollar. These forward contracts were settled before their maturity on August 10, 2011. The Company entered into these derivatives as a result of the partial amortization of the notional amounts of the cross-currency interest rate swaps in order to maintain a total notional amount of $200 million hedged all times.

These swap agreements were carried at fair market value in the consolidated balance sheets with changes reported in earnings. The Company paid $1,579 in connection with the settlements of these forward contracts. During the fiscal years 2011 and 2010, the Company recognized a loss of $1,256 and $323, respectively, in connection with these agreements, which is included within “Loss from derivative instruments” in the Company’s consolidated statements of income.

Bond swaps

On December 10, 2009, the Company decided to hedge 44% of the Company’s currency exposure from the 2019 Notes coupon payments related to the Company’s generation of cash flows in Brazilian reais. Therefore in December 2009 ADBV entered into two coupon-only cross-currency interest rate swap agreements (bond swaps) with JP Morgan and Morgan Stanley to convert a portion of the coupons of the 2019 Notes denominated in U.S. Dollars ($200 million at a fixed rate of 7.50%) to Brazilian reais (at a fixed rate of 9.08% and an exchange rate of 1.76 Brazilian reais per U.S. dollar).

These swap agreements did not qualify for hedge accounting under ASC Topic 815. Therefore, the agreements were carried at fair market value in the consolidated balance sheets with changes reported in earnings. At December 31, 2011, the fair market values of the swap agreements outstanding totaled $2,583 payable. On April 24, 2012 the Company settled these derivatives before their maturity. During fiscal year 2012, the Company made net payments to the counterparties amounting to $4,322 and recognized net losses of $1,738 in connection with these agreements. During fiscal year 2011, the Company made net payments to the counterparties amounting to $3,759 and recognized a net gain of $1,464 in connection with these agreements. During fiscal year 2010, the Company made net interest payments to the counterparties amounting to $3,528 and recognized a net loss of $9,608 in connection with these agreements. The abovementioned gains and losses are included within “Loss from derivative instruments” in the Company’s consolidated statements of income.

12. Derivative instruments (continued)

Derivatives not designated as hedging instruments (continued)

Total equity return swap

The Company is exposed to stock price risk related to ADBV Long-Term Incentive Plan as the underlying liability is tied to the Company's stock price. As the Company's stock price changes, such liability is adjusted and the impact is recorded in the Company's consolidated statement of income within "General and administrative expenses".

On August 13, 2012 the Company entered into a total equity return swap agreement with Goldman Sachs International in order to minimize earnings volatility related to ADBV Long-Term Incentive Plan. Under the agreement effective as from August 20, 2012, the Company receives (pays) the appreciation (depreciation), plus any dividends, on a notional number of 2,272,551 Class A shares over a reference price of approximately $13.77 per share. The Company in turn pays interests at 3-month LIBOR plus 330 basis points over a notional amount of $31,290. The agreement will mature no later than September 2013. Additionally, subject to certain limitations, the Company may, prior to maturity of the agreement, reduce the notional number of Class A shares underlying the total equity return swap transaction up to 1,000,000 shares for each quarterly window period. The counterparty can terminate the swap agreement if (i) the average of the Company's stock price for any three consecutive exchange business days is less than $7.57; or (ii) on any day, there is a decline of 10% or more in the price with respect to the closing price of the preceding business day and the price per share at such time is less than $8.95.

The Company has not designated the swap as a hedge under ASC Topic 815. Rather, the Company marks the swap to market and records the impact of the equity portion in "General and administrative expenses" in the Company's consolidated statement of income. As a result, the adjustments to the value of the swap tend to offset the adjustments to the carrying value of ADBV Long-Term Incentive Plan liability derived from changes in the Company's stock price, and there is
no significant impact on the Company's consolidated statement of income. The interest portion is recorded within "Net interest expense" in the Company's consolidated statement of income.

At December 31, 2012 the fair market value of total equity return swap amounted to $3,952 payable. During the fiscal year 2012, the Company recorded a loss of $4,111 within "General and administrative expenses" and a loss of $159 within "Net interest expense" in connection with this agreement. During the fiscal year 2012, the Company made interest payments amounting to $318 in connection with this agreement.

Derivatives designated as hedging instruments

Forward contracts

In December 2009, the Company entered into various forward contracts maturing in 2010 to hedge a portion of the foreign exchange risk associated with the forecasted imports of Chile. Pursuant to the agreements, during fiscal year 2010 the Company purchased a total amount of $8,521 at a weighted-average forward rate of 489.3 Chilean pesos per U.S. dollar.

In February 2010, the Company entered into various forward contracts maturing in 2010 to hedge a portion of the foreign exchange risk associated with the forecasted imports of Colombia and Peru. Pursuant to the agreements, during fiscal year 2010 the Company purchased a total amount of $9,732 at a weighted-average forward rate of 2,023.54 Colombian pesos per U.S. dollar, and a total amount of $3,052 at a weighted-average forward rate of 2.89 Peruvian soles per U.S. dollar.

In August and October 2010, the Company entered into various forward contracts maturing in 2011 to hedge a portion of the foreign exchange risk associated with the forecasted imports of Chile for fiscal year 2011. Pursuant to the agreements, during 2011 the Company purchased a total amount of $11,878 at a weighted-average forward rate of 500.4 Chilean pesos per U.S. dollar.

In November 2011, the Company entered into various forward contracts maturing in 2012 to hedge a portion of the foreign exchange risk associated with the forecasted imports of Peru. Pursuant to the agreements, during fiscal year 2012 the Company purchased a total amount of $3,600 at a weighted-average forward rate of 2.76 Peruvian soles per U.S. dollar.

12. Derivative instruments (continued)

Derivatives designated as hedging instruments (continued)

Forward contracts (continued)

In January and February 2012, the Company entered into various forward contracts maturing in 2012 to hedge a portion of the foreign exchange risk associated with the forecasted imports of Colombia and Chile. Pursuant to the agreements, during fiscal year 2012 the Company purchased a total amount of $8,226 at an average forward rate of 1,855.8 Colombian pesos per U.S. dollar, and a total amount of $11,435 at an average forward rate of 507.3 Chilean pesos per U.S. dollar, respectively.

The Company designated cash flow hedges that encompass the variability of functional-currency-equivalent cash flows attributable to foreign exchange risks related to the settlement of the foreign-currency-denominated payables resulting from the forecasted purchases (hedge over 75% of the purchases in Chile and Peru for 2010, 73% of the purchases in Colombia for 2010, 90% of the purchases in Chile for 2011, 60% of the purchases in Peru for 2012, 49% of the purchases in Colombia for 2012 and 77% of the purchases in Chile for 2012). The effect of the hedges result in fixing the cost of goods acquired (i.e. the net settlement or collection adjusts the cost of inventory paid to the suppliers). The forward contracts were carried at their fair market value in the consolidated balance sheets, with changes reported within the "Accumulated other comprehensive loss" component of shareholders' equity. As of December 31, 2011, the fair market value of the outstanding derivatives represented a $48 payable. The Company made net payments totaling $949, $451 and $273 during fiscal years 2012, 2011 and 2010, respectively, as a result of the net settlements of these derivatives. In addition, the Company recorded a $901 unrealized net loss, a $131 unrealized net gain and a $1,134 unrealized net loss within the "Accumulated other comprehensive loss" component of shareholders' equity during fiscal years 2012, 2011 and 2010, respectively.

Cross-currency interest rate swap

On April 24, 2012, the Company entered into a cross-currency swap agreement with Bank of America to hedge the cash flows of a portion of the 2016 Notes issued. Pursuant to this agreement, the Company receives interests at a fixed rate of 10.25% over a notional amount of 70 million of Brazilian Reais and pays interests at a fixed rate of 4.90% over a notional amount of $37,433. This agreement matures on July 13, 2016 with exchange of principal.

The Company has designated the cross-currency interest rate swap as a cash flow hedge in accordance with ASC Topic 815. Therefore, the agreement is carried at its fair market value in the consolidated balance sheet, with changes reported within the "Accumulated other comprehensive loss" component of shareholders´ equity. The Company reclassifies the effective portion of the hedge into income as adjustments to foreign exchange results and net interest expense.

At December 31, 2012, the fair market value of the swap agreement totaled $3,666 payable. During fiscal year 2012, the Company recorded an unrealized loss of $3,294 within "Accumulated other comprehensive loss", of which $2,152 were reclassified from "Accumulated other comprehensive loss" into income as a result of the hedge relationship. The Company collected $372 of net interest from the counterparty during fiscal year 2012.

Arcos Dorados Holdings Inc.

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12. Derivative instruments (continued)

Additional disclosures

The following table presents the fair values of derivative instruments included in the consolidated balance sheets as of December 31, 2012 and 2011:

Type of Derivative	Balance Sheets Location	Asset (Liability) Derivatives Fair Value 2012	Asset (Liability) Derivatives Fair Value 2011
Derivatives designated as hedging instruments under ASC Topic 815 Derivatives and Hedging			
Forward contracts	Accrued payroll and other liabilities	$ -	$ (48)
Cross-currency interest rate swap (i)	Derivative instruments	(3,666)	-
		(3,666)	**(48)**
Derivatives not designated as hedging instruments under ASC Topic 815 Derivatives and Hedging			
Bond swaps	Derivative instruments	$ -	$ (2,583)
Total equity return swap (ii)	Derivative instruments	(3,952)	-
		(3,952)	**(2,583)**
Total derivative instruments		$ **(7,618)**	$ **(2,631)**

(i) Disclosed in the consolidated balance sheet as follows: $1,731 as a current asset and $5,397 as a non-current liability.

(ii) Disclosed in the consolidated balance sheet as a current liability.

The following tables present the pretax amounts affecting income and other comprehensive income for the fiscal year ended December 31, 2012 for each type of derivative relationship:

Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in Accumulated OCI on Derivative (Effective Portion)	(Gain) Loss Reclassified from Accumulated OCI into Income (Effective Portion)(i)	Gain (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing and Ineffective Portion)
Forward contracts	$ (901)	$ 949	$ -
Cross-currency interest rate swap	(3,294)	2,152	-
Total	**$ (4,195)**	**$ 3,101**	**$ -**

(i) The loss recognized in income related to forward contracts was recorded as an adjustment to food and paper. The net loss recognized in income related to the cross-currency interest rate swap is disclosed in the consolidated income statement as follows: a loss of $3,314 as an adjustment to foreign exchange results and a gain of $1,162 as an adjustment to net interest expense.

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

12. Derivative instruments (continued)

Additional disclosures (continued)

Derivatives Not Designated as Hedging Instruments	Gain (Loss) Recognized in Income on Derivative instruments
Bond swaps (i)	$ (1,738)
Total equity return swap (ii)	(4,270)
Others (i)	847
Total	**$ (5,161)**

(i) These results are recorded within "Loss from derivative instruments" in the Company's consolidated statement of income.
(ii) A $4,111 loss is recorded within "General and administrative expenses" and a $159 loss within "Net interest expense" in the Company's consolidated statement of income.

The following tables present the pretax amounts affecting income and other comprehensive income for the fiscal year ended December 31, 2011 for each type of derivative relationship:

Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in Accumulated OCI on Derivative (Effective Portion)	(Gain) Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing and Ineffective Portion)
Forward contracts	$ 131	$ 451	$ -
Total	**$ 131**	**$ 451**	**$ -**

The loss recognized in income was recorded as an adjustment to food and paper.

Derivatives Not Designated as Hedging Instruments	Gain (Loss) Recognized in Income on Derivative instruments
Cross-currency interest rate swaps and Mirror swap	$ (9,732)
Bond swaps	1,464
Forwards	(1,256)
Others	287
Total	**$ (9,237)**

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

12. Derivative instruments (continued)

Additional disclosures (continued)

The following tables present the pretax amounts affecting income and other comprehensive income for the fiscal year ended December 31, 2010 for each type of derivative relationship:

Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in Accumulated OCI on Derivative (Effective Portion)		(Gain) Loss Reclassified from Accumulated OCI into Income (Effective Portion)		Gain (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing and Ineffective Portion)	
Forward contracts	$	(1,134)	$	273	$	-
Total	**$**	**(1,134)**	**$**	**273**	**$**	**-**

The loss recognized in income was recorded as an adjustment to food and paper.

Derivatives Not Designated as Hedging Instruments	Gain (Loss) Recognized in Income on Derivative instruments	
Cross-currency interest rate swaps and Mirror swaps	$	(22,878)
Bond swaps		(9,608)
Forwards		(323)
Total	**$**	**(32,809)**

13. Operating lease agreements

At December 31, 2012, the Company was the lessee at 1,966 locations through ground leases (the Company leases the land and the Company or franchisee owns the building) and through improved leases (the Company leases land and buildings). Lease terms for most restaurants vary between 10 and 20 years and, in many cases, provide for rent escalations and renewal options, with certain leases providing purchase options. Escalations terms vary by reporting unit, with examples including fixed-rent escalations, escalations based on an inflation index, and fair value adjustments. The timing of these escalations generally ranges from annually to every five years. According to rental terms, the Company pays a monthly rental expense based on the greater of a fixed rent or a certain percentage of the Company's gross sales. For most locations, the Company is obligated for the related occupancy costs including property taxes, insurance and maintenance. However, for franchised sites, the Company requires the franchisees to pay these costs. In addition, the Company is the lessee under non-cancelable leases covering certain offices and warehouses.

In March 2010, the Company entered into an aircraft operating lease agreement for a term of 8 years, which provides for quarterly payments of $690. The agreement includes a purchase option at the end of the lease term at fair market value and also an early purchase option at a fixed amount of $26,685 at maturity of the 24th quarterly payment. The Company was required to make a cash deposit of $5,325 as collateral for the obligations assumed under this agreement.

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13. Operating lease agreements (continued)

At December 31, 2012, future minimum payments required under existing operating leases with initial terms of one year or more are:

	Restaurants	Others	Total
2013	$ 133,183	$ 7,297	$ 140,480
2014	125,358	6,613	131,971
2015	116,120	6,174	122,294
2016	106,024	5,636	111,660
2017	95,574	5,583	101,157
Thereafter	389,302	11,508	400,810
Total minimum payments	**$ 965,561**	**$ 42,811**	**$ 1,008,372**

The following table provides detail of rent expense for fiscal years 2012, 2011 and 2010:

	2012	2011	2010
Company-operated restaurants (i)	$ 140,014	$ 129,135	$ 100,986
Franchised restaurants (ii)	44,457	41,252	34,172
Total rent expense	**$ 184,471**	**$ 170,387**	**$ 135,158**

(i) Included within the caption “Occupancy and other operating expenses” in the consolidated statements of income.
(ii) Included within the caption “Franchised restaurants – occupancy expenses” in the consolidated statements of income.

The following table provides a breakdown detail of rent expense between minimum and contingent rentals for fiscal years 2012, 2011 and 2010:

	2012	2011	2010
Minimum rentals	$ 117,006	$ 121,533	$ 98,307
Contingent rentals based on sales	67,465	48,854	36,851
Total rent expense	**$ 184,471**	**$ 170,387**	**$ 135,158**

14. Franchise arrangements

Individual franchise arrangements generally include a lease and a license and provide for payment of initial fees as well as continuing rent and service fees (royalties) to the Company based upon a percentage of sales with minimum rent payments. The Company’s franchisees are granted the right to operate a restaurant using the McDonald’s system and, in most cases, the use of a restaurant facility, generally for a period of 20 years. Franchisees pay related occupancy costs including property taxes, insurance and maintenance. Pursuant to the MFAs, the Company pays initial fees and continuing service fees for franchised restaurants to McDonald’s Corporation. Therefore, the margin for franchised restaurants is primarily comprised of rental income net of occupancy expenses (depreciation for owned property and equipment and/or rental expense for leased properties).

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14. Franchise arrangements (continued)

At December 31, 2012 and 2011, net property and equipment under franchise arrangements totaled $211,139 and $184,199, respectively (including land of $63,839 and $63,699, respectively).

Revenues from franchised restaurants for fiscal years 2012, 2011 and 2010 consisted of:

	2012	2011	2010
Rent	$ 161,591	$ 152,380	$ 122,448
Initial fees (i)	780	514	660
Royalty fees (ii)	652	627	544
Total	**$ 163,023**	**$ 153,521**	**$ 123,652**

(i) Disclosed net of initial fees paid to McDonald's Corporation for $882, $518 and $595 in 2012, 2011 and 2010, respectively.
(ii) Disclosed net of royalties fees paid to McDonald's Corporation for $65,756, $60,261 and $49,562 in 2012, 2011 and 2010, respectively.

At December 31, 2012, future minimum rent payments due to the Company under existing franchised agreements are:

	Owned sites	Leased sites	Total
2013	$ 9,799	$ 27,863	$ 37,662
2014	9,261	25,667	34,928
2015	8,853	24,674	33,527
2016	8,631	23,319	31,950
2017	8,248	21,247	29,495
Thereafter	45,955	106,543	152,498
Total	**$ 90,747**	**$ 229,313**	**$ 320,060**

15. 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 2012, 2011 and 2010 were as follows:

	2012	2011	2010
Puerto Rico	20%	30%	39%
Argentina, Martinique, French Guyana, Guadeloupe, St Croix, St. Thomas, Aruba and Curacao	35%	35%	35%
Brazil and Venezuela	34%	34%	34%
Colombia	33%	33%	33%
Costa Rica, Peru and Mexico	30%	30%	30%
Panamá	25%	25%	27.5%
Uruguay and Trinidad and Tobago	25%	25%	25%
Ecuador	23%	24%	25%
Chile	20%	20%	17%

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

15. Income taxes (continued)

Income tax expense for fiscal years 2012, 2011 and 2010 consisted of the following:

	2012	2011	2010
Current income tax expense	$ 32,147	$ 47,485	$ 64,551
Deferred income tax expense (benefit)	14,228	(2,882)	(61,101)
Income tax expense	**$ 46,375**	**$ 44,603**	**$ 3,450**

Income tax expense for fiscal years 2012, 2011 and 2010 differed from the amounts computed by applying the Company's weighted-average statutory income tax rate to pre-tax income as a result of the following:

	2012	2011	2010
Pre-tax income	$ 160,963	$ 160,403	$ 109,742
Weighted-average statutory income tax rate (i)	35.20%	32.35%	36.87%
Income tax expense at weighted-average statutory tax rate on pre-tax income	56,659	51,890	40,462
Permanent differences:			
Change in valuation allowance	(7,660)	(20,962)	(91,416)
Non-deductible expenses	22,258	28,783	31,575
Tax deductible goodwill in Brazil (ii)	(18,789)	(21,640)	-
Withholding income taxes on intercompany transactions	3,437	9,038	8,233
Loss on amnesty program	-	-	8,681
Tax inflation adjustment	(10,983)	(3,471)	(3,994)
Expiration of tax loss carryforwards	1,017	1,298	6,071
Others	436	(333)	3,838
Income tax expense	**$ 46,375**	**$ 44,603**	**$ 3,450**

(i) Weighted-average statutory income tax rate is calculated based on the lump-sum of the income before taxes by country multiplied by the prevailing statutory income tax rate, divided by the consolidated income before taxes.

(ii) In November 2010, the Company completed the corporate reorganization of its companies in Brazil that was commenced on December 29, 2008. Among other corporate synergies, the reorganization resulted in contribution of the shares of the Brazilian operating entities to a new holding company and generated a tax deductible goodwill amounting to $310 million. The goodwill is deductible in Brazil for income tax purposes through its amortization in a period of 60 months starting in December 2010 following the merger of the Brazilian entities. The Company did not recognize any deferred tax asset for this benefit following the exemption in ASC 740-10-25-3.e. applicable to intercompany transfers. Therefore, the tax benefit is being recognized when realized on the tax return and applied to reduce income tax expenses.

The tax effects of temporary differences that give rise to the Company's deferred tax assets and liabilities at December 31, 2012 and 2011 are presented below:

	2012	2011
Tax loss carryforwards (i)	$ 267,826	$ 273,344
Purchase price allocation adjustment	92,715	105,457
Property and equipment – tax inflation adjustment	39,290	31,749
Other accrued payroll and other liabilities	15,452	30,551
Share-based compensation programs	9,679	12,450
Provision for contingencies	9,447	11,905
Other deferred tax assets	20,185	18,015
Property and equipment – difference in depreciation rates	(54,383)	(61,411)
Other deferred tax liabilities (ii)	(16,769)	(23,374)
Valuation allowance (iii)	(236,563)	(223,775)
Net deferred tax asset	**$ 146,879**	**$ 174,911**

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

15. Income taxes (continued)

(i) As of December 31, 2012, the Company and its subsidiaries had accumulated operating tax loss carryforwards amounting to $959,803. These operating tax loss carryforwards expire as follows:

	2012
Fiscal year 2013	$ 10,241
Fiscal year 2014	2,712
Fiscal year 2015	4,458
Fiscal year 2016	1,768
Fiscal year 2017	51,397
Thereafter	333,639
Without expiration terms	555,588
	$ 959,803

(ii) Primarily related to intangible assets and foreign currency exchange gains.

(iii) In assessing the realizability 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.

Balance sheets classification of deferred taxes at December 31, 2012 and 2011 is as follows: current deferred tax assets of $22,178 in 2012 and $36,713 in 2011; non-current deferred tax assets of $133,708 in 2012 and $142,848 in 2011; and non-current deferred tax liabilities of $9,007 in 2012 and $4,650 in 2011.

Deferred income taxes have not been recorded for temporary differences related to investments in certain foreign subsidiaries. These temporary differences were approximately $134.6 million at December 31, 2012 and consisted of undistributed earnings considered permanently invested in subsidiaries. Determination of the deferred income tax liability on these unremitted earnings is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

As of December 31, 2012 and 2011, the Company’s gross unrecognized tax benefits totaled $1,554 and $6,088 (including interests and penalties), respectively, that would favorably affect the effective tax rate if resolved in the Company’s favor. These amounts are mainly included in income tax payable on the consolidated balance sheets for 2012 and 2011, respectively. During fiscal year 2012, the Company paid income tax claims in the French islands (Martinique, French Guyana and Guadeloupe) pursuant to which unrecognized tax benefits decreased by $4,614. The Company is regularly under audit in multiple tax jurisdictions. It is reasonably possible that, as a result of audit progression within the next 12 months, there may be new information that causes the Company to reassess the total amount of unrecognized tax benefits recorded. While the Company cannot estimate the impact that new information may have on our unrecognized tax benefit balance, we believe that the liabilities that are recorded are appropriate and adequate as determined under ASC 740. The Company is generally no longer subject to income tax examinations by tax authorities for years prior to 2006.

16. Share-based compensation

ADBV Long-Term Incentive Plan

During 2008, the Company implemented a long-term incentive plan to reward employees for increases in the fair value of the Company’s stock subsequent to the date of grant. In accordance with this plan, in fiscal years 2008, 2009 and 2010 the Company granted units (called “CADs”) to certain employees, pursuant to which the employees are entitled to receive, when vested, a cash payment equal to the appreciation in fair value over the base value. The awards 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. The exercise right 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 fifth anniversary of the date of grant. Exercisable outstanding awards at the date of termination will be automatically settled by the Company.

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

16. Share-based compensation (continued)

ADBV Long-Term Incentive Plan (continued)

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 accrued liability is remeasured at the end of each reporting period until settlement. Effective December 31, 2010 the Company changed the method of measuring its liability awards from the intrinsic value method (i.e. difference between the current fair value and the base value) to a fair value method using the Black & Scholes model. The current fair value for purposes of determining the intrinsic value was based on a formula determined and approved by the Company's Board of Directors. At December 31, 2010 the Company considered the estimated initial public offering price per class A share ($16.50) in determining the fair value of the awards because the Company's Board of Directors decided that on a going forward basis the fair value would be based on the market price instead of the formula that had previously been used to value such awards.

The following variables and assumptions have been used by the Company for purposes of measuring its liability awards at December 31, 2012 and 2011:

	2012	2011
Current price (i)	11.96	20.53
Weighted-average base value of outstanding units (ii)	6.22	5.82
Expected volatility (iii)	37.3%	38.0%
Dividend yield	2.0%	1.2%
Risk-free interest rate	0.4%	0.8%
Expected term	last vesting date	last vesting date

(i) Equal to the quoted market price per share at the end of the year.
(ii) As adjusted as a result of the stock split discussed in Note 22.
(iii) Based on implied volatility of the Company's class A shares.

The following table summarizes the activity under the plan for fiscal years 2012, 2011 and 2010:

	Units	Weighted-average base value	Weighted-average fair value
Outstanding at December 31, 2009	**2,375,958**	**5.39**	
Granted	1,368,018	5.88	
Exercised (i)	(27,214)	4.27	
Forfeited	(182,348)	6.29	
Outstanding at December 31, 2010	**3,534,414**	**5.54**	**10.94**
Exercised (ii)	(525,017)	5.19	
Forfeited	(85,815)	5.02	
Outstanding at December 31, 2011	**2,923,582**	**5.82**	**14.44**
Exercised (iii)	(696,067)	4.61	
Forfeited	(98,294)	5.62	
Outstanding at December 31, 2012	**2,129,221**	**6.22**	**5.79**
Exercisable at December 31, 2012	**900,608**	**6.53**	**5.52**

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16. Share-based compensation (continued)

ADBV Long-Term Incentive Plan (continued)

Data in the table above was adjusted as a result of the stock split discussed in Note 22.

(i) The total amount paid for these exercises was $97.
(ii) The total amount paid for these exercises was $9,841.
(iii) The total amount paid for these exercises was $5,811. At December 31, 2012 the Company maintains a current payable of $907 related to these exercises that is disclosed within “accrued payroll and other liabilities” in the Company’s balance sheet.

The following table provides a summary of the plan at December 31, 2012:

	Vested (i)	Non-vested (ii)	Total
Number of units outstanding (iii)	900,608	1,228,613	2,129,221
Weighted-average fair market value per unit	5.52	5.99	5.79
Total fair value of the plan	4,973	7,356	12,329
Weighted-average accumulated percentage of service	100.00	80.62	88.44
Accrued liability (iv)	4,973	5,931	10,904
Compensation expense not yet recognized (v)	-	1,425	1,425

(i) Related to exercisable awards.
(ii) Related to awards that will vest between fiscal years 2013 and 2015.
(iii) As adjusted as a result of the stock split discussed in Note 22.
(iv) The total accrued liability of $10,904 related to outstanding units is disclosed within “Accrued payroll and other liabilities” in the Company’s balance sheet as follows: $7,936 as a current liability and $2,968 as a non-current liability.
(v) Expected to be recognized in a weighted-average period of 2 years.

As discussed in Note 12, on August 13, 2012, the Company entered into a total equity return swap agreement to minimize earnings volatility related to these awards. The Company has not designated the swap as a hedge. Rather, the Company marks the swap to market and records the impact of the equity portion in “General and administrative expenses” in the Company’s consolidated statement of income. The adjustments to the value of the swap tend to offset the adjustments to the carrying value of the Company’s Long-Term Incentive Plan liability derived from changes in the Company’s stock price, which are also recorded in “General and administrative expenses”. As a result, there is no significant impact on the Company’s consolidated statement of income as from the effective date of the agreement.

Not including the impact of the total equity return swap agreement, compensation (benefit) expense for the fiscal years 2012, 2011 and 2010 amounted to $(15,746), $19,295 and $20,159, respectively. See Note 12 for a discussion of the impact of the equity return swap agreement on the Company’s consolidated statement of income. Compensation expense is included within “General and administrative expenses” in the consolidated statement of income. Compensation expense for the fiscal year 2011 includes an incremental expense amounting to $10,526 related to the effect of remeasuring the accrued liability considering the initial quoted market price of $21.00 as a result of becoming a public company. Compensation expense for fiscal year 2010 includes an incremental expense amounting to $15,576 related to the effect of replacing the formula by the estimated initial public offering market price in determining the current value of the award at the end of such year. The Company recognized $4,905, $(4,436) and $(5,147) of related income tax expense (benefits) during fiscal years 2012, 2011 and 2010, respectively.

16. Share-based compensation (continued)

Award Right granted to the Chief Executive Officer

In addition, during 2008 the Company granted to the Chief Executive Officer an award right pursuant to which he was entitled to receive from the Company a lump sum amount of cash equal to 1% of the fair market value of the Company upon the occurrence of a Liquidity Event (an "Initial Public Offering" or "Change of Control" as defined in the agreement). The award right was subject to a four-year graduated vesting period (25% per year) of continued service as from August 3, 2007.

The Company recognized compensation expense related to this benefit 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 accrued liability was remeasured at the end of each reporting period until settlement, based on the estimated fair value of the Company. The fair value of the Company had been estimated based on a formula determined and approved by the Company's Board of Directors. Effective December 31, 2010 the Company replaced the formula by the estimated initial public offering price for purposes of measuring the liability award. As a result of the Company's initial public offering, on April 14, 2011 the Company settled the award in cash for $34,000.

Compensation expense for fiscal years 2012, 2011 and 2010 amounted to $nil, $2,214 and $16,392, respectively. Compensation expense is included within "Other operating expenses, net" in the consolidated statement of income.

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 replaces ADBV Long-Term Incentive Plan discussed above, although the awards that have already been granted will remain outstanding until their respective termination dates. Like ADBV Long-Term Incentive Plan, the 2011 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.

On April 14, 2011, the Company made the following grants of awards under the 2011 Plan:

- The Company granted to certain of its executive officers and other employees 231,455 restricted share units and 833,388 stock options for 2011. Both types of awards vest as follows: 40% on the second anniversary of the date of grant and 20% on each of the following three anniversaries.

- The Company granted to certain of its executive officers and other employees 782,137 restricted share units and 1,046,459 stock options as special awards in connection with its initial public offering. Both types of special awards vest as follows: 1/3 on each of the second, third and fourth anniversaries of the grant date.

For both grants, each stock option represents the right to acquire a Class A share at a strike price of $21.20 (the closing price on the date of grant), while each restricted stock unit represents the right to receive a Class A share, when vested.

On May 10, 2012, the Company made the grant of awards corresponding to fiscal year 2012 under the 2011 Plan. The Company granted to certain of its executive officers and other employees 211,169 restricted share units and 584,587 stock options. Both types of awards vest as follows: 40% on the second anniversary of the date of grant and 20% on each of the following three anniversaries. Each stock option granted represents the right to acquire a Class A share at a strike price of $14.35 (the closing price on the date of grant), while each restricted stock unit represents the right to receive a Class A share when vested.

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16. Share-based compensation (continued)

2011 Equity Incentive Plan (continued)

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 utilizes a Black-Scholes option-pricing model to estimate the value of stock options at the grant date. The value of restricted stock units is based on the quoted market price of the Company's class A shares at the grant date. The resulting value of stock options and restricted stock units granted was $3,051 and $3,030, respectively, during fiscal year 2012 and $10,435 and $21,488, respectively, during fiscal year 2011. The Company recognized stock-based compensation expense in the amount of $12,900 and $8,202, respectively, during the fiscal years 2012 and 2011, of which $7,997 and $5,703 relates to the special awards granted in connection with the initial public offering. Stock-based compensation expense is included within "General and administrative expenses" in the consolidated statement of income. As of December 31, 2012, the remaining unrecognized compensation expense amounted to $16,901, which will be amortized over the remaining requisite service period (weighted-average of 3.1 years). The Company recognized $2,807 and $1,690 of related income tax benefits during fiscal years 2012 and 2011, respectively.

The following variables and assumptions were used by the Company for purposes of measuring the 2011 granted stock options: market price and exercise price equal to $21.20; expected volatility of 28.6% (based on historical 1-year implied volatility of Latin American comparable companies); dividend yield of 1.13%; risk free interest rate of 3.35%; and an expected term ending on the last vesting date.

The following variables and assumptions were used by the Company for purposes of measuring the 2012 granted stock options: market price and exercise price equal to $14.35; expected volatility of 48.0% (based on implied volatility of the Company's Class A shares); dividend yield of 1.7%; risk free interest rate of 0.8%; and an expected term ending on the last vesting date.

17. Commitments and contingencies

Commitments

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

(i) to pay monthly royalties commencing at a rate of approximately 5% of gross sales of the restaurants, substantially consistent with market;
(ii) to agree with McDonald's on a restaurant opening plan and a reinvestment plan for each three-year period and pay an initial franchise fee for each new restaurant opened; for the three-year period commenced on January 1, 2011 the Company must reinvest an aggregate of at least $60 million per year; and open no less than 250 new restaurants;
(iii) to commit to funding a specified Strategic Marketing Plan; and
(iv) to own (or lease) directly or indirectly, the fee simple interest in all real property on which any franchised restaurant is located.

In addition, the Company maintains standby letters of credit with an aggregate drawing amount of $80 million in favor of McDonald's Corporation as collateral for the obligations assumed under the MFAs. The letter of credit can be drawn if certain events occur, including the failure to pay royalties. No amounts have been drawn at the date of issuance of these Consolidated Financial Statements.

Provision for contingencies

The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor, tax and other matters. At December 31, 2012 the Company maintains a provision for contingencies amounting to $27,818 ($71,888 at December 31, 2011), which is disclosed net of judicial deposits amounting to $7,219 ($6,852 at December 31, 2011) that the Company was required to make in connection with the proceedings. As December 31, 2012, the net amount of $20,599 is disclosed as follows: $507 as a current liability and $20,092 as a non-current liability.

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17. Commitments and contingencies (continued)

Provision for contingencies (continued)

Breakdown of the provision for contingencies as of December 31, 2012 and 2011 is as follows:

	2012	2011
Tax contingencies in Brazil (i)	$ 4,011	$ 42,011
Labor contingencies in Brazil (ii)	14,256	19,646
Other (iii)	9,551	10,231
Subtotal	27,818	71,888
Judicial deposits (iv)	(7,219)	(6,852)
Provision for contingencies	**$ 20,599**	**$ 65,036**

(i) Tax contingencies in Brazil. In 2012 it mainly relates to tax on bank account transactions (CPMF), abolished in 2007. In 2011 it was mainly related to VAT special treatment for restaurants in Rio de Janeiro and taxes over the royalty payments. During fiscal year 2010, the Company recorded an accrual of $54,079, primarily related to the decision to negotiate the settlement of past claims related to VAT special treatment for restaurants in Rio de Janeiro (previously considered not probable) together with a new regime resolving this matter going forward; and a currency translation adjustment amounting to $(568). In addition, there was a reduction amounting to $76,954 in connection with the amnesty program discussed below. During fiscal year 2011, the Company recorded an accrual of $19,626, primarily related to a modification in the fiscal authorities' interpretation regarding taxes impacting royalty payments; a reduction in the accrual of $14,790, corresponding to downwards revisions of the estimated settlement amounts of several claims (including VAT special treatment for restaurants in Rio de Janeiro) based on the opinion of the Company's legal advisors; and a currency translation adjustment amounting to $(5,218). In addition, the Company made settlements totaling $8,255. During fiscal year 2012, the Company settled the contingency over royalty payments, paying $11,473 in cash. In addition, the Company entered into an amnesty program to settle the contingency related to VAT special treatment for restaurants in Rio de Janeiro in 18 equal monthly installments, commencing in May 2012, pursuant to which the Company reclassified $28,428 to "Accrued payroll and other liabilities" in the consolidated balance sheet. During fiscal year 2012, the Company also recorded an accrual of $3,770 and a currency translation adjustment amounting to $(2,327). In addition, during fiscal year 2012 there was an increase of $458 as a result of certain balance sheet reclassifications.

Regarding tax contingencies in Brazil, at the end of fiscal year 2010 the Company decided to enter into an amnesty program. The Company agreed with McDonald's Corporation to include in the amnesty plan most of the contingencies indemnified by them using tax loss carryforwards to settle interests and to receive a cash payment equal to the principal plus 50% of the interests. As a result of this agreement, in fiscal year 2010 the Company recorded a loss amounting to $22,476 within "Non-operating expenses" in the consolidated statement of income. The Company recorded an additional loss amounting to $3,056 within "Other operating expenses, net" in connection with contingencies not indemnified by McDonald's Corporation but also included in the amnesty program. The liability related to the amnesty program is included within "Accrued payroll and other liabilities".

(ii) Labor contingencies in Brazil. It primarily relates to dismissals in the normal course of business. During fiscal years 2012, 2011 and 2010, the Company recorded accruals of $10,751, $8,211 and $17,767, respectively, primarily related to new dismissal claims and to increases on estimated future costs of outstanding claims; and a currency translation adjustment amounting to $(930), $(2,240) and $1,587, respectively. In addition, the Company made settlements totaling $15,211, $19,781 and $12,561, respectively.

(iii) Other contingencies. It mainly relates to tax and labor contingencies in other countries. During fiscal years 2012, 2011 and 2010, the Company recorded accruals of $1,251, $4,508 and $2,992, respectively; and a currency translation adjustment amounting $(1,195), $(1,026) and $141, respectively. In addition, the Company made settlements totaling $736, $867 and $424, respectively.

17. Commitments and contingencies (continued)

Provision for contingencies (continued)

(iv) Judicial deposits. It primarily relates to judicial deposits the Company was required to make in connection with the proceedings in Brazil. During fiscal years 2012, 2011 and 2010, there were a net increase (decrease) amounting to $367, $(20,521) and $8,643, respectively; including foreign currency translation for $(671), $(3,911) and $1,331, respectively.

In January 2007, several Puerto Rican franchisees filed a lawsuit against McDonald's Corporation and certain subsidiaries which the Company purchased during the acquisition of the LatAm business. The lawsuit originally sought declaratory judgment and damages in the amount of $11 million plus plaintiffs' attorney fees. In January 2008, the plaintiffs filed an amended complaint that increased the amount of damages sought to $66.7 million plus plaintiffs' attorney fees. The complaint, as amended, requests that the court declare that the plaintiffs' respective franchise agreements and contractual relationships with McDonald's Corporation, which agreements and relationships were assigned or otherwise transferred to the Company as part of the Acquisition of the LatAm business, are governed by the Dealers' Act of Puerto Rico, or "Law 75", a Puerto Rican law that limits the grounds under which a principal may refuse to renew or terminate a distribution contract. The complaint also seeks preliminary and permanent injunctions to restrict the Company from declining to renew the plaintiffs' agreements except for just cause, and to prohibit the Company from opening restaurants or kiosks within a three-mile radius of a franchisee's restaurant. In September 2008, the Company filed a counter-suit requesting the termination of the franchise agreements with these franchisees due to several material breaches. On December 23, 2010, the commissioner assigned by the Court of First Instance to this case issued a resolution holding that Law 75 applies to the parties' commercial relationship. On July 20, 2011, the Court of First Instance adopted the Commissioner´s determination with respect to the application of Law 75. This determination is an interlocutory determination that defines the legislation applicable to the franchisee rights and obligations. Law 75 will be the applicable law during the trial process. After the trial conclusion, the Company can still reiterate in appeal the position that Law 75 does not apply to the franchised agreements. The franchisees will still need to demonstrate and prove that the franchisor has breached their respective contracts. Therefore, no provision has been recorded regarding this lawsuit because the Company believes that a final negative resolution has a low probability of occurrence. Both parties have concluded discovery and the Pretrial Hearing was held on August 30, 2012. This case trial commenced on September 10, 2012. The trial has been scheduled for several dates during 2012 and 2013. The Company does not anticipate that the trial hearings will conclude on the first semester of 2013.

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

At December 31, 2012, the non-current portion of the provision for contingencies includes $5,707 related to Brazilian claims that are covered by the indemnification agreement. As a result, the Company maintains a non-current asset in respect of McDonald's Corporation's indemnity in the consolidated balance sheet.

18. Disclosures about fair value of financial instruments

As defined in ASC Topic 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.

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

The Company utilizes market data or assumptions that market participants who are independent, knowledgeable and willing and able to transact would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. The Company attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Company is able to classify fair value balances based on the observance of those inputs. The guidance establishes a formal fair value hierarchy based on the inputs used to measure fair value. The hierarchy gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements, and accordingly, level 1 measurement should be used whenever possible.

The three levels of the fair value hierarchy as defined by the guidance are as follows:

Level 1: Valuations utilizing quoted, unadjusted prices for identical assets or liabilities in active markets that the Company has the ability to access. This is the most reliable evidence of fair value and does not require a significant degree of judgment. Examples include exchange-traded derivatives and listed equities that are actively traded.

Level 2: Valuations utilizing quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

Financial instruments that are valued using models or other valuation methodologies are included. Models used should primarily be industry-standard models that consider various assumptions and economic measures, such as interest rates, yield curves, time value, volatilities, contract terms, current market prices, credit risk or other market-corroborated inputs. Examples include most over-the-counter derivatives (non-exchange traded), physical commodities, most structured notes and municipal and corporate bonds.

Level 3: Valuations utilizing significant unobservable inputs provides the least objective evidence of fair value and requires a significant degree of judgment. Inputs may be used with internally developed methodologies and should reflect an entity’s assumptions using the best information available about the assumptions that market participants would use in pricing an asset or liability. Examples include certain corporate loans, real-estate and private equity investments and long-dated or complex over-the-counter derivatives.

Depending on the particular asset or liability, input availability can vary depending on factors such as product type, longevity of a product in the market and other particular transaction conditions. In some cases, certain inputs used to measure fair value may be categorized into different levels of the fair value hierarchy. For disclosure purposes under this guidance, the lowest level that contains significant inputs used in valuation should be chosen. Pursuant to ASC 820-10-50, the Company has classified its assets and liabilities into these levels depending upon the data relied on to determine the fair values. The fair values of the Company’s derivatives are valued based upon quotes obtained from counterparties to the agreements and are designated as Level 2.

The following fair value hierarchy table presents information about the Company’s assets and liabilities measured at fair value on a recurring basis as of December 31, 2012:

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

	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2012
Assets				
Cash equivalents	$ 80,396	$ -	$ -	$ 80,396
Cross-currency interest rate swap	-	1,731	-	1,731
Total Assets	**$ 80,396**	**1,731**	**-**	**$ 82,127**
Liabilities				
Cross-currency interest rate swap	$ -	$ 5,397	$ -	$ 5,397
Total equity return swap	-	3,952	-	3,952
Long-term incentive plan	-	11,811	-	11,811
Total Liabilities	**$ -**	**21,160**	**-**	**$ 21,160**

The derivative contracts were measured based on quotes from the Company's counterparties. Such quotes have been derived using models pricing or discounted cash analysis that incorporate observable market parameters for all significant inputs such as interest yield curves, options volatilities and currency rates and that were observable for substantially the full term of the derivative contracts.

Certain financial assets and liabilities not measured at fair value

At December 31, 2012, the fair value of the Company's short-term and long-term debt was estimated at $724,132, compared to a carrying amount of $652,170. 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 both cash and equivalents and notes receivable approximates fair value.

Non-financial assets and liabilities measured at fair value on a nonrecurring basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). At December 31, 2012, 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 recognized in Mexico, Puerto Rico and Peru and the impairment of goodwill recognized in Puerto Rico. Refer to Note 3 for more details, including inputs and valuation techniques used to measure fair value of these non-financial assets.

19. 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 receivables. 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 receivables 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 21 for additional information pertaining to the Company's Venezuelan operations.

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20. 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 Topic 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 Topic 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 as follows: Brazil; the Caribbean division, consisting of Aruba, Curacao, French Guyana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago and the U.S. Virgin Islands of St. Croix and St. Thomas; the North Latin America division ("NOLAD"), consisting of Costa Rica, Mexico and Panama; and the South Latin America division ("SLAD"), consisting of Argentina, Chile, Colombia, Ecuador, Peru, Uruguay and Venezuela. 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:

	For the fiscal year ended December 31,		
	2012	**2011**	**2010**
Revenues:			
Brazil	$ 1,797,556	$ 1,890,824	$ 1,595,571
Caribbean division	273,467	267,701	260,617
NOLAD	384,041	355,265	305,017
SLAD	1,342,330	1,143,859	856,913
Total revenues	**$ 3,797,394**	**$ 3,657,649**	**$ 3,018,118**
Adjusted EBITDA:			
Brazil	$ 240,954	$ 289,462	$ 250,606
Caribbean division	12,345	9,493	23,556
NOLAD	26,738	19,551	15,400
SLAD	150,520	121,475	83,998
Total reportable segments	**430,557**	**439,981**	**373,560**
Corporate and others (i)	(89,996)	(100,193)	(74,446)
Total adjusted EBITDA	**$ 340,561**	**$ 339,788**	**$ 299,114**

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012

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

20. Segment and geographic information (continued)

	For the fiscal year ended December 31,		
	2012	**2011**	**2010**
Adjusted EBITDA reconciliation:			
Total Adjusted EBITDA	**$ 340,561**	**$ 339,788**	**$ 299,114**
(Less) Plus items excluded from computation that affect operating income:			
Depreciation and amortization	(92,328)	(68,971)	(60,585)
Compensation expense related to the award right granted to our CEO	-	(2,214)	(16,392)
Gains from sale of property and equipment	3,328	7,123	5,299
Write-offs of property and equipment	(4,259)	(3,570)	(2,635)
Impairment of long-lived assets	(1,982)	(1,715)	(4,668)
Impairment of goodwill	(683)	(2,077)	-
Incremental compensation expense related to ADBV long-term incentive plan	-	(10,526)	(15,576)
Stock-based compensation related to the special awards in connection with the initial public offering under the 2011 Plan	(7,997)	(5,703)	-
Cash bonus related to the initial public offering	-	(1,382)	-
Operating income	**236,640**	**250,753**	**204,557**
(Less) Plus:			
Net interest expense	(54,247)	(60,749)	(41,613)
Loss from derivative instruments	(891)	(9,237)	(32,809)
Foreign currency exchange results	(18,420)	(23,926)	3,237
Other non-operating (expenses) income, net	(2,119)	3,562	(23,630)
Income tax expense	(46,375)	(44,603)	(3,450)
Net income attributable to non-controlling interests	(256)	(271)	(271)
Net income attributable to Arcos Dorados Holdings Inc.	**$ 114,332**	**$ 115,529**	**$ 106,021**

	For the fiscal year ended December 31,		
	2012	**2011**	**2010**
Depreciation and amortization:			
Brazil	$ 47,659	$ 44,503	$ 43,927
Caribbean division	14,044	11,982	11,733
NOLAD	26,628	25,670	23,197
SLAD	30,987	24,070	20,343
Total reportable segments	**119,318**	**106,225**	**99,200**
Corporate and others (i)	7,279	6,536	6,048
Purchase price allocation (ii)	(34,269)	(43,790)	(44,663)
Total depreciation and amortization	**$ 92,328**	**$ 68,971**	**$ 60,585**
Property and equipment expenditures:			
Brazil	$ 133,734	$ 142,111	$ 70,017
Caribbean division	25,316	36,103	10,951
NOLAD	36,759	48,914	36,832
SLAD	96,328	90,150	53,602
Others	2,341	2,581	4,267
Total property and equipment expenditures	**$ 294,478**	**$ 319,859**	**$ 175,669**

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012
Amounts in thousands of US dollars, except for share data and as otherwise indicated

20. Segment and geographic information (continued)

	As of December 31,	
	2012	**2011**
Total assets:		
Brazil	$ 921,003	$ 992,832
Caribbean division	264,527	259,633
NOLAD	419,545	381,840
SLAD	667,366	513,909
Total reportable segments	**2,272,441**	**2,148,214**
Corporate and others (i)	109,636	98,451
Purchase price allocation (ii)	(332,914)	(371,259)
Total assets	**$ 2,049,163**	**$ 1,875,406**

(i) Primarily relates to corporate general and administrative expenses and assets as well as the results and assets of the Company's operating distribution centers until March 16, 2011 (see Note 23 for details of the split-off). Corporate general and administrative expenses consist of home office support costs in areas such as facilities, finance, human resources, information technology, legal, marketing, restaurant operations, supply chain and training. Corporate assets primarily include corporate cash and cash equivalents, collateral deposits and guarantee deposits.

(ii) Relates to the purchase price allocation adjustment made at corporate level, which reduces the total assets and the corresponding depreciation and amortization.

The Company's revenues are derived from two sources: sales by Company-operated restaurants and revenues from restaurants operated by franchisees. See Note 3 for more details. All of the Company's revenues are derived from foreign operations.

Long-lived assets consisting of property and equipment totaled $1,176,350 and $1,023,180 at December 31, 2012 and 2011, respectively. All of the Company's long-lived assets are related to foreign operations.

21. Venezuelan operations

The Company conducts business in Venezuela where currency restrictions exist, limiting the Company's ability to access cash through repatriations at the government's official exchange rate. The Company's access to these funds remains available for use within this jurisdiction and is not restricted. The official exchange rate is established by the Central Bank of Venezuela and the Venezuelan Ministry of Finance and the acquisition of foreign currency at the official exchange rate by Venezuelan companies to pay foreign debt or dividends is subject to a registration and approval process by the relevant Venezuelan authorities. Since these restrictions are in place, the Company has not been able to access to the official exchange rate to pay royalties nor dividends.

In June, 2010, the Central Bank introduced a newly regulated foreign currency exchange system (SITME), pursuant to which companies could acquire, with certain limits, U.S. dollars at an exchange rate of 5.30 Venezuelan Bolívares Fuertes per U.S. dollar. As the Company has had access to this system since it was implemented, the Company has used the new regulated rate to remeasure transactions and balances denominated in local currency. See Note 27 for details of changes occurred after year-end. Before June 2010, the Company used an average exchange rate applicable to bond-based exchange transactions, which was 6.96 Bolívares Fuertes per U.S. dollar for the period from January 1, 2010 through May 31, 2010.

Revenues and operating income of the Venezuelan operations were $349,570 and $45,164, respectively, for fiscal year 2012; $278,639 and $31,789, respectively, for fiscal year 2011; and $184,657 and $18,699, respectively, for fiscal year 2010.

During fiscal years 2012, 2011 and 2010, the Company performed through its subsidiaries several transactions in promissory notes amounting to Bolivares Fuertes 119.7 million, 50.0 million and 20.0 million, respectively, pursuant to which it acquired $13,189, $5,535 and $2,409, respectively. As a result of these transactions, the Company recognized exchange losses amounting to $9,382, $3,899 and $ 1,364 during fiscal years 2012, 2011 and 2010, respectively.

22. Shareholders' equity

Authorized capital

At December 31, 2010, the Company was authorized to issue a maximum of 400,000 shares, consisting of 240,000 class A shares and 160,000 class B shares with a par value of $1,000 each.

On February 22, 2011, effective as of March 8, 2011, the Company increased the maximum number of shares it is authorized to issue to an unlimited number of shares of no par value each.

On March 16, 2011, the Company limited the maximum number of shares it is authorized to issue to 500,000,000, 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, 2010, the Company had issued and outstanding 234,000 class A shares and 156,000 class B shares, with a total value $377,546.

On March 14, 2011, the Company's Board of Directors approved a 620.21-for-1.00 stock split of the outstanding shares in order to reduce the unit price per share and improve its marketability in connection with the initial public offering. As a result of the stock split, the Company distributed 241,492,966 additional shares to its existing shareholders on a pro-rata basis. After the stock split, the issued and outstanding shares increased to 241,882,966, consisting of 145,129,780 class A shares and 96,753,186 class B shares with no par value. Immediately after the stock split and effective as of March 16, 2011, the Company's Board of Directors approved the redemption of 41,882,966 shares (25,129,780 class A shares and 16,753,186 class B shares) in connection with the split-off the Axis business described in Note 23.

On April 14, 2011, the Company went public through an initial public offering of its Class A shares in the New York Stock Exchange. As a result of the offering, the Company issued 9,529,412 Class A shares at a price of $17.00 per share. Net proceeds from the offering totaled $152,281.

As a result, at December 31, 2011 and 2012, the Company had 209,529,412 shares issued and outstanding with no par value, consisting of 129,529,412 class A shares and 80,000,000 class B shares.

For both classes of shares, the statements of shareholders' equity reflect the stock split retrospectively for all periods presented.

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. In addition, the 2019 Notes impose certain restrictions on the distribution of dividends as described in Note 11.

During fiscal years 2012, 2011 and 2010, the Company declared dividend distributions totaling $50,036, $50,027 and $40,000 respectively.

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012
Amounts in thousands of US dollars, except for share data and as otherwise indicated

22. Shareholders' equity (continued)

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, 2012, 2011 and 2010 and their related activity during the fiscal years then ended:

	Foreign currency translation	Unrealized results on cash flow hedges	Unrecognized prior service cost of post-employment benefits	Total Accumulated other comprehensive income (loss)
Balance at December 31, 2009	**(128,021)**	**232**	**-**	**(127,789)**
Current - period other comprehensive income	29,986	(861)	-	29,125
Balance at December 31, 2010	**(98,035)**	**(629)**	**-**	**(98,664)**
Current - period other comprehensive income	(50,307)	582	-	(49,725)
Balance at December 31, 2011	**(148,342)**	**(47)**	**-**	**(148,389)**
Current - period other comprehensive income	(8,125)	(1,094)	(1,213)	(10,432)
Balance at December 31, 2012	**(156,467)**	**(1,141)**	**(1,213)**	**(158,821)**

23. Split-off of Axis Business

On March 14, 2011, effective as of March 16, 2011, the Company's Board of Directors approved the split-off of certain subsidiaries of the Company that operate the distribution centers in Argentina, Chile, Colombia, Mexico and Venezuela (the "Axis Business"). The split-off was performed 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 shareholders its equity interests in the operating subsidiaries of the Axis Business totaling a net book value of $15,428 and an equity contribution that was made to the Axis holding company amounting to $29,830. This transaction did not have a material impact on the Company's consolidated financial statements.

Presented below is supplemental information about the net assets of the Axis Business that were deconsolidated as a result of the split-off:

	2011
Cash and cash equivalents	$ 35,425
Other receivables	33,506
Inventories	27,686
Prepaid expenses and other current assets	3,211
Property and equipment, net	10,190
Deferred income taxes	4,225
Accounts payable	(53,868)
Income taxes payable	(1,181)
Other taxes payable	(2,148)
Accrued payroll and other liabilities	(8,479)
Intercompany payable	(3,309)
Net book value	**$ 45,258**

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 Topic 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 stock 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 periods presented after giving retrospective effect to the stock split described in Note 22:

	For the fiscal year ended December 31,		
	2012	**2011**	**2010**
Net income attributable to Arcos Dorados Holdings Inc. available to common shareholders	$ 114,332	$ 115,529	$ 106,021
Weighted-average number of common shares outstanding - Basic	209,529,412	215,420,271	241,882,966
Incremental shares from assumed exercise of stock options (a)	-	-	-
Incremental shares from vesting of restricted stock units	248,646	126,184	-
Weighted-average number of common shares outstanding - Diluted	209,778,058	215,546,455	241,882,966
Basic net income per common share attributable to Arcos Dorados Holdings Inc.	**$ 0.55**	**$ 0.54**	**$ 0.44**
Diluted net income per common share attributable to Arcos Dorados Holdings Inc.	**$ 0.55**	**$ 0.54**	**$ 0.44**

(a) Options to purchase 1,879,847 shares of common stock at $21.20 per share were outstanding during fiscal years 2012 and 2011; options to purchase 584,587 shares of common stock at $14.35 per share were outstanding during fiscal year 2012. 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

As discussed in Note 17, as security for the performance of the Company's obligations under the MFAs, the Company maintains irrevocable standby letters of credit in favor of McDonald's Corporation in an amount of $80 million, of which one in an amount of $65 million was issued by Credit Suisse acting as issuing bank. Credit Suisse owns 49% of the general partner and is a limited partner of DLJ South American Partners, which was a shareholder of the Company. The Company believes that the terms of the transaction are consistent with those that could have been obtained in a comparable arm's-length transaction with an unrelated party.

As discussed in Note 23, effective March 16, 2011, the Company's Board of Directors approved the split-off of the Axis Business. As a result, the Axis Business is no longer consolidated, representing a related party under common control. The Company has entered into a master commercial agreement with Axis on arm's length terms pursuant to which Axis provides the Company distribution services in Argentina, Chile, Colombia, Mexico and Venezuela. On November 9, 2011 the Company entered into a revolving loan agreement as a creditor with Axis Distribution B.V., a holding company of the Axis Business, for a total amount of $12 million at an interest rate of LIBOR plus 6%, maturing on November 7, 2016. During fiscal year 2012, Axis Distribution B.V. borrowed $7,000 from the Company in connection with this revolving agreement. The related receivable is included within "Miscellaneous".

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012

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

25. Related party transactions (continued)

The following table summarizes the outstanding balances between the Company and the Axis Business as of and for the fiscal years ended December 31, 2012 and 2011:

	As of December 31, 2012	As of December 31, 2011
Inventories	$ -	$ 1,436
Prepaid expenses and other current assets	-	7,150
Accounts and notes receivables	1,999	2,497
Other receivables	73,664	5,538
Miscellaneous	7,081	-
Accounts payable	5,514	15,311

The following table summarizes the transactions between the Company and the Axis Business for the fiscal years ended December 31, 2012 and 2011:

	Fiscal years ended December 31, 2012	Fiscal years ended December 31, 2011(i)
Food and paper (ii)	$ 321,413	$ 320,020
Occupancy and other operating expenses	9,795	10,970
Other operating income	1,480	-

(i) Includes nine months of operations as a result of the Split-off described in Note 23.

(ii) Includes $41,853 of logistics service fees and $279,560 of suppliers purchases managed through Axis for fiscal year ended December 31, 2012; and $26,628 and $293,392, respectively, for fiscal year ended December 31, 2011.

In addition, as of December 31, 2012 and 2011 the Company maintained guarantee deposits for the benefit of certain of Axis' suppliers in the amount of $2,292 and $16,100, respectively, consisting of payments made to these suppliers as collateral for the outstanding obligations of Axis to these suppliers. In the event that Axis does not pay a supplier by the date set forth in the relevant agreement, the guarantee deposit will be released to the supplier and the Company will have the right to seek reimbursement from Axis of the amount released. Neither fees nor interest is charged under this agreement with Axis.

As of December 31, 2012 the Company had notes receivable, other receivables and accounts payable with Lacoop, A.C. and Lacoop II, S.C. totaling $5,123, $2,763 and $2,689, respectively.

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012

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

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, 2012:					
Deducted from assets accounts:					
Allowance for doubtful accounts	$ 6,390	$ 2,065	$ (4,682)	$ 250	$ 4,023
Valuation allowance on deferred tax assets	223,775	-	(3,378)	16,166	236,563
Reported as liabilities:					
Provision for contingencies	65,036	16,355	(57,011)	(3,781)	20,599
Total	**$ 295,201**	**$ 18,420**	**$ (65,071)**	**$ 12,635**	**$ 261,185**
Year ended December 31, 2011:					
Deducted from assets accounts:					
Allowance for doubtful accounts	$ 4,794	$ 1,931	$ (52)	$ (283)	$ 6,390
Valuation allowance on deferred tax assets	220,182	-	(20,962)	24,555	223,775
Reported as liabilities:					
Provision for contingencies	64,347	53,869	(48,607)	(4,573)	65,036
Total	**$ 289,323**	**$ 55,800**	**$ (69,621)**	**$ 19,699**	**$ 295,201**
Year ended December 31, 2010:					
Deducted from assets accounts:					
Allowance for doubtful accounts	$ 6,125	$ 937	$ (2,636)	$ 368	$ 4,794
Valuation allowance on deferred tax assets	298,776	-	(91,416)	12,822	220,182
Reported as liabilities:					
Provision for contingencies	86,931	67,074	(89,487)	(171)	64,347
Total	**$ 391,832**	**$ 68,011**	**$ (183,539)**	**$ 13,019**	**$ 289,323**

(i) Additions in provision for contingencies are explained as follows:

Fiscal year 2012 – Relate to the accrual of $15,897, and to certain balance sheet reclassifications amounting to $458. See Note 17 for details.

Fiscal year 2011 - Relate to the accrual of $32,345 and to a decrease in judicial deposits for $21,524 as disclosed in Note 17.

Fiscal year 2010 - Relate to the accrual of $74,838, which was offset by $7,764 mainly related to the change in the balance of contingencies included in the amnesty program. See Note 17 for details.

(ii) Deductions in valuation allowance in deferred tax assets are charged to income tax expenses.

Deductions in provision for contingencies are explained as follows:

Fiscal year 2012 – Correspond to the decrease in the provision as a result of entering into an amnesty program for $28,428, to settlements totaling $27,420 and to reclassifications amounting to $1,163, as discussed in Note 17.

26. Valuation and qualifying accounts (continued)

Fiscal year 2011 – Correspond to the settlements and reductions discussed in Note 17, as well as to an increase in judicial deposits for $4,914.

Fiscal year 2010 – Correspond to the decrease in the provision as a result of the amnesty program, other settlements and the net increase in judicial deposits as discussed in Note 17.

27. Subsequent events

In January 2013, the Company made certain organizational changes in the structure of its geographical divisions in order to balance their relative weight. As a result of the reorganization effective January 1, 2013, Colombia and Venezuela become part of the Caribbean division with headquarters located in Colombia. Therefore, as from the beginning of the year, SLAD is comprised of Argentina, Chile, Ecuador, Peru and Uruguay, and the Caribbean division is comprised of Aruba, Curacao, French Guyana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago, the U.S. Virgin Islands of St. Croix and St. Thomas, Colombia and Venezuela. In accordance with ASC 280 Segment Reporting, the Company will report the results of the revised structure of its geographical divisions on its segment financial reporting beginning in the first quarter of fiscal year 2013.

On January 10, 2013, the Company paid interests related to 2016 Notes amounting to $16,944.

In January and February 2013, the Company entered into various forward contracts maturing in 2013 to hedge a portion of the foreign exchange risk associated with the forecasted imports of Colombia, Chile, Peru and Uruguay. Pursuant to the agreements, the Company will purchase a total amount of $2,908 at an average forward rate of 1,805.25 Colombian pesos per U.S. dollar, a total amount of $6,800 at an average forward rate of 486.27 Chilean pesos per U.S. dollar, a total amount of $1,925 at an average forward rate of 2.56 Peruvian soles per U.S. dollar and a total amount of $6,000 at an average forward rate of 20.07 Uruguayan pesos, respectively. The Company has designated cash flow hedges that encompass the variability of functional-currency-equivalent cash flows attributable to foreign exchange risks related to the settlement of the foreign-currency-denominated payable resulting from the forecasted purchases (hedges over 70.0% of the forecasted purchases in Colombia between February and June 2013; over 56.7% of the forecasted purchases in Chile between April and December 2013; over 50.0% of the forecasted purchases in Peru between February and December 2013; and over 49.4% of the forecasted purchases in Uruguay between March and December 2013). The effect of the hedge will result in fixing the cost of goods acquired (i.e. the net settlement or collection will adjust the cost of inventory paid to the supplier).

On February 8, 2013, the Venezuelan government announced the devaluation of its currency, the Bolívares Fuertes, from the preexisting official exchange rate of 4.30 Venezuelan Bolívares Fuertes per U.S. dollar to 6.30 Venezuelan Bolívares Fuertes per U.S. dollar. The previously available regulated foreign currency exchange system (SITME) with an executed rate of 5.30 Venezuelan Bolívares Fuertes per U.S. dollar used by the Company to remeasure transactions and balances denominated in local currency as described in Note 21, was eliminated. As a result of this devaluation and if the Company concludes that the new official exchange rate of 6.30 Venezuelan Bolívares Fuertes per U.S. dollar is the rate applicable for remeasurement purposes, the Company would recognize a foreign currency loss and a reduction of net monetary assets of approximately $14.1 million in the first quarter of 2013. The Company will reassess the exchange rate applicable for remeasurement purposes in Venezuela at the date of the 2013 first quarter financial statements based on any new available information. ASC 830, Foreign Currency Matters, states that a reporting entity’s financial statements should not be adjusted for a rate change that occurs after the date of the reporting entity’s financial statements, therefore this devaluation did not impact Company’s fiscal year 2012 results of operations, financial position, or cash flows. There are uncertainties regarding the impact the elimination of SITME could have on Venezuelan economy and complementary regulations the Venezuelan government could issue in the near future, and as such about the potential impact on the Company´s Venezuelan operations.

In February 2013, the Company performed several transactions in promissory notes amounting to Bolivares Fuertes 41.0 million, pursuant to which it acquired $1,955. As a result of these transactions, the Company recognized an exchange loss amounting to $4,553.

Exhibit 4.18

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Goldman Sachs International | Peterborough Court | 133 Fleet Street | London EC4A 2BB | Tel: 020-7774-1000 | Telex: 887902 | Cable: GOLDSACHS LONDON | Registered in England No. 2263951 | Registered Office as Above | Authorised and Regulated by the Financial Services Authority

To: **Arcos Dorados B.V.**
Prins Bernhardplein 200 1097 JB
Amsterdam, Netherlands

From: **Goldman Sachs International**

Re: **Amendment No. 3 to Share Swap Transaction**

Ref. No: **SDB4174646513**

Date: **April 4, 2013**

Reference is made to the Share Swap Transaction Confirmation dated as of August 13, 2012, among Goldman Sachs International ("**Dealer**"), Arcos Dorados B.V., a *besloten vennootschap met beperkte aansprakelijkheid* duly organized and validly existing under the laws of the Netherlands and having its corporate seat in Amsterdam, the Netherlands ("**Counterparty**"), and Arcos Dorados Holdings Inc. ("**Holdings**"), as amended by the Amendment to Share Swap Transaction dated as of October 22, 2012 and Amendment No. 2 to Share Swap Transaction dated as of November 28, 2012 in each case among Dealer, Counterparty and Holdings (as so amended, the "**Confirmation**"). The purpose of this letter agreement (this "**Amendment Agreement**") is to amend certain terms set forth in the Confirmation as described below. All capitalized terms used, but not defined herein, shall have the meanings assigned thereto in the Confirmation. Except as expressly modified herein, the Confirmation shall remain in full force and effect. Notwithstanding anything in the Confirmation to the contrary, each of Dealer, Holdings and Counterparty hereby agrees as follows:

1. Amendments. (a) The parties hereby agree as follows with respect to the Share Reduction relating to the Share Reduction Notice dated March 26, 2013 (the "**Relevant Share Reduction**"), and the Confirmation shall be deemed to be amended accordingly:

(i) The Cash Settlement Payment Dates for amounts due in respect of the Relevant Share Reduction shall be (A) April 5, 2013, (B) April 15, 2013, (C) April 30, 2013 and (D) to the extent necessary, such later date (which date shall be the date one Settlement Cycle immediately following the final Equity Valuation Date in respect of the Relevant Share Reduction) as may be designated by Dealer on not less than three (3) Currency Business Days' written notice to Counterparty.

(ii) On each Cash Settlement Payment Date relating to the Relevant Share Reduction, the Equity Amount Payer or Equity Amount Receiver, as the case may be, shall pay to the other party an amount equal to the *sum of* all Equity Amounts determined in respect of each Equity Valuation Date occurring (A) in the case of the first such Cash Settlement Payment Date, during the First Settlement Period; (B) in the case of the second Cash Settlement Payment Date, during the Second Settlement Period; (C) in the case of the third Cash Settlement Payment Date, during the Third Settlement Period; and (D) in the case of the fourth Cash Settlement Payment Date, if any, during the Fourth Settlement Period. For the avoidance of doubt, any payments made pursuant to this Section 1(a)(ii) shall satisfy in full, and be in lieu of, any payments either the Equity Amount Payer or the Equity Amount Receiver would have otherwise been required to make in respect of the Relevant Share Reduction pursuant to, and in accordance with, the first sentence of the provision opposite the caption "Payments in respect of Share Reduction" in Section 2 of the Confirmation.

(iii) On each Cash Settlement Payment Date relating to the Relevant Share Reduction, Counterparty shall pay to Dealer an amount equal to the *sum of* all Share Reduction Fees (each determined as though the applicable Cash Settlement Payment Date were the Equity Settlement Date immediately following the relevant Equity Valuation Date) and the *sum of* all Accrued Floating Amounts determined in respect of each Equity Valuation Date occurring (A) in the case of the first such Cash Settlement Payment Date, during the First Settlement Period; (B) in the case of the second Cash Settlement Payment Date, during the Second Settlement Period; (C) in the case of the third Cash Settlement Payment Date, during the Third Settlement Period; and (D) in the case of the fourth Cash Settlement Payment Date, if any, during the Fourth Settlement Period. For the avoidance of doubt, any amount payable by Dealer in connection with the Relevant Share Reduction shall, in accordance with Section 2(c) of the Agreement, be netted against, and discharged to the extent of, the amount of the Share Reduction Fees and Accrued Floating Amounts payable by Counterparty in connection with the Relevant Share Reduction.

(b) The parties hereby agree to amend the Confirmation by deleting the provision opposite the caption "Dividend Payment Date" in Section 2 of the Confirmation and replacing it with: "In relation to a Share Reduction, each Cash Settlement Payment Date in relation to such Share Reduction, on which date Dealer shall pay to Counterparty an amount in USD equal to the portion of the *sum of* all prior Dividend Amounts, if any, attributable to the aggregate number of Hedge Shares Dealer or its affiliate sells pursuant to Section 10 below on each Equity Valuation Date occurring during the relevant Settlement Period; otherwise, the final Cash Settlement Payment Date, on which date Dealer shall pay to Counterparty an amount in USD equal to the *sum of* all prior Dividend Amounts, if any, *minus* the *sum of* all Dividend Amounts, if any, previously paid by Dealer in relation to a Share Reduction.".

(c) The parties herby agree, for the avoidance of doubt, that the Floating Amount payable by Counterparty on the Payment Date for Floating Amount Payer relating to the Quarterly Valuation Date falling on May 20, 2013 shall be adjusted by the Calculation Agent to reflect any reduction in the Number of Shares as provided in the provision opposite the caption "Number of Shares" in Section 2 of the Confirmation and to account for the payment by Counterparty of any Accrued Floating Amount pursuant to Section 1(a)(iii) of this Amendment Agreement.

(d) For purposes of this Amendment Agreement:

"**Accrued Floating Amount**" means, in respect of an Equity Valuation Date, an amount equal to the *product of* (x) the *sum of* the Floating Rate *plus* the Spread, *multiplied by* (y) the *quotient of* the actual number of calendar days in the period from and including February 25, 2013 to but excluding the Cash Settlement Payment Date relating to the relevant Settlement Period *divided by* 360, *multiplied by* (z) the number of Hedge Shares Dealer or its affiliate sells pursuant to Section 10 of the Confirmation on such Equity Valuation Date *multiplied by* the Hedge Period Reference Price.

"**First Settlement Period**" means the period of calendar days from and including March 26, 2013 to and including April 2, 2013.

"**Second Settlement Period**" means the period of calendar days from and including April 3, 2013 to and including April 10, 2013.

"**Third Settlement Period**" means the period of calendar days from and including April 11, 2013 to and including April 25, 2013.

"**Fourth Settlement Period**" means the period of calendar days from and including April 26, 2013 to and including the date one Settlement Cycle immediately preceding the fourth Cash Settlement Payment Date, if any.

"**Settlement Period**" means each of the First Settlement Period, the Second Settlement Period, the Third Settlement Period and the Fourth Settlement Period, if any.

2. Representations and Warranties. Each party hereto represents to the other parties hereto, as of the date hereof, as to the matters set forth in Section 3(a) of the Agreement; *provided* that references in such Section to the Agreement shall be to this Amendment Agreement.

3. Agreement and Understanding with respect to Payments. Each party hereto hereby agrees and acknowledges that (a) any Equity Amount and/or Share Reduction Fee in respect of the Relevant Share Reduction that is due and payable under the terms of the Confirmation on or before the date of this Amendment Agreement shall be payable in accordance with the terms of this Amendment Agreement and (b) the failure to have made any such payment prior to the execution of this Amendment Agreement shall not constitute an Event of Default for purposes of the Confirmation or the Agreement referenced therein.

4. Governing Law and Jurisdiction. This Amendment Agreement and all matters and all non-contractual obligations arising out of in connection with the Amendment Agreement, shall be governed by, and construed and enforced in accordance with, the laws of the State of New York (without reference to its choice of law doctrine other than Title 14 of Article 5 of the General Obligations Law of New York). This Amendment Agreement is also subject to, and incorporates, the jurisdiction provisions contained in Section 13(b) of the Agreement; *provided* that in the first line of Section 13(b) the following shall be inserted after the word, “Agreement”, “including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with this Agreement”.

5. Counterparts. This Amendment Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Amendment Agreement by signing and delivering one or more counterparts.

[*Signature page follows*.]

Counterparty and Holdings hereby agree (i) to check this Amendment Agreement carefully and promptly upon receipt so that errors or discrepancies can be promptly identified and rectified and (ii) to confirm that the foregoing (in the exact form provided by Dealer) correctly sets forth the terms of the Amendment Agreement, by manually signing this Amendment Agreement or this page hereof as evidence of agreement to such terms and providing the other information requested herein and immediately returning an executed copy to Goldman, Sachs & Co., Equity Derivatives Documentation Department, Facsimile No. 212-428-1980/83.

Yours faithfully,

GOLDMAN SACHS INTERNATIONAL

By: /s/ Charlotte Cobb
Authorized Signatory

Agreed and Accepted By:

ARCOS DORADOS B.V.

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

ARCOS DORADOS HOLDINGS INC.

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

Exhibit 4.19

(Multicurrency—Cross Border)

ISDA®

International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of **April 20, 2012**

BANK OF AMERICA, 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 are 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 Date 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 full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d) promptly upon the 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 the 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 full 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) the 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 Specified 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)(i) 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 Default***. 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 all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a) (vii)(1), (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 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)(1) 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)(i) on action to avoid that Termination Event.

(iv) ***Right to Terminate***. 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 an 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 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 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 into, 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 this 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 be entered into as soon as practicable and may be 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 not 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 meaning 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)(i) 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.

BANK OF AMERICA, N.A.

By: /s/ Carl R. Kolbet

Name: Carl R. Kolbet

Title: Director

ARCOS DORADOS HOLDINGS INC.

By: /s/ Miguel Sanchez de Bustamante

Name: Miguel Sanchez de Bustamante

Title: DR. SR. Corporate Finance

ISDA®

International Swaps and Derivatives Association, Inc.

SCHEDULE
to the
Master Agreement

dated as of April 20, 2012
between

BANK OF AMERICA, N.A.,
a national banking association organized and existing
under the laws of the United States of America
("Party A")
and

ARCOS DORADOS HOLDINGS INC.,
a corporation organized and existing under the of the British Virgin Islands
("Party B'")

Part 1. **Termination Provisions.**

(a) "**Specified Entity**" means in relation to Party A 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

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.

(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 under (2) above with respect to a party ("X") if (A) the failure to pay referred in (2) 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 X's receipt of written notice of its failure to pay."

"**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 as specified from time to time in the most recently published audited financial statements of Party A or its equivalent in any other currency and, in relation to Party B, USD 40,000,000 or its equivalent in any other currency.

"**Shareholders' Equity**" means with respect to any entity, at any time, the sum (as shown in the most recent annual audited financial statements of such entity) of (i) its capital stock (including preferred stock) outstanding, taken at par value, (ii) its capital surplus and (iii) its retained earnings, minus (iv) treasury stock, each to be determined in accordance with generally accepted accounting principles.

(d) The "**Bankruptcy**" provisions of Section 5(a)(vii) will apply to Party A and will apply to Party B; *provided* that such provisions shall be amended by deleting "30" and substituting "60" in clauses (4)(B) and (7) thereof.

(e) The "**Credit Event Upon Merger**'' provisions of Section 5(b)(v) will apply to Party A and will not apply to Party B.

(f) 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.

(g) **Payments on Early Termination**. For the purpose of Section 6(e), Market Quotation and the Second Method will apply.

(h) "**Termination Currency**"·means United States Dollars.

(i) **Additional Termination Event**. Not Applicable.

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 and existing under the laws of the United States of America, it is an exempt recipient under Treasury Regulation Section 1.6049-4(c)(1)(ii)(M) and its federal taxpayer identification number is 94-1687665.

ii. It is a "U.S. person" (as that term is used in section 1.1441-4(a)(3)(ii) of the United States Treasury Regulations) for United States federal income tax purposes.

(c) **Party B Payee Representation**. For the purpose of Section 3(f) of this Agreement, Party B makes the following representations:·

i. It is treated as a corporation for U.S. federal income tax purposes.

ii. 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.

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.	(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, signed in original.	(i) Upon becoming a party to this Agreement, (ii) before December 31 of each third succeeding calendar year, (iii) promptly upon reasonable demand by the other party, and (iv) 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	Copies of documents evidencing each party's capacity to execute this Agreement, each Confirmation and any Credit	Upon the execution of this Agreement, and, with respect to a Confirmation, upon the other	Yes

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
	Support Document (if applicable) and to perform its obligations hereunder and thereunder.	party's request.	
Party A and Party B	A copy of the annual report of such party 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. In the case of Bank of America Corporation, it shall be deemed to be delivered on the date such report is made available on www.bankofamerica.com/investor/.	Yes
Party A and Party B	A duly executed copy of the Credit Support Documents specified in Part 4 of this Schedule.	As soon as practicable after the execution of this Agreement.	No
Party B	Any other document required by law or regulation in order that Party A may comply with its know-your-customer and anti-money laundering obligations.	Promptly after request	Yes
Party B	Certificate from the Process Agent for Party B that it consents to receipt of process on behalf of Party B.	Upon execution and delivery of this Agreement	No

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: Bank of America, N.A.
200 N College Street, NC 1-004-03-43
Charlotte
North Carolina 28255-0001

Attention: Swap Operations
Telephone No.: 312-234-2732
Facsimile No.: 866-255-1444

with a copy to:

Bank of America, N.A.
50 Rockefeller Plaza, NY1-050-10-01
New York, New York 10020

Attention: Client Integration & Documentation
Facsimile No.: 212-548-8622

Address for notices or communications to Party B:

Address:	Arcos Dorados Holdings Inc. C/C Arcos Dorados Argentina S.A. Roque Saenz Peña -432- Olivos- Buenos Aires Argentina- B1636FFB
Attention:	Miguel Sanchez de Bustamante / Diego Pace Julieta Nalband
Facsimile No.:	(54-11) 4711-2236
TelephoneNo.:	(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 875 Avenue of the Americas, Suite 501, New York, New York 10001

(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 act through its Charlotte, North Carolina, Chicago, Illinois, San Francisco, California, New York, New York, Boston, Massachusetts or London, England Office or such other Office as may be agreed to by the parties in connection with a Transaction.

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) an Event of Default occurs and is continuing with respect to Party A, in which case Party B may appoint a Reference Market-maker to act as alternate Calculation Agent for so long as such Event of Default continues. Following any such designation of an alternate Calculation Agent, if no Event of Default in respect of Party A is then continuing, the Calculation Agent shall again be Party A.

(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) **Local Business Day**. Notwithstanding anything to the contrary in the definition of Local Business Day in Section 14 of this Agreement, the parties hereby agree that for all purposes hereunder a Local Business Day shall occur only on a Business Day in both New York, New York and Buenos Aires, Argentina.

(i) **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).

Section 13 is amended by (i) deleting in Section 13(b)(i) the word "non-exclusive" and replacing it with "exclusive" and (ii) deleting the final paragraph of Section 13(b) in its entirety.

(j) **Netting of Payments**. Section 2(c)(ii) of this Agreement will not apply to all Transactions, starting from the date of this Agreement.

(k) **Affiliate**. "Affiliate" has the meaning specified in Section 14.

(l) **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. ***Eligible Contract Participant***. It is an "eligible contract participant" as defined in Section 1 of the U.S. Commodity Exchange Act, 7 U.S.C."

(m) **Recording of Conversations**. Each party (i) consents to the recording of telephone conversations between the trading and marketing personnel of the parties in connection with this Agreement or any potential Transaction, and (ii) agrees, to the extent permitted by applicable law, that the recordings may be submitted in evidence in any proceedings.

(n) **Transfer**. Notwithstanding the provisions of Section 7, Party A may assign and delegate its rights and obligations under (i) any one or more Transactions or (ii) this Agreement and all Transactions hereunder (the "***Transferred Obligations***") to any direct or indirect affiliate of Party A (the "***Assignee***") by notice specifying the effective date of such transfer ("***Effective Date***") and including an executed acceptance and assumption by the Assignee of the Transferred Obligations and provided further,(1) if the Assignee is a direct or indirect affiliate of Party A and it is not an entity rated by Moody's, S&P or Fitch, Inc. ("Fitch") or any successor to the business of any such rating agency, the Transferred Obligations will be guaranteed by a direct or indirect affiliate of Party A that has a credit rating by Moody's, S&P or Fitch; (2) Party B will not, as a result of such transfer, be required to pay the Assignee any Indemnifiable Tax greater than the amount that Party B would have been required to pay to Party A in the absence of such transfer; (3) the Assignee will not, as a result of such transfer, be required to withhold or deduct on account of any Tax an amount in excess of that which Party A would have been required to so withhold or deduct in the absence of such transfer; (4) the transfer shall not give rise to a taxable event or any adverse tax consequences to Party B; (5) the transferee shall provide Party B with a complete and accurate U.S. Internal Revenue Service Form W-9 or W-8 (as applicable) prior to becoming a party to this Agreement; (6) the transferee shall provide Payer Tax Representations and Payee Tax Representations; (7) an Event of Default or a Termination Event does not occur as a result of such transfer; and (8) Party A has delivered (in accordance with the notice section of this Agreement) an executed assignment and assumption agreement by the Assignee and Party A of the transferred obligations.

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.**

(a) **ISDA Definitions**. Reference is hereby made to the 2006 ISDA Definitions (the "***2006 Definitions***") and the 1998 FX and Currency Option Definitions (the "***FX Definitions***") (collectively the "***ISDA Definitions***") each as published by the International Swaps and Derivatives Association, Inc., which are hereby incorporated by reference herein. Any terms used and not otherwise defined herein, which are contained in the 2006 Definitions shall have the meaning set forth therein. In the event of any inconsistency between the 2006 Definitions and the FX Definitions, the FX Definitions shall prevail with respect to an FX Transaction or a Currency Option Transaction. In the event of any inconsistency between the provisions of this Agreement and the 2006 Definitions, the provisions of this Agreement shall prevail. For the purpose of this Agreement, the expression "Swap Transaction" as used in the 2006 Definitions shall be read to mean "Transactions".

(b) **WAIVER OF JURY TRIAL**. EACH PARTY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY PROCEEDINGS RELATING TO THIS AGREEMENT, ANY CREDIT SUPPORT DOCUMENT OR ANY TRANSACTION.

(c) **Illegality**. For the purpose of Section 5(b)(i), the obligation of a party to comply with any directive issued or given by any government agency or authority with competent jurisdiction which has the result referred to in Section 5(b)(i) will be deemed to be an "Illegality".

(d) **Confirmation Procedures**. On or promptly following the Trade Date of a Transaction, Party A will send in writing to Party B 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)."

(g) **Financial Statements**. Section 3(d) is hereby amended by adding in the third line thereof after the word "respect" and before the period: "or, in the case of financial statements, a fair presentation of the financial condition of the relevant party".

(h) **Foreign Account Tax Compliance Act**. (a) For purposes of any Payer Tax Representation, the words "any Tax from any payment'' shall not include any tax imposed under Sections 1471 and 1472 of the Internal Revenue Code of 1986, as amended (or the United States Treasury regulations or other guidance issued or any agreements entered into thereunder) ("FATCA Withholding Tax") and (b) the definition of "Indemnifiable Tax" shall not include any FATCA Withholding Tax.

Part 6. **FX Transactions and Currency Option Transactions**

(a) **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.

(b) **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).

(c) **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;

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.

(d) **Netting of Premiums**. Unless otherwise agreed, if on any Premium Payment Date, Premiums would otherwise be payable hereunder in the same currency between the same Offices of the parties, then, on such date, each party's obligation to make payment of any such Premium will be automatically satisfied and discharged and, each party shall aggregate the Premium(s) that would otherwise have been payable by it and only the difference between the aggregate Premium(s) shall be payable by the party owing the larger aggregate Premium(s) to the other party, and, if the aggregate Premium(s) are equal, no payment shall be made.

(e) **Amendments to the FX and Currency Option Definitions**. Section 3.4 of the FX and Currency Option Definitions is hereby amended by the addition of the following as new Sections 3.4(c) and (d) of the FX and Currency Option Definitions:

"(c) Unless otherwise agreed in writing by the parties, the Premium related to a Currency Option Transaction shall be paid on its Premium Payment Date in immediately available funds.

(d) If any Premium is not received on the Premium Payment Date, the Seller may elect: (i) to accept a late payment of such Premium; (ii) to give written notice of such non-payment and, if such payment shall not be received within three (3) Local Business Days of such notice, treat the related Currency Option Transaction as void; or (iii) to give written notice of such non-payment and, if such payment shall not be not received within three (3) Local Business Days, treat such non-payment as an Event of Default under Section 5(a)(i) of this Agreement. If the Seller elects to act under either clause (i) or (ii) of the preceding sentence, the Buyer shall pay all out-of-pocket costs and actual damages incurred in connection with such unpaid or late Premium or void Currency Option Transaction, including, without limitation, interest on such Premium from and including the Premium Payment Date to but excluding the date of actual payment in the same currency as such Premium at the Default Rate and any other losses, costs or expenses incurred by the Seller in connection with such terminated Currency Option Transaction, for the cost of its funding, or the loss incurred as a result of terminating, liquidating, obtaining or re-establishing a delta hedge or related trading position with respect to such Currency Option Transaction,"

IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized representative(s) as of the date hereof.

BANK OF AMERICA, N.A.

By: /s/ Carl R. Kolbet
Name: Carl R. Kolbet
Title: Director

ARCOS DORADOS HOLDINGS INC.

By: /s/ Miguel Sanchez de Bustamante
Name: Miguel Sanchez de Bustamante
Title: DR. SR. Corporate Finance

By:
Name:
Title:

Exhibit 4.21

GUARANTEE

GUARANTEE, dated as of April 20, 2012, of Arcos Dourados Comercio de Alimentos Ltda. (the "**Subsidiary Guarantor**") in favor of Bank of America, N.A. (the "**Counterparty**"). In connection with the ISDA Master Agreement and the Schedule thereto, each dated as of April 20, 2012, and any confirmations thereunder (collectively, as amended from time to time, the "**ISDA Master Agreement**"), between the Counterparty and Arcos Dorados Holdings Inc. (together with its successors and assigns, the "**Company**"), the Subsidiary Guarantor hereby agree as follows:

ARTICLE I
GUARANTEE

Section 1.1 Guarantee.

(a) The Subsidiary Guarantor hereby fully and unconditionally guarantees on a general unsecured senior basis, as primary obligor and not merely as surety to the Counterparty the full and punctual payment when due of the Company's obligations to the Counterparty under the ISDA Master Agreement and all Transactions thereunder (collectively, the "**Guaranteed Obligations**"). The Subsidiary Guarantor hereby agrees to pay, in addition to the amounts stated above, any and all expenses (including reasonable counsel fees and expenses) incurred by the Counterparty in enforcing any rights under this Guarantee.

(b) The Subsidiary Guarantor waives presentment to, demand of payment from and protest to the Company of any of the Guaranteed Obligations and also waives notice of protest for nonpayment. The Subsidiary Guarantor waives notice of any default under the ISDA Master Agreement. The obligations of the Subsidiary Guarantor hereunder shall not be affected by (i) the failure of the Counterparty to assert any claim or demand or to enforce any right or remedy against the Company or any other person under the ISDA Master Agreement; (ii) any rescission, waiver, amendment or modification of any of the terms or provisions of the ISDA Master Agreement not related to this Guarantee; (iii) the release of any security held by the Counterparty for the Guaranteed Obligations; (iv) the failure of the Counterparty to exercise any right or remedy against the Subsidiary Guarantor; or (v) any change in the ownership of the Company.

(c) The Subsidiary Guarantor further agrees that the Guarantee herein constitutes a guarantee of payment when due (and not a guarantee of collection) and waives any right to require that any resort be had by the Counterparty to any security held for payment of the Guaranteed Obligations.

(d) The Subsidiary Guarantor further expressly waives irrevocably and unconditionally:

(i) Any right it may have to first require the Counterparty to proceed against, initiate any actions before a court of law or any other judge or authority, or enforce any other rights or security or claim payment from the

Company or any other person before claiming from it under the ISDA Master Agreement; and

(ii) Any right to which it may be entitled to have the assets of the Company or any other person first be used, applied or depleted as payment of the Company's or the Subsidiary Guarantor's obligations hereunder, prior to any amount being claimed from or paid by the Subsidiary Guarantor hereunder.

(e) The obligations of the Subsidiary Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than payment of the Guaranteed Obligations in full), including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Subsidiary Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of the Counterparty to assert any claim or demand or to enforce any remedy under the ISDA Master Agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the Guaranteed Obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of the Subsidiary Guarantor or would otherwise operate as a discharge of the Subsidiary Guarantor as a matter of law or equity.

(f) The Subsidiary Guarantor further agrees that the Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any of the Guaranteed Obligations is rescinded or must otherwise be restored by the Counterparty upon the bankruptcy, or reorganization of the Company or otherwise.

(g) In furtherance of the foregoing and not in limitation of any other right which the Counterparty has at law or in equity against the Subsidiary Guarantor by virtue hereof, upon the failure of the Company to pay any of the Guaranteed Obligations when and as the same shall become due the Subsidiary Guarantor hereby promises to and will, upon receipt of written demand by the Counterparty, forthwith pay, or cause to be paid, in cash, to the Counterparty an amount equal to the sum of:

(i) the unpaid amount of such Guaranteed Obligations then due and owing in U.S. Dollars as calculated by the Counterparty by converting the applicable reais amount into U.S. Dollars at the Settlement Rate on the applicable Rate Calculation Date (each as defined in the Indenture (as defined below)); and

(ii) accrued and unpaid interest on such Guaranteed Obligations then due and owing (but only to the extent not prohibited by law) in U.S. Dollars as calculated by the Counterparty by converting the applicable reais amount into U.S. Dollars at the Settlement Rate on the applicable Rate Calculation Date.

Section 1.2 Limitation on Liability; Termination, Release and Discharge. The obligations of the Subsidiary Guarantor hereunder shall be limited to the maximum amount as shall, after giving effect to all other contingent and fixed liabilities of the Subsidiary Guarantor result in the Guaranteed Obligations not constituting a fraudulent conveyance, fraudulent transfer or similar illegal transfer under applicable law.

(b) The Subsidiary Guarantor shall be automatically and without further action released and relieved of its obligations under the Guarantee (except with respect to Guaranteed Obligations that by their terms survive) in the event that:

(i) there is a sale or other disposition (including through a consolidation or merger) of capital stock of the Subsidiary Guarantor following which the Subsidiary Guarantor is no longer a direct or indirect subsidiary of the Company; or

(ii) there is a sale of all or substantially all of the assets of the Subsidiary Guarantor (including by way of merger, stock purchase, asset sale or otherwise) to a person that is not (either before or after giving effect to such transaction) the Company;

provided, in each case that (i) such transactions are carried out pursuant to and in accordance with all applicable covenants and provisions of the Indenture dated as of July 13, 2011 (the "**Indenture**"), among the Company, the Subsidiary Guarantors named therein, Citibank N.A., as Trustee, Calculation Agent, Registrar, Paying Agent and Transfer Agent and Dexia Banque Internationale A Luxembourg, Societe Anonyme, as Luxembourg Paying Agent and (ii) all the Guaranteed Obligations are fully paid.

Section 1.3 [*Reserved*]

Section 1.4 No Subrogation. The Subsidiary Guarantor agrees that it shall not be entitled to any right of subrogation in respect of any Guaranteed Obligations until payment in full in cash of all Guaranteed Obligations. If any amount shall be paid to the Subsidiary Guarantor on account of such subrogation rights at any time when all of the Guaranteed Obligations shall not have been paid in full in cash, such amount shall be held by the Subsidiary Guarantor in trust for the Counterparty, segregated from other funds of the Subsidiary Guarantor, and shall, forthwith upon receipt by the Subsidiary Guarantor, be turned over to the Counterparty in the exact form received by the Subsidiary Guarantor, to be applied against the Guaranteed Obligations.

Section 1.5 Taxes. All payments by the Subsidiary Guarantor hereunder will be made in full without set-off or counterclaim and free and clear of and without withholding or deduction for or on account of any present or future taxes, duties or other charges, unless the withholding or deduction of such taxes or duties is required by law. In any such event, however, the Subsidiary Guarantor shall (a) promptly notify the Counterparty, in writing, of such requirement, (b) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid to the Counterparty pursuant to this paragraph), (c) promptly forward to the Counterparty an official receipt (or a certified copy) evidencing such payment, and (d) pay to the Counterparty such additional amounts as may be necessary in order that the net amount received by the Counterparty after such withholding or deduction shall equal the full amount which would have been received by the Counterparty has such payments been made by the Obligor. The Subsidiary Guarantor will pay all stamp, transfer, registration, documentation, or other similar taxes payable in connection with this Guarantee and will keep the Counterparty indemnified against failure to pay the same.

ARTICLE II
MISCELLANEOUS

Section 2.1 Notices. Any notice or communication delivered to the Company under the provisions of the ISDA Master Agreement shall constitute notice to the Subsidiary Guarantor.

Section 2.2 Parties. Nothing expressed or mentioned herein is intended or shall be construed to give any person, firm or corporation, other than the Counterparty, any legal or equitable right, remedy or claim under or in respect of this Guarantee or any provision herein contained.

Section 2.3 Governing Law, etc. This Guarantee and all matters related hereto shall be governed by and construed in accordance with the laws of the State of New York (without reference to its conflicts of laws principles (except for Sections 5-1401 and 5-1402 of the New York General Obligations Law). With respect to any suit, action or proceeding concerning this Guarantee, the Subsidiary Guarantor submits to the non-exclusive jurisdiction of the Federal and State courts located in the City, County and State of New York. The Subsidiary Guarantor specifically and irrevocably waives (i) any objection which it may have at any time to the laying of venue of any suit, action or proceeding brought in such courts, (ii) any claim that the same has been brought in an inconvenient forum, and (iii) the right to object that such courts do not have jurisdiction over it. The Subsidiary Guarantor waives personal service of any summons, complaint or other process, which may be made by any other means permitted by New York law, including, without limitation, by registered mail directed to the Subsidiary Guarantor's principal place of business.

Section 2.4 Waiver of Rights to Trial by Jury. THE SUBSIDIARY GUARANTOR HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING(S) ARISING OUT OF OR RELATING TO THIS GUARANTEE, THE OBLIGATIONS OR ANY TRANSACTION.

Section 2.5 Service of Process. The Subsidiary Guarantor irrevocably appoints the process agent specified below to receive, for it and on its behalf, service of process in any proceedings. If for any reason the process agent is unable to act as such, the Subsidiary Guarantor will promptly notify the Counterparty and within 30 days appoint a substitute process agent acceptable to the Counterparty. The Subsidiary Guarantor irrevocably consent to service of process given in the manner provided in Section 12 of the ISDA Master Agreement

National Registered Agents, Inc. with offices currently at 875 Avenue of the Americas, Suite 501, New York, New York 1000 I

Section 2.6 Brazilian Law. If, and to the extent that, Brazilian law shall be deemed to apply to any or all of the Subsidiary Guarantor's obligations hereunder, for those purposes:

the Subsidiary Guarantor agrees that its obligations to make payment hereunder shall be deemed to be a first demand obligation (*garantia exigivel à primeira demanda*) to fulfill and comply with, as a joint and several responsibility (*responsabilidade solidária*), all of the outstanding Obligations assumed by the Company under the Transactions and/or any master agreement relating thereto or governing any such Transactions, in the capacity of a "*FIADOR E PRINCIPAL PAGADOR, solidariamente responsável*" with the Company, in connection therewith. In addition, for such purposes, the Subsidiary Guarantor hereby expressly (A) waives and renounces the benefit of order (*beneficio de ordem*) of demanding and rights provided by the Brazilian Civil Code (Law 10,406/02), specifically in accordance with Articles 827 et seq. of the Brazilian Civil Code and (ii) recognizes that this Guarantee shall not be considered as a limited instrument of guarantee, for the purposes of Article 822 of the Brazilian Civil Code;

the Subsidiary Guarantor expressly waives the benefits set forth in Articles 333 (sole paragraph), 366, 831, 834, 835, 836, 837, 838 and 839 of the Brazilian Civil Code (Law 10.406/02), and Article 595 of the Code of Civil Procedure (Law 5,869/73); and for purposes hereof and to the extent it is required pursuant to the applicable law now existing or that may be enacted at any time hereafter, the Subsidiary Guarantor hereby (A) represents that it has obtained and/or (B) undertakes to promptly obtain the relevant authorizations and/or licenses from, and to effect the relevant registrations with, the relevant government bodies and agencies (including, but not limited to, the Central Bank of Brazil and the Federal Revenues Office) in connection with the execution of the Transactions, the Guarantee hereunder and the remittance of any payments by the Subsidiary Guarantor of any amounts under the Transactions to the Counterparty.

For any purposes hereof, including, but not limited to, the enforcement, collection and any payment due under the Transactions or any master agreement relating thereto or governing any such Transactions and the Guarantee in Brazil, in the Counterparty's sole discretion, the parties hereto agree that (i) each Transaction or any master agreement relating thereto or governing any such Transactions and the Guarantee shall be deemed as an enforceable out-of-court debt instrument (*título executivo extra-judicial*), pursuant to Section 585, II, of the Brazilian Civil Procedure Code (Law 5,869/73) and laws applicable to Deliverable FX Agreements (including, without limitation, Law 4,728/65); (ii) all amounts (including, without limitation, termination amounts, coupon payments, interests, expenses and taxes) owed by the Company herein shall be deemed as a net and certain debt (*dívida liquida e certa*) to the extent that Counterparty is required to enforce, collect or defend them before any Brazilian Courts and authorities against the Company and/or any Subsidiary Guarantors. The Company and the Subsidiary Guarantor further acknowledge and consent that any discussion or enforcement and collection of any amounts under any Transactions or any master agreement relating thereto or governing any such Transactions and the Guarantee in Brazil shall be made through an expedited enforcement claim (*ação de execução*) or any other means elected by Counterparty, at its sole discretion; and (iii) in accordance with Section 585, § 2th, of the Brazilian Civil Procedure Code (Law 5,869/73), this Guarantee, any Transactions or any master agreement relating thereto or governing any such Transactions comply with all the requirements of, and contains all the formalities of, the place where it has been executed. The Subsidiary Guarantor and the Company agree that any evidence of payment of this Guarantee, any Transactions or any master agreement relating thereto or governing any such Transactions in the amount set forth therein, shall constitute valid and sufficient evidence of the validity and enforceability of this Guarantee, any Transactions or any master agreement relating thereto or governing any such Transactions before any Brazilian Courts, as the case may be. Finally, the Company and the Subsidiary Guarantor agree that Counterparty shall be waived of any requirement to present any bonds or security, including, but not limited to, the one set forth in Article 835 of the Brazilian Civil Code or any other similar law, for the discussion or enforcement of this Guarantee, any Transactions or any master agreement relating thereto or governing any such Transactions before any Brazilian Courts, it being agreed that the Company and the Subsidiary Guarantor hereby expressly waive any right to request Counterparty to post any bond required to initiate or file lawsuits against the Company and/or the Subsidiary Guarantor in any jurisdiction.

Section 2.7 Severability. In case any provision in this Guarantee shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability.

Section 2.8 Headings. The headings of the Articles and Sections in this Guarantee have been inserted for convenience of reference only, are not intended to be considered as a part hereof and shall not modify or restrict any of the terms or provisions hereof.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Subsidiary Guarantor has caused this Guarantee to be duly executed and delivered by its proper and duly authorized officers as of this 20th day of April 2012.

ARCOS DOURADOS COMERCIO DE ALIMENTOS LTDA.

By: /s/ Dorival Oliveira /s/ Ivan Zarur

Name: Dorival Oliveira	Ivan Zarur
Title: Diretor de Desenvolvimento	Diretor Financeiro

BANK OF AMERICA, N.A.

By: /s/ Carl R. Kolbet
Name: Carl R. Kolbet
Title: Director

ARCOS DORADOS HOLDINGS INC.

By:
Name:
Title:

Witnessed:

By:
Name:
Title:

By:
Name:
Title:

IN WITNESS WHEREOF, the Subsidiary Guarantor has caused this Guarantee to be duly executed and delivered by its proper and duly authorized officers as of this 20th day of April 2012.

ARCOS DOURADOS COMERCIO DE ALIMENTOS LTDA.

By: ____________________
Name:
Title:

BANK OF AMERICA, N.A.

By: ____________________
Name:
Title:

ARCOS DORADOS HOLDINGS INC.

By: /s/ Miguel Sanchez de Bustamante
Name: Miguel Sanchez de Bustamante
Title: DR. SR. Corporate Finance

Witnessed:

By: ____________________
Name:
Title:

By: ____________________
Name:
Title:

To:	Arcos Dorados Holdings Inc. Roque Saenz Pena 432 B1636FFB Olivos Buenos Aires, Argentina
Attn:	Julieta Nalband
Tel:	+54 11 4711 2672
Email:	julieta.nalband@ar.mcd.com
From:	Bank of America, N.A. 200 No. College Street Charlotte, NC 28255 United States
Dept:	Swaps Department
Tel:	(+1) 312 234 2732
Fax:	(+1) 866 255 1444
Date:	June 8, 2012
Our Ref No:	909697986
Internal Tracking No:	9697986
Admin No:	12BN67373

This Confirmation supersedes and replaces any and all Confirmations previously sent to you in respect of this Transaction.

Dear Sir/Madam,

The purpose of this letter agreement is to confirm the terms and conditions of the Transaction entered into between Arcos Dorados Holdings Inc. and Bank of America, N.A. (each a "party" and together "the parties") on the Trade Date specified below (the "Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below (the "Agreement").

The definitions and provisions contained in the 2006 ISDA Definitions (the "2006 Definitions"), as published by the International Swaps and Derivatives Association, Inc. ("ISDA") and the 1998 FX and Currency Option Definitions (the "FX Definitions") as published by the International Swaps and Derivatives Association Inc., the Emerging Markets Traders Association and The Foreign Exchange Committee (together, the "Definitions") are incorporated into this Confirmation. In the event of any inconsistency between the 2006 Definitions and the FX Definitions, the 2006 Definitions shall govern, except that the FX Definitions shall govern for the purposes of the Settlement Provisions set out below. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern. References herein to a "Transaction" shall be deemed to be references to a "Swap Transaction" for the purposes of the 2006 Definitions.

This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of April 20, 2012, as amended and supplemented from time to time, between the parties. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

In this Confirmation, "Party A" means Bank of America, NA., and "Party B" means Arcos Dorados Holdings Inc.

The terms of the particular Transaction to which this Confirmation relates are as follows:

Trade Date:	April 20, 2012
Effective Date:	April 24, 2012
Termination Date:	July 13, 2016, subject to adjustment in accordance with the Following Business Day Convention.
Brazil Business Day:	A Business Day (as such term is defined in the Definitions) in Sao Paulo.
Business Days Applicable to Payment Dates:	New York.
	Unless otherwise specified herein ("Business Day") shall mean New York only.

A. Fixed Amount I:

Fixed Rate Payer 1:	Party A
Fixed Rate Payer I Reference Currency Notional Amount:	BRL 70,000,000.00
Fixed Rate Payer I Period End Date:	The 13th of each January and July in each year, commencing on July 13, 2012 and ending on the Termination Date. No Adjustment.
Fixed Rate Payer I Payment Date:	The 13th of each January and July in each year, commencing on July 13, 2012 and ending on the Termination Date; subject to adjustment in accordance with the Following Business Day Convention.
Fixed Rate:	10.2500 per cent
Fixed Rate Day Count Fraction:	30/360

B. Fixed Amount II:

Fixed Rate Payer II:	Party B
Fixed Rate Payer II Reference Currency Notional Amount:	USD 37,433,155.08
Fixed Rate Payer II Period End Date:	The 13th of each January and July in each year, commencing on July 13, 2012 and ending on the Termination Date. No Adjustment.
Fixed Rate Payer II Payment Dates:	The 13th of each January and July in each year, commencing on July 13, 2012 and ending on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention
Fixed Rate:	4.9000 per cent
Fixed Rate Day Count Fraction:	30/360

<u>C. Final Exchanges:</u>

Final Exchange:	Applicable
Final Exchange Date:	The Termination Date
Party A Final Exchange Amount:	BRL 70,000,000.00
Party B Final Exchange Amount:	USD 37,433,155.08

<u>D. All Amounts Payable under the Transaction will be paid in USD:</u>

All payments to be paid in USD:	Notwithstanding any provision to the contrary set forth herein, each of the amounts payable under the Transaction by Party A on each Fixed Rate Payer I Payment Date and on the Final Exchange Date shall be converted from an amount denominated in BRL to an amount denominated in USD by application of the Settlement Rate Option determined in respect of the Valuation Date immediately preceding such Fixed Rate Payer I Payment Date or the Final Exchange Date, as applicable, and each USD denominated amount resulting from such conversion shall be paid on such Fixed Rate Payer I Payment Date or Final Exchange Date, as applicable, by Party A; <u>provided</u>, <u>however</u>, that such conversion and payment obligations shall be subject in all respects to (A) any applicable provisions of Article 5 in the 1998 Definitions with reference to the relevant terms set out below in this <u>Section D</u> and (B) any adjustment required to be made in accordance with the other provisions of this <u>Section D</u> to the occurrence of the Valuation Date, any Fixed Rate Payer I Payment Date or the Final Exchange Date, as applicable.
Settlement Rate Option:	BRL PTAX (BRL09)
Valuation Date:	In respect of Party A and any BRL denominated payment to be made by such party under the Transaction on a Fixed Rate Payer I Payment Date or the Final Exchange Date, as applicable, the date that is the 3rd consecutive Brazil and New York Business Day to occur prior to such Fixed Rate Payer I Payment Date or Final Exchange Date, as applicable, as such Fixed Rate Payer I Payment Date or Final Exchange Date is adjusted in accordance with the Following Business Day Convention; <u>provided</u>, <u>however</u>, in the event of an Unscheduled Holiday, subject to adjustment in accordance with the Following Business Day Convention and the applicable provisions of Article 5 in the 1998 Definitions and with reference to the provisions set out below in this Section D.

	Notwithstanding the foregoing, if a Valuation Date falls on a date that, as at the Trade Date, is not a scheduled Business Day in New York, no adjustment shall be made on account of the fact that such date is not a Business Day in New York.
Disruption Events and Fallbacks:	
Price Source Disruption:	Applicable
Price Materiality:	Applicable
Primary Rate:	BRL PTAX (BRL09)
Secondary Rate:	EMTA BRL Industry Survey Rate (BRL12), or EMTA BRL Indicative Survey Rate (BRL13), as the case may be.
Price Materiality Percentage:	3.0%, provided, however, that if there are insufficient responses on the Valuation Date to the EMTA BRL Industry Survey or the EMTA BRL Indicative Survey, as the case may be, the Price Materiality Percentage will also be deemed to have been met.
Disruption Fallbacks:	
1.First Fallback Reference Price:	EMTA BRL Industry Survey Rate (BRL12)
2.Valuation Postponement	
3.Second Fallback Reference Price:	EMTA BRL Indicative Survey Rate (BRL13)
4.Calculation Agent Determination of Settlement Rate:	
Definition of Unscheduled Holiday:	"Unscheduled Holiday" shall mean, for the purpose of this Transaction, that a day is not a Brazil Business Day and a Business Day and the market was not aware of such fact (by means of a public announcement or by reference to other publicly available information) until a time later than 9.00 am local time in the Principal Financial Center(s) of the Reference Currency two Brazil Business Days and Business Days prior to the Valuation Date, provided, however, that if the next day is also an Unscheduled Holiday, the Spot Rate will be determined by the Calculation Agent on such day in its sole discretion acting in good faith in a commercially reasonable manner having taken into account relevant market practice and by reference to such additional sources as it deems appropriate.

"Valuation Postponement" for Price Source Disruption:	"Valuation Postponement" means, for purposes of obtaining a Settlement Rate, that the Spot Rate will be determined on the Business Day first succeeding the day on which the Price Source Disruption ceases to exist, unless the Price Source Disruption continues to exist (measured from the date, that, but for the occurrence of the Price Source Disruption, would have been the Valuation Date) for a consecutive number of calendar days equal to the Maximum Days of Postponement. In such event, the Spot Rate will be determined on the next Business Day after the Maximum Days of Postponement in accordance with the next applicable Disruption Fallback.
Cumulative Events:	Notwithstanding anything herein to the contrary, in no event shall the total number of consecutive calendar days during which either (i) valuation is deferred due to an Unscheduled Holiday, or (ii) a Valuation Postponement shall occur (or any combination of (i) and (ii)), exceed 30 consecutive calendar days in the aggregate. Accordingly, (x) if, upon the lapse of any such 30-day period, an Unscheduled Holiday shall have occurred or be continuing on the day following such period, then such day shall be deemed to be a Valuation Date, and (y) if, upon the lapse of any such 30-day period, a Price Source Disruption shall have occurred or be continuing on the day following such period, then Valuation Postponement shall not apply and the Spot Rate shall be determined in accordance with the next Disruption Fallback.
Maximum Days of Postponement:	Thirty (30) calendar days
Relevant City for Business Day for Valuation Dates:	Any of Rio de Janeiro, Sao Paulo or Brasilia and New York
No Adjustments to the Termination Date:	For the avoidance of doubt, any adjustment to, or deferral of, (A) the date on which a Spot Rate is determined, (B) any Fixed Rate Payer I Payment Date or (C) the Final Exchange Date pursuant to the terms and provisions hereof shall not adjust or otherwise affect the occurrence of the Termination Date for the purposes of determining the duration of any Calculation Period.
Payment Date Adjustments:	The parties hereto agree that if the date on which a Spot Rate is determined is adjusted or deferred in accordance with the terms and provisions hereof as the result of the occurrence of an Unscheduled Holiday or on account of a Price Source Disruption, then the applicable Fixed Rate Payer I Payment Date or the Final Exchange Date, as applicable, shall occur on the first Business Day in New York immediately following such adjusted or deferred date on which the Spot Rate is determined.
Calculation Agent:	Party A

Please confirm that the foregoing correctly sets the terms of our agreement by executing this Confirmation and returning it to us by facsimile transmission.

Bank of America	Arcos Dorados Holdings Inc.
/s/ Katherine A. Andrews	By: /s/ Diego Pace
Katherine A. Andrews	Name: Diego Pace
Managing Director, Sr. Group Operations Manager	Title: Corp. Finance Director
Authorised Signatory	

Exhibit 4.23

U.S.$50,000,000

CREDIT AGREEMENT

dated as of August 3, 2011

among

ARCOS DORADOS B.V.,
as Borrower

CERTAIN SUBSIDIARIES OF THE BORROWER,
as Guarantors

and

BANK OF AMERICA, N.A.,
as Lender

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CREDIT AGREEMENT, dated as of August 3, 2011 (the "Agreement"), among ARCOS DORADOS B.V., a private company with limited liability (*besloten venootschap met beperkte aansprakelijkheid*) organized under the laws of The Netherlands with seat in Amsterdam (the "Borrower"), (b) CERTAIN SUBSIDIARIES OF THE BORROWER, as Guarantors (as defined below), and BANK OF AMERICA, N.A., as lender (the "Lender").

W I T N E S S E T H:

WHEREAS, the Lender has agreed to make available to the Borrower a revolving credit facility on the terms and subject to the conditions contained in this Agreement;

WHEREAS, each Guarantor will benefit from the extension of credit to the Borrower by the Lender;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows.

ARTICLE I

DEFINITIONS

Section 1.1 Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"Additional Guarantor" means each Subsidiary of the Borrower that becomes, at any time after the Closing Date, an additional Guarantor hereunder pursuant to Section 5.5.

"Affiliate" of any Person, means any Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

"Aggregate Commitment Amount" means $50,000,000.

"Anti-Terrorism Laws" means the Executive Order, the regulations administered by OFAC, the Bank Secrecy Act (31 U.S.C. §§ 5311 et seq.), the Money Laundering Control Act of 1986 (18 U.S.C. §§ 1956 et seq.), the USA PATRIOT Act and any similar law or regulation enacted in the United States, or any similar regulation or sanction enacted, administered or enforced by the United Nations Security Council, any institution of the European Union or any government authority, including regulations or sanctions relating to restrictive measures against Iran.

"Applicable Law" means, as to any Person, all applicable constitutions, treaties, laws, statutes, codes, ordinances, orders, decrees, rules and regulations of any Governmental Authority binding upon such Person or to which such a Person is subject.

"Applicable Margin" means a rate *per annum* equal to 2.50%.

"Availability Period" the period commencing on and including the Closing Date and ending on the Commitment Termination Date.

"Base Rate" means, for any day, a fluctuating rate *per annum* equal to the highest of (a) the rate of interest in effect for such day as publicly announced from time to time by the Lender as its "prime rate," (b) the Federal Funds Effective Rate, as in effect for such day, plus 0.5% and (c) the LIBO Rate for an interest period of one month, plus 1.00%, as adjusted to conform to changes as of the opening of business on the date of any change of such LIBO Rate. Any change in such prime rate announced by the Lender shall take effect at the opening of business on the day specified in the public announcement of such change.

"Board" means the Board of Governors of the Federal Reserve System, together with any successor.

"Borrowing" means a borrowing of Loans made by the Lender pursuant to Section 2.1.

"Borrowing Date" means a Business Day within the Availability Period specified in a Borrowing Notice as the date on which the Borrower shall make a Borrowing hereunder.

"Borrowing Notice" is defined in Section 2.2(a).

"Brazilian Guarantor" means each Guarantor organized under the laws of the Federative Republic of Brazil.

"Brazilian Master Franchisee" means Arcos 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 Ltda.

"Breakage Costs" means any loss or expense incurred by the Lender, which shall consist of losses or expenses incurred in liquidating or employing deposits from third parties (but excluding loss of margin for the remaining portion of any Interest Period after the date of the event that gave rise to such loss or expense) as a result of (a) any payment or prepayment of any Loan accruing interest at the LIBO Rate on a day other than the last day of the Interest Period therefor (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise) or (b) any failure by the Borrower to prepay or borrow any Loan accruing interest at the LIBO Rate on a date or in the amount notified by the Borrower. For purposes of calculating Breakage Costs, each Loan shall be deemed to have been funded at the LIBO Rate applicable to such Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Loan was in fact so funded. A certificate of the Lender setting forth in reasonable detail its calculation of such losses or expenses incurred shall be conclusive absent manifest error.

"Business Day" means any day, other than a Saturday or Sunday, on which (a) banking institutions in the State of New York are open for general business, and (b) when used in connection with the determination of the LIBO Rate, dealings in U.S. dollar deposits are carried out between banks in the London inter-bank market.

"Capital Lease Obligations" of any Person, means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

"Capital Stock" means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated and whether or not voting) of equity of such Person, including each class of Common Stock, Preferred Stock, limited liability interests or partnership interests, but excluding any debt securities convertible into such equity.

"Change of Control" means the occurrence of one or more of the following events:

(a) the Permitted Holders cease to be the "beneficial owners" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of 30.0% of the voting power of the Voting Stock of the Borrower, the Brazilian Master Franchisee or the Master Franchisee;

(b) individuals appointed by the Permitted Holders cease for any reason to constitute a majority of the members of the Board of Directors of the Borrower (*de directie*), the Brazilian Master Franchisee or the Master Franchisee;

(c) the sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the assets of the Borrower, the Brazilian Master Franchisee or the Master Franchisee, determined on a Consolidated basis, to any "person" (as defined in Sections 13d and 14d under the Exchange Act), whether or not otherwise in compliance with this Agreement, other than a Permitted Holder; or

(d) the approval by the holders of Capital Stock of the Borrower, the Brazilian Master Franchisee or the Master Franchisee of any plan or proposal for the liquidation or dissolution of any such Person, whether or not otherwise in compliance with this Agreement.

"Change in Law" means, with respect to the Lender, the adoption of, or change in, any law, rule, regulation, policy, guideline or directive (whether or not having the force of law) or any change in the interpretation or application thereof by any Governmental Authority having jurisdiction over the Lender, in each case after the date hereof; provided, that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Closing Date" is defined in Section 4.1.

"Combined/Consolidated Basis" means, when used with respect to the determination of any amount, that such amount is to be determined by combining the relevant amount determined with respect to the Guarantors within a certain Territory and the Consolidated Subsidiaries of such Guarantors operating within the same Territory (but excluding in any event any 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 Closing Date or issued after the Closing Date, and includes, without limitation, all series and classes of such common equity interests.

"Consolidated" refers to the consolidation of accounts of a Person and its Subsidiaries in accordance with GAAP.

"Consolidated EBITDA" means, with respect to any Person for any period, Consolidated Net Income for such Person for such period, plus the following (without duplication) to the extent deducted or added in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense for such Person for such period;

(2) Consolidated Income Tax Expense for such Person for such period;

(3) Consolidated Non-cash Charges for such Person for such period;

(4) any non-operating and/or non-recurring charges, expenses or losses of such Person and its Subsidiaries for such period; and

(5) the amount of loss on any sale of accounts receivables and related assets to a Securitization Subsidiary in connection with a Permitted Receivables Financing;

less (x) all non-cash credits and gains increasing Consolidated Net Income for such Person for such period, (y) all cash payments made by such Person and its Subsidiaries during such period relating to non-cash charges that were added back in determining Consolidated EBITDA in any prior period and (z) non-operating and/or non-recurring income or gains (less all fees and expenses related thereto) increasing Consolidated Net Income of such Person and its Subsidiaries for such period.

Notwithstanding the foregoing, the items specified in clauses (1) and (3) above for any Subsidiary will be added to Consolidated Net Income in calculating Consolidated EBITDA for any period:

(a) in proportion to the percentage of the total Capital Stock of such Subsidiary held directly or indirectly by such Person at the date of determination; and

(b) to the extent that a corresponding amount would be permitted at the date of determination to be distributed to such Person by such Subsidiary pursuant to its charter and bylaws (*estatutos sociales*) and each law, regulation, agreement or judgment applicable to such distribution.

"Consolidated Income Tax Expense" means, with respect to any Person for any period, the provision for federal, state, local and any other income taxes payable by such Person and its Subsidiaries for such period as determined on a Consolidated basis in accordance with GAAP.

"Consolidated Indebtedness" means, as of any date of determination, all Indebtedness (including the Loans) of a Person and its Subsidiaries determined on a Consolidated basis.

"Consolidated Interest Expense" means, with respect to any Person for any period, the sum (without duplication) determined on a Consolidated basis in accordance with GAAP of:

(1) the aggregate of cash and non-cash interest expense of such Person and its Subsidiaries for such period determined on a Consolidated basis in accordance with GAAP, including, without limitation, the following (whether or not interest expense in accordance with GAAP):

(a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries in the form of additional Indebtedness;

(b) any amortization of deferred financing costs;

(c) the net costs under Hedging Obligations (including amortization of fees) in respect of Indebtedness or that are otherwise treated as interest expense or equivalent under GAAP; provided that if Hedging Obligations result in net benefits rather than costs, such benefits will be credited to reduce Consolidated Interest Expense unless, pursuant to GAAP, such net benefits are otherwise reflected in Consolidated Net Income;

(d) all capitalized interest;

(e) the interest portion of any deferred payment obligation;

(f) any premiums, fees, discounts, expenses and losses on the sale of accounts receivable (and any amortization thereof) payable by the Borrower or any Subsidiary in connection with a Permitted Receivables Financing;

(g) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances; and

(h) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries or secured by a Lien on the assets of such Person or one of its Subsidiaries, whether or not such Guarantee or Lien is called upon; and

(2) the interest component of Capital Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries during such period.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a Consolidated basis, determined in accordance with GAAP; provided that there will be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) net after-tax gains or losses from asset sale transactions or abandonments or reserves relating thereto;

(2) net after-tax items classified as extraordinary, special (reflected as a separate line item on a consolidated income statement prepared in accordance with GAAP) gains or losses or income or expense or charge including, without limitation, any severance expense, and fees, expenses or charges related to any offering of Capital Stock of such Person, any Investment, asset acquisition or Indebtedness;

(3) the net income (or loss) of any other Person (other than such Person and any Subsidiary of such Person); except that such Person's equity in the net income of any such other Person will be included up to the aggregate amount of cash actually distributed by such other Person during such period to such Person or a Subsidiary of such Person as a dividend or other distribution; and except further that such Person's equity in the net loss of any other Person will be included to the extent such loss has been funded with cash from such Person or a Subsidiary of such Person;

(4) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of Consolidated Net Income accrued at any time following the Closing Date;

(5) any gain (or loss) from foreign exchange translation or change in net monetary position;

(6) any net gain or loss (after any offset) resulting in such period from Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes; provided that the net effect on income or loss (including in any prior periods) will be included upon any termination or early extinguishment of such Hedging Obligations, other than any Hedging Obligations with respect to Indebtedness (that is not itself a Hedging Obligation) and that are extinguished concurrently with the termination or other prepayment of such Indebtedness; and

(7) the cumulative effect of changes in accounting principles.

"Consolidated Net Indebtedness" means, with respect to any Person as of any date of determination, an amount equal to Consolidated Indebtedness minus cash and cash equivalents and consolidated marketable securities recorded as current assets (except for any Capital Stock in any Person) in all cases determined in accordance with GAAP and as set forth in the most recent consolidated balance sheet of such Person and its Subsidiaries.

"Consolidated Net Indebtedness to EBITDA Ratio" means, at any date of determination, the ratio (expressed as a decimal) of: (a) Consolidated Net Indebtedness of the Borrower as at such date divided by (b) Consolidated EBITDA of the Borrower for the four (4) most recent fiscal quarters ending on or before such date.

"Consolidated Non-cash Charges" means, with respect to any Person for any period, the aggregate depreciation, amortization and other non-cash expenses or losses of such Person and its Subsidiaries for such period, determined on a Consolidated basis in accordance with GAAP (excluding any such charge which constitutes an accrual of or a reserve for cash charges for any future period or the amortization of a prepaid cash expense paid in a prior period).

"Consolidated Total Assets" means, as of any date of determination, the total assets shown on the Consolidated balance sheet of the Borrower and its Subsidiaries as of the most recent date for which such a balance sheet is available, determined on a Consolidated basis in accordance with GAAP, calculated on a *pro forma* basis to give effect to any acquisition or disposition of companies, divisions, lines of business or operations by the Borrower and its Subsidiaries subsequent to such date and on or prior to the date of determination.

"Consolidated Net Worth" means, for any period, for the Borrower and its Subsidiaries on a Consolidated basis, the total shareholder's equity (or total assets minus total liabilities) which would appear as such on the Consolidated balance sheet of the Borrower and its Subsidiaries on a Consolidated basis, as determined in accordance with GAAP.

"Contingent Obligation" means, as to any Person, (without duplication): (a) a guarantee, an indemnity obligation in respect of a guarantee or performance bond (including a *fianza*), an endorsement or an *aval*, (b) a contingent agreement to purchase or to furnish funds for the payment or maintenance of, or otherwise to be or become contingently liable under or with respect to, any Indebtedness, other obligations, net worth, working capital or earnings of any Person, (c) an agreement to purchase, sell or lease (as lessee or lessor) Property or services, primarily in each case for the purpose of enabling a debtor to make payment of its obligations, or (d) an agreement to assure a creditor against loss; *in each case* including causing a bank or other Person to issue a letter of credit or other similar instrument for the benefit of any Person, but excluding endorsement for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation of any Person shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined in good faith.

"Contributing Subsidiary" is defined in Section 5.5(b).

"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.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, *recuperação judicial*, *regime de administração especial temporária*, *concurso mercantil*, *quiebra* or similar debtor relief laws of the United States of America, The Netherlands, Mexico, 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.

"Designated Jurisdiction" means any of Burma/Myanmar, Cuba, Iran, North Korea, Sudan or any other country or territory to the extent that such country or territory itself is the subject of any Sanction.

"Designated Person" means a person: (a) listed in the annex to, or otherwise subject to the provisions of, the Executive Order; (b) named as a "Specially Designated National and Blocked Person" on the most current list published by OFAC at its official website or any replacement website or other replacement official publication of such list; (c) publicly designated by the United States Secretary of the Treasury to be owned or controlled by, or acting for or on behalf of, any person referred to in paragraph (a) or (b) above, or otherwise determined by the United States Secretary of State to be subject to the terms of Section 1 of the Executive Order; (d) publicly designated by the United States Secretary of State to have committed, or to pose a significant risk of committing, acts of "terrorism" as defined in the Executive Order that threaten the security of United States nationals or the national security, foreign policy, or economy of the United States; or (e) which otherwise is, by public designation of the United Nations Security Council or United States or European Union government authority, the subject of any Sanction.

"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 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.

"Executive Order" means United States Executive Order No. 13224 on Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit, or Support Terrorism, which came into effect on 24 September 2001, as amended.

"Excluded Taxes" means, 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, (a) Taxes imposed on or measured by its overall net income (however denominated), and branch profits and franchise taxes imposed on it, 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; (b) Taxes 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); and (c) withholding Taxes 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, provided that the providing of such documentation is not materially more onerous in form, in procedure or in substance of information disclosed to such recipient than comparable requirements under U.S. tax law (such as IRS Forms W-8BEN or W-9).

"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.

"Federal Funds Effective Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the U.S. Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Lender on such day on such transactions as determined by the Lender.

"Fee Letter" means that certain fee letter dated as of the date hereof between the Borrower and the Lender.

"Financial Officer" of any Person means the chief financial officer, principal accounting officer, treasurer, assistant treasurer or controller of such Person.

"Franchise Documents" means the Master Franchise Agreements and any other documents pursuant to which the Borrower or any of its Subsidiaries has acquired the right to operate any franchised restaurant in Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curacao, Ecuador, French Guiana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Trinidad and Tobago, Uruguay, Venezuela and the U.S. Virgin Islands of St. Thomas and St. Croix, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"GAAP" means the generally accepted accounting principles in the United States of America, as in effect from time to time, consistently applied throughout the periods involved.

"Governmental Authority" means, as applicable, the government of Brazil, Mexico, The Netherlands, the United States, any other nation, or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantor" means Arcos Dourados Comércio de Alimentos Ltda., Arcos Dorados Puerto Rico, Inc., Golden Arch Development Corporation, each Initial Mexican Guarantor 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.

"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 20 Business Days of incurrence),

(e) all liabilities secured by any Lien on any Property of such Person, whether or not such liabilities have been assumed by such Person (the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such Property and the amount of the Indebtedness so secured),

(f) Capital Lease Obligations,

(g) net obligations under Hedging Obligations of such Person (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time),

(h) all liabilities recorded on the balance sheet of such Person in connection with a sale or other disposition of accounts receivable and related assets;

(i) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any; *provided* that

> (i) if the Disqualified Capital Stock does not have a fixed repurchase price, such maximum fixed repurchase price will be calculated in accordance with the terms of the Disqualified Capital Stock as if the Disqualified Capital Stock were purchased on any date on which Indebtedness will be required to be determined hereunder; and
>
> (ii) if the maximum fixed repurchase price is based upon, or measured by, the fair market value of the Disqualified Capital Stock, the fair market value will be the Fair Market Value thereof;

(j) the amount of 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.

"Initial Mexican Guarantor" means each of Arcos Sercal Servicios, S.A. de C.V. and Arcos Sercal Inmobiliaria, S. de R.L. de C.V.

"Interest Payment Date" means, for each Loan, the last day of each Interest Period applicable to such Loan.

"Interest Period" means, with respect to each Loan, initially the period commencing on (and including) the date such Loan is made and ending (but excluding, for purposes of calculating interest) on the numerically corresponding day three calendar months (or, solely for purposes of computing the Base Rate by reference to the LIBO Rate, one calendar month) thereafter, and thereafter, each period commencing on (and including) the last day of the immediately preceding Interest Period applicable to such Loan and ending (but excluding, for purposes of calculating interest) on the numerically corresponding day three calendar months (or, solely for purposes of computing the Base Rate by reference to the LIBO Rate, one calendar month) thereafter; provided that (a) if any Interest Period would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day, unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(b) any Interest Period that would otherwise extend beyond the Maturity Date shall end on the Maturity Date, respectively; and (c) any Interest Period that begins on the last day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

"Investment" means, with respect to any Person, any: (1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Contingent Obligation) to any other Person (other than advances or extensions of credit to customers in the ordinary course of business); (2) capital contribution (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) to any other Person; or (3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

"LIBO Rate" means, for any Interest Period (a) the rate *per annum* equal to the rate determined by the Lender to be the offered rate appearing on the Reuters page that displays an average British Bankers Association Interest Settlement Rate (such page currently being LIBOR01 page) ("BBA LIBOR") for deposits with a term equivalent to such Interest Period in Dollars (for delivery on the first day of such Interest Period), determined as of approximately 11:00 a.m. (London, England time) on the date two Business Days prior to the first day of such Interest Period, or (b) in the event the rate referenced in the preceding clause (a) does not appear on such page or service, or if such page or service shall cease to be available, the rate *per annum* equal to the rate determined by the Lender to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits (for delivery on the first day of such period) with a term equivalent to such Interest Period in Dollars, determined as of approximately 11:00 a.m. (London, England time) on the date two Business Days prior to the first day of such Interest Period, or (c) in the event the rates referenced in the preceding clauses (a) and (b) are not available, the rate *per annum* determined by the Lender to be rate *per annum* at which deposits in Dollars are offered for such relevant Interest Period to major banks in the London interbank market in London, England by the Lender's London Branch at approximately 11:00 a.m. (London, England time) on the date that is two Business Days prior to the beginning of such Interest Period.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing); provided that in no event shall an operating lease be deemed to constitute a Lien.

"Loan" is defined in Section 2.1.

"Loan Documents" means, collectively, this Agreement, the Note, the Fee Letter and each Subsidiary Joinder Agreement (if any).

"Loan Parties" means the Borrower and the Guarantors.

"Master Franchise Agreements" means the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008 (as the same may be amended, restated, supplemented or otherwise modified from time to time), among McDonald's Latin America, the Borrower and the other parties thereto, and the Second Amended and Restated Master Franchise Agreement, dated as of November 10, 2008 (as the same may be amended, restated, supplemented or otherwise modified from time to time), among McDonald's Latin America and Arcos Dourados Comércio de Alimentos Ltda.

"Master Franchisee" means LatAm, LLC, or any successor to its rights and obligations under the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008 (as the same may be amended, restated, supplemented or otherwise modified from time to time), among McDonald's Latin America, the Borrower and the other parties thereto.

"Material Adverse Effect" means a material adverse effect on (a) the business, properties, operations or condition, financial or otherwise, of the Borrower, or 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 Closing Date (determined based on the financial condition and results of operations as of and for the period of four (4) fiscal quarters ended on June 30, 2011), the Material Subsidiaries are as set forth on Schedule 1.1.

"Maturity Date" means the first anniversary of the Closing Date.

"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.

"Mexican Guarantor" means each Guarantor organized under the laws of Mexico.

"Mexico" means the United Mexican States.

"Negotiation Period" is defined in Section 2.9(a).

“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.

“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.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Other Taxes” means all present or future stamp or documentary taxes 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 or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Permitted Holders” means (a) any Person that is an Affiliate of the Borrower prior to an event giving rise to a Change of Control (and not established as an Affiliate in order to effect what would otherwise be a Change of Control), (b) Woods W. Staton and any Related Party of Woods W. Staton and (c) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned directly or indirectly 51% or more by Persons specified in clause (b).

“Permitted Receivables Financing” means any receivables financing facility or arrangement pursuant to which a Securitization Subsidiary purchases or otherwise acquires accounts receivable of the Borrower or any Subsidiary and enters into a third party financing thereof on terms that the Board of Directors of the Borrower or such Subsidiary has concluded are customary and market terms fair to such Person.

“Person” means an individual, partnership, corporation, business trust, joint stock company, limited liability company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“Preferred Stock” means, with respect to any Person, any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

“Property” shall mean any right or interest in or to property, assets, rights or revenues of any kind whatsoever, whether real, personal or mixed, whether existing or future and whether tangible or intangible, including intellectual property.

"Rate Determination Notice" is defined in Section 2.9.

"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.

"Sanction" means any international economic sanction administered or enforced by OFAC, the United Nations Security Council or the European Union.

"Securitization Subsidiary" means (a) a Subsidiary that is designated a "Securitization Subsidiary" by the Board of Directors of the Borrower, (b) that does not engage in, and whose charter prohibits it from engaging in, any activities other than Permitted Receivables Financings and any activity necessary, incidental or related thereto, (c) no portion of the Indebtedness or any other obligation, contingent or otherwise, of which is guaranteed by the Borrower or any Material Subsidiary, is recourse to or obligates the Borrower or any Material Subsidiary of the Borrower in any way, subjects any property or asset of the Borrower or any Material Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof and (d) with respect to which neither the Borrower nor any Material Subsidiary has any obligation to maintain or preserve its financial condition or cause it to achieve certain levels of operating results other than, in respect of clauses (c) and (d), pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Permitted Receivables Financing.

"Subsidiary" means, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock of each class or other interests having ordinary voting power (other than stock or other interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are, at the time owned, or the management of which is otherwise controlled by, such Person or by one or more Subsidiaries of such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower

"Subsidiary Joinder Agreement" means each agreement executed by an Additional Guarantor in the form of Exhibit E.

"Substitute Basis" is defined in Section 2.9(a).

"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 (or in the case of the Commonwealth of Puerto Rico, the territory of the Commonwealth of Puerto Rico) in which such Subsidiary is organized and has its primary operations; provided that the Territory with respect to Golden Arch Development Corporation shall be deemed to be the Commonwealth of Puerto Rico.

"United States" means the United States of America.

"Voting Stock" means Capital Stock in any Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or individuals performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

Section 1.2 Rules of Construction.

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and Properties, including cash, securities, accounts and contract rights.

(b) In this Agreement and each other Loan Document, unless the context clearly requires otherwise (or such other Loan Document clearly provides otherwise), (i) "amend" shall mean "amend, restate, amend and restate, supplement or modify;" and "amended," "amending" and "amendment" shall have meanings correlative to the foregoing; (ii) in the computation of periods of time from a specified date to a later specified date, "from" shall mean "from and including," "to" and "until" shall mean "to but excluding," and "through" shall mean "to and including;" (iii) "hereof," "herein" and "hereunder" (and similar terms) in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document; and (iv) references to "the date hereof" shall mean the date first set forth above.

(c) In this Agreement unless the context clearly requires otherwise, any reference to (i) an Exhibit or Schedule is to an Exhibit or Schedule, as the case may be, attached to this Agreement and constituting a part hereof, and (ii) a Section or other subsection is to a Section or such other subsection of this Agreement.

(d) Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP; *provided* that, if the Borrower notifies the Lender that the Borrower requests an amendment to 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 6.6, the definitions of Consolidated Net Indebtedness, Consolidated EBITDA and Consolidated Net Indebtedness to EBITDA Ratio will be calculated after giving effect on a pro forma basis in good faith for the period of such calculation for the following:

(i) the incurrence, repayment or redemption of any Indebtedness (including acquired Indebtedness) of such Person or any of its Subsidiaries, and the application of the proceeds thereof, including the incurrence of any Indebtedness (including acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such four-quarter period or at any time subsequent to the last day of such four-quarter period and prior to or on such date of determination, to the extent, in the case of an incurrence, such Indebtedness is outstanding on the date of determination, as if such incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such four-quarter period; and

(ii) any asset sale transaction or asset acquisition by such Person or any of its Subsidiaries, including any asset sale or asset acquisition giving rise to the need to make such determination, occurring during the four-quarter period or at any time subsequent to the last day of the four-quarter period and prior to or on such date of determination, as if such asset sale transaction or asset acquisition occurred on the first day of the 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 at least the Dollar equivalent of EUR 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) 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 September 30, 2011, and on the Commitment Termination Date, a commitment fee (the "Commitment Fee"), at a rate of 0.50% *per annum* on the average daily amount of the unutilized portion of the Commitment of the fiscal quarter of the Borrower ended on such day. The phrase "unutilized portion of the Commitment" as used in the preceding sentence means, as of any day, the positive difference between (a) the amount of the Commitment, and (b) the outstanding principal amount of the Loans. The Commitment Fee shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Commitment Fee due to the Lender shall commence to accrue on the Closing Date, shall be payable in arrears and shall cease to accrue on the date on which the Commitment shall be terminated or terminates as provided herein.

Section 2.8 Note.

(a) The obligation of Borrower to repay the aggregate principal balance of all Loans hereunder outstanding at any one time shall be evidenced by a note governed by the laws of the State of New York executed by the Borrower, as issuer, payable to the order of the Lender, substantially in the form of Exhibit B, as such Note may be modified or amended from time to time.

(b) The payment of any part of the principal of the Note shall discharge the obligation of the Borrower under this Agreement to pay principal of the Loans evidenced by the Note *pro tanto*, and the payment of any principal of a Loan in accordance with the terms hereof shall discharge the obligations of the Borrower under the Note *pro tanto*.

(c) In the event of any inconsistency between this Agreement and the Note with respect to the calculation of interest or any other amount due hereunder, this Agreement shall prevail.

Section 2.9 Inability to Determine Interest Rate. If, prior to the commencement of any Interest Period, the Lender determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period or that the LIBO Rate for such Interest Period will not adequately and fairly reflect the cost of the Lender of making or maintaining the Loans at for such Interest Period, then the Lender shall give notice (the "Rate Determination Notice") thereof to the Borrower by telephone or telecopy as promptly as practicable thereafter, and,

(a) during the thirty day period next succeeding the date of delivery of such Rate Determination Notice (the "Negotiation Period"), the Lender and the Borrower will negotiate in good faith for the purpose of agreeing upon an alternative, mutually acceptable basis (the "Substitute Basis") for determining the rate of interest to be applicable to the Loans for such Interest Period;

(b) if at the expiry of the Negotiation Period, the Lender and the Borrower have agreed upon a Substitute Basis, then the Loans will accrue interest at a rate *per annum* equal to the Substitute Basis in effect from time to time plus the Applicable Margin until the circumstances giving rise to such Rate Determination Notice have ceased to apply and such substitute rate shall be retroactive to, and take effect from, the beginning of such Interest Period;

(c) if, at the expiry of the Negotiation Period, a Substitute Basis shall not have been agreed upon as aforesaid, the Loans will accrue interest at a rate *per annum* equal to the Base Rate plus 1.50%, until the circumstances giving rise to such Rate Determination Notice have ceased to apply and such substitute rate shall be retroactive to, and take effect from, the beginning of such Interest Period.

Section 2.10 Payments Generally. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Lender, at the Lender's office in

Dollars and in immediately available funds not later than 4:00 p.m. (New York time) on the date specified herein. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected on computing interest or fees, as the case may be.

Section 2.11 Illegality. If any Change in Law makes it unlawful, or any Governmental Authority of competent jurisdiction has asserted that it is unlawful, for the Lender or its applicable lending office to make, maintain or fund the Loans, or to determine or charge interest rates based upon the LIBO Rate, or any Governmental Authority has imposed material restrictions on the authority of the Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by the Lender to the Borrower, (i) any obligation of the Lender to make or continue Loans at the LIBO Rate shall be suspended, and (ii) if such notice asserts the illegality of the Lender making or maintaining Loans the interest rate on which is determined by reference to the LIBO Rate component of the Base Rate, the interest rate on which the Loans shall, if necessary to avoid such illegality, be determined by the Lender without reference to the LIBO Rate component of the Base Rate, in each case until the Lender notifies the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (x) all Loans shall commence to bear interest at the Base Rate (which shall, if necessary to avoid such illegality, be determined by the Lender without reference to the LIBO Rate component of the Base Rate) plus 1.50%, either on the last day of the Interest Period therefor, if the Lender may lawfully continue to maintain the Loans bearing interest at the LIBO Rate to such day, or immediately, if the Lender may not lawfully continue to maintain such Loans bearing interest at the LIBO Rate and (y) if such notice asserts the illegality of the Lender determining or charging interest rates based upon the LIBO Rate, the Lender shall, during the period of such suspension, compute the Base Rate without reference to the LIBO Rate component thereof until the Borrower is advised in writing by the Lender that it is no longer illegal for the Lender to determine or charge interest rates based upon the LIBO Rate. Upon any such conversion of Loans from bearing interest at the LIBO Rate to the Base Rate, the Borrower shall pay to the Lender all accrued and unpaid interest on the amount so converted.

Section 2.12 Taxes.

(a) Any and all payments by or on account of any obligation of the Borrower or any Guarantor hereunder or under any other Loan Document shall, to the extent permitted by Applicable Law, be made free and clear of and without deduction or withholding for any Taxes. If, however, Applicable Law requires the Borrower or any Guarantor to withhold or deduct any Tax, such Tax shall be withheld or deducted in accordance with such Applicable Law as determined by the Borrower or such Guarantor.

(b) If the Borrower or any Guarantor shall be required by Applicable Law to withhold or deduct any Taxes from any payment, then (i) the Borrower or such Guarantor shall withhold or make such deductions as are determined by the Borrower or such Guarantor to be required, (ii) the Borrower or such Guarantor shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with Applicable Law, and (iii) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the Borrower or such Guarantor shall be increased by such additional amounts as necessary so that after any such required withholding or the making of all such required deductions (including withholding or deductions applicable to additional sums payable under this Section 2.12) the Lender receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(c) Without limiting the provisions of clause (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(d) Without limiting the provisions of clause (a), (b) or (c) above, the Borrower shall, and does hereby indemnify the Lender, and shall make payment in respect thereof, within ten days after written demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributed to amounts payable under this Section 2.12) withheld or deducted by the Borrower or any Guarantor or paid by the Lender, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of any such payment or liability delivered to the Borrower by the Lender shall be conclusive absent manifest error.

(e) Within 30 calendar days, upon request by the Lender, after any payment of Taxes by the Borrower to a Governmental Authority as provided in this Section 2.12, the Borrower shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment or any other evidence available that is reasonably satisfactory to the Lender.

(f) 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(f), in no event will the Lender be required to pay any amount to the Borrower pursuant to this Section 2.12(f) 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.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

The Borrower and each Guarantor hereby represents and warrants to the Lender as of the Closing Date and on each Borrowing Date, that:

Section 3.1 Financial Condition; No Material Adverse Effect. (a) The audited Consolidated balance sheets of the Borrower and its Subsidiaries as at December 31, 2010, including the related schedules and notes thereto, and the unaudited Consolidated balance sheets of the Borrower and its Subsidiaries as at March 31, 2011, including the related schedules and notes thereto, in each case, present fairly the financial condition of the Borrower and its Subsidiaries as of the end of such fiscal year and fiscal quarter, respectively, and results of their operations and the changes in their undistributed net assets for the fiscal year and fiscal quarter, respectively, then ended.

(b) Since December 31, 2010, there has been no event or circumstance that has had or would reasonably be expected to have a Material Adverse Effect.

Section 3.2 Existence and Qualification; Power**.** The Borrower and each Material Subsidiary (a) is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, and (c) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license; except in each case referred to in clause (a) but only with respect to any Material Subsidiary that is not a Guarantor, (b)(i) or (c), to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect.

Section 3.3 Authorization; Enforceable Obligations; No Contravention**.** The execution, delivery and performance of this Agreement and the other Loan Documents by the Loan Parties have been duly authorized by all necessary action, and this Agreement is and the other Loan Documents, when executed, will be legal, valid and binding obligations of the Loan Parties party thereto, enforceable in accordance with their respective terms, except as enforceability may be limited by applicable Debtor Relief Laws. The execution, delivery and performance of this Agreement and the other Loan Documents (i) are not in contravention of law or of the terms of any Loan Party's organizational documents, and (ii) will not result in the breach of or constitute a default under, or result in the creation of a Lien or require a payment to be made under any indenture, agreement or undertaking to which the Borrower or any Guarantor is a party or by which it or its property may be bound or affected, except in the case referred to in this clause (ii), to the extent that such breach, default, Lien or payment would not reasonably be expected to have a Material Adverse Effect.

Section 3.4 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority, including the Central Bank of Brazil, or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Borrower or any Guarantor of this Agreement or any other Loan Document, which has not been duly obtained.

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.

(a) 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; and

(b) No income, stamp or other taxes (other than taxes on, or measured by, net income or net profits) or levies, imposts, deductions, charges, compulsory loans or withholdings whatsoever are or will be, under the laws of any jurisdiction where any of the Loan Parties is located or created or any political subdivision or taxing authority thereof, assessed, levied or collected by any Governmental Authority thereof or therein either (A) on or by virtue of the execution of any Loan Document or (B) on any payment to be made by the Borrower or any

Guarantor pursuant to any Loan Document, except as set forth on Schedule 3.6 (as such Schedule may be supplemented or modified from time to time in connection with the addition of any Additional Guarantor as a party hereto pursuant to Section 5.5).

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 amounts outstanding hereunder 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-Terrorism; Sanctions. To the knowledge of the Borrower and each Guarantor, no Loan Party nor any of their respective Subsidiaries: (i) is in violation of any applicable Anti-Terrorism Law; (ii) is a Designated Person; or (iii) is located, incorporated or ordinarily resident in a Designated Jurisdiction.

Section 3.16 Consolidated EBITDA of Guarantors. As of the Closing Date, the Consolidated EBITDA of the Guarantors party to this Agreement (calculated on a Combined/Consolidated Basis) for the period of four (4) fiscal quarters ended on June 30, 2011 represents at least 80% of Consolidated EBITDA of the Borrower for such period. No Subsidiary of any Guarantor included in the calculation of the Consolidated EBITDA of the Guarantors within any one Territory determined on a Combined/Consolidated Basis for such period accounts for 2% or more of the Consolidated EBITDA of the Guarantors within such Territory (calculated on a Combined/Consolidated Basis) for such period.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.1 Conditions to Closing. This Agreement and the obligations of the Lender to make Loans hereunder shall become effective on such date the Lender shall have received each of the following documents and the following conditions shall have been satisfied on or prior to such date (such date, the "Closing Date"), each of which shall be reasonably satisfactory to the Lender in form and substance (or such condition shall have been waived in writing by the Lender):

(a) the Lender shall have received each Loan Document (other than any Guaranty Joinder Agreement) duly executed and delivered on behalf of the Borrower and each Guarantor, as applicable;

(b) incumbency certificates evidencing the identity, authority and capacity of each officer of the Borrower and each Guarantor authorized to act on behalf of such Person in connection with this Agreement and the other Loan Documents to which such Person is a party;

(c) favorable opinions of (i) Davis Polk & Wardwell LP, special New York counsel to the Loan Parties, (ii) Ritch Mueller, S.C., special Mexican counsel to Arcos Sercal Servicios, S.A. de C.V. and Arcos Sercal Inmobiliaria, S. de R.L. de C.V., (iii) TozziniFreire Advogados, special Brazilian counsel to Arcos Dourados Comércio de Alimentos Ltda., (iv) O'Neill & Borges, special Puerto Rican counsel to Arcos Dorados Puerto Rico and (v) NautaDutilh New York, P.C., special Dutch counsel to the Borrower, in each case substantially in the form attached hereto as Exhibits D-1, D-2, D-3, D-4 and D-5, respectively;

(d) a certificate signed by the chief financial or accounting officer of the Borrower (A) confirming (1) that no Default or Event of Default shall have occurred and be continuing, (2) that the representations and warranties of the Loan Parties set out in the Loan Documents shall be (x) if any such representation and warranty is qualified as to materiality or by reference to the existence of a Material Adverse Effect, true and correct (as so qualified) on and as of the Closing Date, or (y) if any such representation and warranty is not so qualified, true and correct in all material respects on and as of the Closing Date and (B) accompanied by true and correct copies of organizational documents, resolutions and powers of attorney of each Loan Party and its legal representatives;

(e) the Borrower and each Guarantor shall have delivered evidence that a process agent shall have accepted appointment to receive service of process on the Borrower and such Guarantor, in form and substance reasonably satisfactory to the Lender and, in the case of each Initial Mexican Guarantor, shall have delivered a power of attorney for lawsuits and collections granted by such Initial Mexican Guarantor, 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 Initial Mexican Guarantor; and

(f) the Borrower shall have paid all fees and other amounts due and payable on or before the Closing Date by the Borrower to the Lender (including fees and expenses of counsel to the Lender) to the extent invoiced to the Borrower prior to the Closing Date.

Section 4.2 Conditions to each Borrowing. The obligation of the Lender to make a Loan is subject to the satisfaction, unless waived in writing by the Lender, of the further conditions precedent that:

(a) the Closing Date shall have occurred;

(b) the Lender shall have received a Borrowing Notice in accordance with Section 2.2;

(c) the representations and warranties of the Loan Parties set out in the Loan Documents shall be (A) if any such representation and warranty is qualified as to materiality or by reference to the existence of a Material Adverse Effect, true and correct (as so qualified) on and as of the Borrowing Date, or (B) if any such representation and warranty is not so qualified, true and correct in all material respects on and as of the Borrowing Date; provided, that for purposes of this Section 4.2(c), the representation and warranty of the Borrower contemplated in Section 3.1(a) shall be deemed to refer to the last day of the period covered by the most recent financial statements furnished to the Lender hereunder;

(d) the sum of the outstanding principal amount of the Loans plus the amount of the requested Loan shall be equal to or less than the Aggregate Commitment Amount; and

(e) immediately prior and after the borrowing of the Loan on the Borrowing Date, no Default or Event of Default shall have occurred and be continuing.

ARTICLE V

AFFIRMATIVE COVENANTS

Until the Commitments have been determinate 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 $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 Obligations in respect of outstanding amounts under this Agreement and the other Loan Documents to rank at least *pari passu* with all other existing and future unsecured indebtedness of each Loan Party and to constitute direct, unconditional and unsubordinated obligations of each Loan Party, except for any obligations that have priority under applicable laws.

Section 5.5 Subsidiaries.

(a) If as of the last day of any fiscal quarter of the Borrower (for purposes of this Section 5.5, the "reference date"), the Consolidated EBITDA of the Guarantors party to this Agreement (calculated on a Combined/Consolidated Basis) as of the reference date for the period of four (4) fiscal quarters preceding such reference date (for purposes of this Section 5.5, the "reference period"), represents less than 80% of Consolidated EBITDA of the Borrower for the reference period, the Borrower shall, at its sole cost and expense, within thirty (30) days following the earliest of the date when financial statements (a) are actually delivered (or otherwise made available) with respect to such fiscal quarter or (b) required to be delivered pursuant to Section 5.1(a) or (b) with respect to such fiscal quarter, cause one or more Subsidiaries to become party to this Agreement as a Guarantor by (i) executing a Subsidiary Joinder Agreement and (ii) delivering (A) an incumbency certificate evidencing the identity, authority and capacity of each officer of such Subsidiary authorized to act on behalf of such Person in connection with this Agreement, (B) true, correct and complete copies of organizational documents, resolutions and powers of attorney of such Subsidiary and its legal representatives, (C) evidence of acceptance of appointment of a process agent to receive service of process for such Subsidiary in form and substance satisfactory to the Lender and (D) in the case of any such Subsidiary organized under the laws of Mexico, a power of attorney for lawsuits and collections granted by such Subsidiary, certified by a Mexican notary public, in form and substance reasonably satisfactory to the Lender, appointing such process agent to act as such on behalf of such Subsidiary, such that the Consolidated EBITDA of Guarantors party to this Agreement (including such new Guarantor(s) on a pro forma basis) (in each case, calculated on a Combined/Consolidated Basis) represents 80% or more of Consolidated EBITDA of the Borrower for the reference period.

(b) If as of any reference date, (i) the portion of the Consolidated EBITDA of any Guarantor party to this Agreement (calculated on a Combined/Consolidated Basis) for the period of four (4) fiscal quarters preceding such reference date attributable to any Non-Guarantor Subsidiary of such Guarantor with operations within the same Territory as such Guarantor (such Subsidiary, a "Contributing Subsidiary") represents 2% or more of the Consolidated EBITDA of the Guarantors within such Territory (calculated on a Combined/Consolidated Basis), and (ii) the Consolidated EBITDA of the Guarantors party to this Agreement (calculated on a Combined/Consolidated Basis) as of the reference date for such reference period would represent less than 80% of Consolidated EBITDA of the Borrower for the reference period if the relevant amounts attributable to such Contributing Subsidiary included in the Consolidated EBITDA of the Guarantors within its Territory (calculated on a Combined/Consolidated Basis) were to be excluded from the calculation of Consolidated EBITDA from the Guarantors within such Territory (on a Combined/Consolidated Basis), the Borrower shall, at its sole cost and expense, within thirty (30) days following the earliest of the date when financial statements (a) are actually delivered (or otherwise made available) with respect to such fiscal quarter or (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 Administrative Agent (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.

ARTICLE VI

NEGATIVE COVENANTS

So long as the Lender shall have any Commitment hereunder, or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, no Loan Party shall (and the Borrower will not permit any Material Subsidiary to):

Section 6.1 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, or assign any accounts or other right to receive income, other than:

(a) Liens pursuant to any Loan Document;

(b) Liens for Taxes not yet due or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 90 days or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith;

(e) Liens incurred or deposits made to secure the performance of tenders, bids, leases, trade contracts and leases (other than indebtedness), statutory obligations, surety and appeal bonds, customs duties, performance bonds, government performance and return-of-money bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or liens incidental to the conduct of the business of the applicable Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(g) Liens securing any judgments for the payment of money not constituting an Event of Default so long as any such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired; or

(h) (i) licenses, sublicenses, leases or subleases granted by the Borrower, any Guarantor or any Material Subsidiary to other Persons not materially interfering with the conduct of the business of such Borrower, Guarantor or Material Subsidiary and (ii) any interest or title of a lessor, sublessor or licensor under any lease or license agreement permitted by the Agreement to which the applicable Person is a party;

(i) Liens upon specific items of inventory or other goods and proceeds of the applicable Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(j) Liens on patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to the extent such Liens arise from the granting of license to use such patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to the applicable Person in the ordinary course of business of such Person or its Subsidiaries;

(k) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(l) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the applicable person, including rights of offset and set-off;

(m) deposits in the ordinary course of business securing liability for reimbursement obligations of insurance carriers providing insurance to the applicable Person and any Liens thereon;

(n) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution;

(o) Liens securing the obligations of the applicable Person pursuant to Hedging Obligations;

(p) Liens securing any Indebtedness which is incurred to refinance any Indebtedness which has been secured by a Lien permitted under this Section 6.1 not incurred pursuant to clause (s) or (u) hereof; provided that such new Liens:

(i) are no less favorable to the Lender and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being refinanced; and

(ii) do not extend to any property or assets other than the property or assets securing the Indebtedness refinanced by such refinancing Indebtedness;

(q) Liens securing Indebtedness or other obligations of a Material Subsidiary owing to the Borrower, any Guarantor or another Material Subsidiary and permitted to be incurred under this Agreement;

(r) Liens securing acquired Indebtedness not incurred in connection with, or in anticipation or contemplation of, the relevant merger, consolidation or amalgamation; provided that (i) such Liens secured such acquired Indebtedness at the time of and prior to the incurrence of such acquired Indebtedness by the applicable Person and were not granted in connection with, or in anticipation of the incurrence of such acquired Indebtedness by such Person, and (ii) such Liens do not extend to or cover any property of the applicable Person other than the property that secured the acquired Indebtedness prior to the time such Indebtedness became acquired Indebtedness of such Person and are no more favorable to the lienholders than the Liens securing the acquired Indebtedness prior to the incurrence of such acquired Indebtedness by such Person;

(s) purchase money Liens securing purchase money Indebtedness or Capital Lease Obligations incurred to finance the acquisition or leasing of property of the applicable Person used in the business of the Borrower and its Subsidiaries; provided that (i) the related purchase money Indebtedness does not exceed the cost of such property and will not be secured by any property of the applicable Person other than the property so acquired and (ii) the Lien securing such Indebtedness will be created within 365 days of such acquisition;

(t) Liens arising under any Permitted Receivables Financing;

(u) Liens securing an amount of Indebtedness outstanding at any one time not to exceed the greater of (i) U.S.$50,000,000 (or the equivalent in other currencies) or (ii) 7.5% of Consolidated Total Assets;

(v) Liens on the Capital Stock of any Subsidiary (other than any Material Subsidiary);

(w) Liens under the CS L/C Documents;

(x) Liens in favor of McDonald's Latin America created pursuant to the McDonald's Security Documents and the McDonald's Mortgages;

(y) the interest of McDonald's Latin America, as franchisor under the Franchise Documents; or

(z) Liens existing on the Closing Date and any extension, renewal or replacement thereof, other than Liens pursuant to any Loan Document.

Section 6.2 [Reserved.]

Section 6.3 Fundamental Changes.

(a) Enter into any merger, consolidation or amalgamation in which (i) the Borrower or a Guarantor is not the surviving entity, or (ii) if any Guarantor merges with the Borrower, the Borrower is not the surviving entity, or (iii) any Person merges, consolidated or amalgamates with and into any Guarantor and (except as set forth in the preceding clause (a)(ii)) the surviving entity is not a Guarantor or does not become an Additional Guarantor in accordance with the provisions of Section 5.5(b).

(b) Enter into any merger, consolidation or amalgamation of the Borrower whereby the Borrower's Consolidated Net Worth less its tangible assets immediately after giving effect to any such transaction would be less than the Borrower's Consolidated Net Worth less its tangible assets immediately prior to any such transaction.

(c) Sell, assign, lease, transfer or otherwise dispose of all or substantially all of the Borrower's or any Guarantor's business or Property, other than any sale, assignment, lease, transfer or other disposition of Property (i) by the Borrower to (A) any Guarantor or (B) or any other Person that substantially concurrently with such sale, assignment, lease, transfer or other disposition of the business or Property of a Guarantor shall become an Additional Guarantor in accordance with the provisions of Section 5.5(b) or (ii) by any Guarantor of its business or Property to (A) any other Guarantor, (B) the Borrower, or (C) any other Person that substantially concurrently with such sale, assignment, lease, transfer or other disposition of the business or Property of a Guarantor shall become an Additional Guarantor in accordance with the provisions of Section 5.5(b); provided that any sale, assignment, lease, transfer or other disposition of all or substantially all of the Borrower's or any Guarantor's business or Property to any Subsidiary that is not a Guarantor that is immediately followed as part of a series of related transactions by another sale, assignment, lease, transfer or other disposition of such business or Property to a

Guarantor or another Person that substantially concurrently shall become a Guarantor shall not constitute a breach of this Section 6.3(c).

Section 6.4 Affiliate Transactions. Enter into any transaction with (i) any of its Affiliates or (ii) any other Person holding more than 20% or more of any of the Borrower's Capital Stock, unless:

(a) the terms of such transaction are no less favorable than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Borrower;

(b) in the event that such transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of $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 $20,000,000 (or the equivalent in other currencies), the terms of such transaction will be approved by a majority of the members of the Borrower's Board of Directors (including a majority of the disinterested members thereof), the approval to be evidenced by a board resolution stating that the Board of Directors of the Borrower has determined that such transaction complies with clause (a) above;

provided that the provisions of this Section 6.4 shall not apply to:

(iii) transactions with or among the Borrower and any Subsidiary or between or among Subsidiaries;

(iv) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors and employees of the Borrower or any Subsidiary;

(v) transactions undertaken pursuant to the terms of any agreement or arrangement to which the Borrower or any of its Subsidiaries is a party as of or on the Closing Date, as these agreements or arrangements may be amended, modified, supplemented, extended, renewed or replaced from time to time; provided that any future amendment, modification, supplement, extension, renewal or replacement entered into after the Closing Date will be permitted to the extent that its terms are not more materially disadvantageous to the Lender than the terms of the agreements or arrangements in effect on the Closing Date;

(vi) the entering into of a customary agreement providing registration rights to the shareholders of the Borrower and the performance of such agreements;

(vii) transactions or payments, including grants of securities, stock options and similar rights, pursuant to any employee, officer or director compensation or benefit plans or arrangements entered into in the ordinary course of business or approved by the Borrower's Board of Directors in good faith;

(viii) any employment agreements entered into by the Borrower or any of its Subsidiaries in the ordinary course of business;

(ix) dividends or distributions payable in Capital Stock of the Borrower; dividends or distributions payable to the Borrower and/or a Subsidiary; or dividends, distributions or returns of capital made on a pro rata basis to the Borrower and its Subsidiaries, on the one hand, and minority holders of Capital Stock of a Subsidiary, on the other hand (or on a less than pro rata basis to any minority holder);

(x) sales of accounts receivable, or participations therein, or any related transaction, in connection with any receivables financing;

(xi) loans and advances to officers, directors and employees of the Borrower or any Material Subsidiary in the ordinary course of business and not exceeding U.S.$10,000,000 (or the equivalent in other currencies) outstanding at any one time; and

(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 million and 2.5% of Consolidated Total Assets of the Borrower at the time of Investment (or the equivalent in other currencies), outstanding at any one time (with the fair market value of each such Investment being measured at the time made and without giving effect to subsequent changes in value).

Section 6.5 Lines of Businesses**.** Engage in any line of business substantially different from those lines of business conducted by the Borrower and its Material Subsidiaries on the date hereof or any business substantially related or incidental thereto.

Section 6.6 Consolidated Net Indebtedness to EBITDA Ratio. Permit the Consolidated Net Indebtedness to EBITDA Ratio to be, as of the last day of any fiscal quarter of the Borrower, greater than 2.50 to 1.

Section 6.7 Anti-Terrorism; Sanctions.

(a) Knowingly engage in any transaction that violates any of the applicable prohibitions set forth in any Anti-Terrorism Law.

(b) Knowingly permit (i) any of the funds or assets used to repay the Loan or any other amounts due to the Lender hereunder to constitute property of, or to be beneficially owned directly or indirectly by, any Designated Person or (ii) any Designated Person to have any direct or indirect interest in any Loan Party or Material Subsidiary that would constitute a violation of any applicable Anti-Terrorism Laws.

(c) Knowingly fund all or part of any payment under this Agreement out of proceeds derived from transactions that violate the applicable prohibitions set forth in any Anti-Terrorism Law.

(d) Use, directly or indirectly, the proceeds of the Loan to lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person to fund activities of or business with any Designated Person or any person or business located in a Designated Jurisdiction.

(e) Knowingly participate in or facilitate, or permit any Subsidiary or officer, director, employee or agent thereof that is a United States Person for purposes of Sanctions, to knowingly participate in or facilitate transactions or business planning involving any Designated Person or any Designated Jurisdiction that would violate any applicable Sanctions (solely for purposes of this Section 6.7(e), "Sanctions" refers only to sanctions administered by OFAC).

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) 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 $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

(f) (i) any Loan Party is unable or admits in writing its inability or fails generally to pay its debts as they become due; or (ii) the Borrower or any Material Subsidiary institutes or consents to the institution of any proceeding under Debtor Relief Laws, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or (iii) any receiver, trustee, custodian, conservator, liquidator, rehabilitator, *conciliador* or similar officer is appointed with respect to the Borrower or any Material Subsidiary or their respective Property without the application or consent of the Borrower or such Material Subsidiary (as applicable) and the appointment continues undischarged or unstayed for 60 calendar days; or (iv) any proceeding under Debtor Relief Laws relating to the Borrower or any Material Subsidiary or to all or any material part of its property is instituted without the consent of the Borrower or such Material Subsidiary (as applicable) and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) One or more final non-appealable, judgments or orders against the Borrower or any Material Subsidiary is entered for the payment of money in an aggregate amount (as to all such judgments) in excess of $40,000,000 (determined in each case net of recoveries from insurance companies not contesting coverage) and such judgment or order remains unsatisfied without procurement of a stay of execution within 60 calendar days after the date of entry of judgment; or

(h) a Change of Control shall occur; or

(i) any Loan Document, at any time after its execution and delivery and for any reason other than the agreement of the Lender or satisfaction in full of the Obligations hereunder, ceases to be in full force and effect or is declared by a court of competent jurisdiction to be null and void, illegal, invalid or unenforceable in any respect; or any Loan Party denies that it has any or further liability or obligation under any Loan Document (other than by reason of the satisfaction in full of the Obligations hereunder); or any Loan Party challenges the validity of or purports to revoke, terminate or rescind any Loan Document.

Upon the occurrence of an Event of Default, the Lender may declare the Commitment to be terminated, whereupon the Commitment shall be terminated, and/or declare all sums outstanding hereunder and under the other Loan Documents, including all interest thereon, to be immediately due and payable, whereupon the same shall become and be immediately due and payable, all without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character, all of which are hereby expressly waived; provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to any Loan Party under any Debtor Relief Law, the Commitment shall automatically terminate, and all sums outstanding hereunder and under each other Loan Document, including all interest thereon, shall become and be immediately due and payable, all without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character, all of which are hereby expressly waived.

ARTICLE VIII

GUARANTY

Section 8.1 Guaranty.

(a) For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Guarantor hereby, jointly and severally, as primary obligor and not merely as surety, unconditionally guarantees the full and punctual payment (whether at stated maturity, upon acceleration or otherwise) of the payment Obligations (howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due) under the Loan Documents. Upon the failure by the Borrower to pay punctually any of its Obligations, the Guarantors (jointly and severally) shall immediately pay the amount not so paid. The obligations of the Guarantors under this Article shall constitute a guaranty of payment and not merely a guaranty of collection.

(b) All payments by any Guarantor under this Article shall be payable in the manner required for payments by the Borrower hereunder, including: (i) the obligation to make all such payments free and clear of, and without deduction for, any Taxes (including withholding taxes) in the manner provided in Section 2.12 and (ii) the obligation to pay interest at the rates set forth in Section 2.6(b).

Section 8.2 Guaranty Unconditional. The obligations of the Guarantors under this Article shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by any reason, including:

(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 (ii) recognizes that this Guaranty shall not be considered as a limited instrument of guarantee, for the purposes of Article 822 of the Brazilian Civil Code; and

(ii) each Brazilian Guarantor expressly waives the benefits set forth in Articles 364, 366, 821, 827, 830, 831, 834, 835, 836, 837, 838 and 839 of the Brazilian Civil Code and Article 595 of the Brazilian Code of Civil Procedure.

(c) Each Mexican Guarantor hereby waives, to the extent applicable, any rights to the benefits of *orden*, *excusión*, *división*, *quita* and *espera* arising from Articles 2814, 2815, 2817, 2818, 2819, 2820, 2821, 2822, 2823, 2826, 2837, 2839, 2840, 2845, 2846, 2847 and any other related or applicable Articles that are not explicitly set forth herein because of the Subsidiary Guarantor's knowledge thereof, of the *Código Civil Federal* of Mexico and the *Código Civil* of each State of the Mexican Republic and for the Federal District of Mexico.

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 (provided that such consent (x) shall not be unreasonably withheld or delayed and (y) shall not be required with respect to 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 the Dollar equivalent of €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 unless such assignment was made or participation sold following the occurrence and during the continuance of any Event of Default.

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 DATE HEREOF NATIONAL REGISTERED AGENTS, INC. (THE "AGENT") WITH OFFICES CURRENTLY LOCATED AT 875 AVENUE OF THE AMERICAS, SUITE 501, NEW YORK, NEW YORK 10001, AS ITS AGENT FOR SERVICE OF PROCESS. IN THE EVENT THAT SUCH AGENT OR ANY SUCCESSOR SHALL CEASE TO BE LOCATED IN THE BOROUGH OF

MANHATTAN, EACH LOAN PARTY SHALL PROMPTLY AND IRREVOCABLY BEFORE THE RELOCATION OF SUCH AGENT FOR SERVICE OF PROCESS, IF PRACTICABLE, OR PROMPTLY THEREAFTER DESIGNATE A SUCCESSOR AGENT, WHICH SUCCESSOR AGENT SHALL BE LOCATED IN THE BOROUGH OF MANHATTAN, AND NOTIFY THE LENDER THEREOF, TO ACCEPT ON ITS BEHALF SERVICE OF ANY AND ALL PROCESS OR OTHER DOCUMENTS WHICH MAY BE SERVED IN ANY ACTION OR PROCEEDING IN ANY OF SUCH COURTS AND FURTHER AGREES THAT SERVICE UPON SUCH AGENT SHALL CONSTITUTE VALID AND EFFECTIVE SERVICE UPON SUCH LOAN PARTY AND THAT FAILURE OF ANY SUCH AGENT TO GIVE ANY NOTICE OF SUCH SERVICE TO SUCH GUARANTOR SHALL NOT AFFECT THE VALIDITY OF SUCH SERVICE OR ANY JUDGMENT RENDERED IN ANY ACTION OR PROCEEDING BASED THEREON. EACH OF THE PARTIES HERETO AGREES THAT SERVICE OF ANY AND ALL SUCH PROCESS OR OTHER DOCUMENTS ON SUCH PERSON MAY ALSO BE EFFECTED BY REGISTERED MAIL TO ITS ADDRESS AS PROVIDED PURSUANT TO SECTION 9.4. WITH RESPECT TO EACH LOAN PARTY, SERVICE OF ANY AND ALL SUCH PROCESS OR OTHER DOCUMENTS TO THE AGENT OR SUCH OTHER AGENT FOR SERVICE OF PROCESS DESIGNATED BY SUCH LOAN PARTY IN ACCORDANCE WITH THIS AGREEMENT SHALL CONSTITUTE VALID AND EFFECTIVE SERVICE ONLY IF MADE IN PERSON TO THE AGENT OR SUCH OTHER AGENT FOR SERVICE OF PROCESS.

Section 9.13 Waiver of Immunity. To the extent that any Loan Party has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its assets, such Loan Party each hereby irrevocably waives such immunity in respect of its obligations under this Agreement and the other Loan Documents. The foregoing waiver is intended to be effective to the fullest extent now or hereafter permitted by applicable law.

Section 9.14 USA PATRIOT Act. The Lender hereby notifies each Loan Party that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow the Lender to identify each Loan Party in accordance with the Act. Each Loan Party shall, promptly following a request by the Lender, provide all documentation and other information that the Lender requests in order to comply with its ongoing obligations under applicable "know your customer" an anti-money laundering rules and regulations, including the Act

Section 9.15 Judgment Currency. All payments made under this Agreement and any notes shall be made in Dollars, the "Agreement Currency"), and, if for any reason any payment made hereunder or under any Loan Document is made in a currency (the "Other Currency") other than the applicable Agreement Currency, then to the extent that the payment actually received by the Lender, when converted into the applicable Agreement Currency at the Rate of Exchange (as defined below) on the date of payment (or, if conversion on such date is not practicable, as soon thereafter as it is practicable for the Lender to purchase the applicable Agreement Currency) falls short of the amount due under the terms of this Agreement or any

Loan Document, the Borrower shall, as a separate and independent obligation of the Borrower, indemnify the Lender and hold the Lender harmless from and against the amount of such shortfall. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Lender, the Lender agrees to repay such excess to the Borrower. As used in this Paragraph, the term "Rate of Exchange" means the rate at which the Lender is able on the relevant date in accordance with normal banking procedures to purchase the applicable Agreement Currency with the Other Currency and shall include any premiums and out-of-pocket costs of exchange payable in connection with the purchase of or conversion into, the applicable Agreement Currency.

Section 9.16 Confidentiality. The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and its and its Affiliates' respective partners, directors, officers, employees, agents, trustees, advisors and representatives, including accountants and legal counsel (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners) in connection with any examination of the Lender provided that the Lender shall, unless prohibited by any requirement of law, notify the Borrower of any disclosure pursuant to this clause (b) as far in advance as is reasonably practicable under such circumstances, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to the extent reasonably required (determined solely in the judgment of the Lender) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (e) subject to an agreement containing provisions substantially the same as those of this Section for the benefit of the Borrower, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (f) with the consent of the Borrower, (g) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Lender or any of its Affiliates on a nonconfidential basis from a source other than the Borrower or (h) to any other party hereto. For the purposes of this Section, "Information" means all information (x) received from the Borrower or any other Loan Party relating to the Borrower or any other Loan Party or its business or (y) obtained by the Lender based on a review of the books and records of the Borrower or any of its Subsidiaries, other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by the Borrower or any other Loan Party or is independently developed by the Lender without reference to the Information; provided that, in the case of information received from the Borrower or any other Loan Party after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 9.17 Entire Agreement. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR,

CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES HERETO.

[*Remainder of this 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 B.V., as Borrower

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

ARCOS SERCAL SERVICIOS, S.A. DE C.V., as a Guarantor

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

ARCOS SERCAL INMOBILIARIA, S. DE R.L. DE C.V., as a Guarantor

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

ARCOS DOURADOS COMERCIO DE ALIMENTOS, LTDA., as a Guarantor

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

ARCOS DORADOS PUERTO RICO, INC., as a Guarantor

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

GOLDEN ARCH DEVELOPMENT CORPORATION, as a Guarantor

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 3rd day of August, 2011, before me, a notary public within and for said county, personally appeared Diego Pace to me personally known who being duly sworn, did say that he is the Attorney-in-Fact of Arcos Dorados B.V., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Margaret A. DiSarro

Title: Notary Public, State of New York
No. 01DI4755968
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Nov. 30, 2014

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 3rd day of August, 2011, before me, a notary public within and for said county, personally appeared Diego Pace to me personally known who being duly sworn, did say that he is the Attorney-in-Fact of Arcos Sercal Servicios, S.A. de C.V., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Margaret A. DiSarro

Title: Notary Public, State of New York
No. 01DI4755968
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Nov. 30, 2014

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 3rd day of August, 2011, before me, a notary public within and for said county, personally appeared Diego Pace to me personally known who being duly sworn, did say that he is the Attorney-in-Fact of Arcos Sercal Inmobiliaria, S. de R.L. de C.V., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Margaret A. DiSarro

Title: Notary Public, State of New York
No. 01DI4755968
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Nov. 30, 2014

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 3rd day of August, 2011, before me, a notary public within and for said county, personally appeared Diego Pace to me personally known who being duly sworn, did say that he is the Attorney-in-Fact of Arcos Dourados Comercio de Alimentos, Ltda., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Margaret A. DiSarro

Title: Notary Public, State of New York
No. 01DI4755968
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Nov. 30, 2014

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 3rd day of August, 2011, before me, a notary public within and for said county, personally appeared Diego Pace to me personally known who being duly sworn, did say that he is the Attorney-in-Fact of Arcos Dorados Puerto Rico, Inc., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Margaret A. DiSarro

Title: Notary Public, State of New York
No. 01DI4755968
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Nov. 30, 2014

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 3rd day of August, 2011, before me, a notary public within and for said county, personally appeared Diego Pace to me personally known who being duly sworn, did say that he is the Attorney-in-Fact of Golden Arch Development Corporation, one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Margaret A. DiSarro

Title: Notary Public, State of New York
No. 01DI4755968
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Nov. 30, 2014

LENDER:

BANK OF AMERICA, N.A., as Lender

By: /s/ Juan Pablo Cuevas
Name: Juan Pablo Cuevas
Title: Managing Director

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this third day of August 2011, before me, a notary public within and for said county, personally appeared Juan Pablo Cuevas to me personally known who being duly sworn, did say that he is the Managing Director of Bank of America, N.A., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Sovanni Bun

Title: Notary Public, State of New York
No. 01BU6210699
Qualified in New York County
Commission Expires August 24, 2013

Schedule 1.1

Material Subsidiaries

Arcos Dorados Argentina S.A.
Arcos Dourados Comércio de Alimentos Ltda.
Arcos Sercal Servicios, S.A. de C.V.
Arcos Sercal Inmobiliaria, S. de R.L. de C.V.
Arcos Dorados Puerto Rico, Inc.
Golden Arch Development Corporation

Schedule 3.5

Certain Material Litigation

The proceedings described under the heading "*Legal Proceedings − Puerto Rican Franchisees*" in the registration statement of Arcos Dorados Holdings Inc. filed with United States Securities and Exchange Commission on March 25, 2011, as amended.

Schedule 3.6

Certain Taxes

Brasil

(i) There is no express provision in Brazilian tax laws as of the date hereof regarding the taxation applicable to payments of foreign third party debts. Tax authorities in Brazil may interpret that income tax withholding applies in case the Brazilian Guarantor is required to make payments due under any Loan Document. In line with that interpretation, withholding income tax would be due at a rate of 15% (fifteen percent), or 25% (twenty five percent), in case the beneficiary is domiciled in a country that does not impose taxes on income or which imposes taxes on income at a maximum rate lower than 20% (twenty percent) – tax haven jurisdiction. In addition, a Tax on Foreign Exchange Transaction ("IOF/FX") would be applicable should the Brazilian Guarantor be required to make any payment under the Loan Document. IOF/FX is a federal tax levied on the conversion of foreign currency into Brazilian Reais and vice-versa. On the date of the Credit Agreement, the applicable IOF rate for most types of foreign exchange transactions is 0.38% (zero point three eight percent). IOF/FX rate may be changed at any time, up to a maximum of 25%, upon discretion of the President of Brazil. Any such increase, although immediately applicable, would only apply to future transactions and would not be retroactive.

Mexico

Payments of interest made by any Guarantor that is a Mexican Subsidiary to a Lender that is a non-resident of Mexico for tax purposes, will be subject to withholding taxes imposed under the laws of Mexico.

Puerto Rico

(i) Payments of interest by a Guarantor organized under the laws of Puerto Rico will not be subject to Puerto Rico income tax withholding at source provided the recipient of the interest is (a) a corporation or partnership organized under the laws of a jurisdiction other than Puerto Rico, (b) not engaged in trade or business in Puerto Rico for Puerto Rico income tax purposes and (c) not a related person of the Borrower or any Guarantor within the meaning of Sections 1092.01(a)(3) and 1010.05 of the Internal Revenue Code for the New Puerto Rico and (ii) payments of fees under the Loan Agreement to entities not engaged in trade or business in Puerto Rico for Puerto Rico income tax purposes will not be subject to Puerto Rico income tax withholding at source provided the services being compensated are rendered outside Puerto Rico

(ii) Payments of interest made by a Guarantor organized under the laws of Puerto Rico to a Lender that is a related party of the Borrower or any Guarantor within the meaning of Sections 1092.01(a)(3) and 1010.05 of the PR Code will be subject to a 29% Puerto Rico income tax withholding at source.

(iii) Payments to entities not organized under the laws of Puerto Rico that are nonresident of Puerto Rico for Puerto Rico tax purposes constituting fees for services rendered in Puerto Rico will be subject to a 29% Puerto Rico income tax withholding at source.

EXHIBIT A

FORM OF BORROWING NOTICE

Date: ___________, _____

To: Bank of America, N.A., as Lender

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of August 3, 2011 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among Arcos Dorados B.V., a private company with limited liability (*besloten venootschap met beperkte aansprakelijkheid*) organized under the laws of The Netherlands with seat in Amsterdam (the "Borrower"), certain Subsidiaries of the Borrower, as Guarantors, and Bank of America, N.A. (the "Lender").

The undersigned hereby requests a Borrowing of Loans as follows:

1. On ________________________________ (a Business Day).

2. In the amount of $ ________________________________.

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 Credit Agreement shall be deemed to refer to the last day of the period covered by the most recent financial statements furnished to the Lender under the Credit Agreement.

c. Immediately prior and after the borrowing of the Loan on the date of the Borrowing requested hereby, no Default or Event of Default shall have occurred and be continuing.

d. The sum of the outstanding principal amount of the Loans plus the amount of the Loan requested hereby is equal to or less than the Aggregate Commitment Amount.

ARCOS DORADOS B.V.

By: ______________________________
Name:
Title: Attorney-in-Fact

EXHIBIT B

FORM OF NOTE

August 3, 2011

FOR VALUE RECEIVED, the undersigned (the "Borrower"), hereby promises to pay to BANK OF AMERICA, 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 fifty million (U.S.$50,000,000), or such lesser principal amount of Loans due and payable by the Borrower to the Lender on the Maturity Date (or such earlier date as the Loans may become due pursuant to the terms of the Agreement) under that certain Credit Agreement, dated as of August 3, 2011 (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 Credit Agreement. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is the Note referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Note is also entitled to the benefits of the Guaranty. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

ARCOS DORADOS B.V.

By: ______________________________

Name:

Title: Attorney-in-Fact

LOANS AND PAYMENTS WITH RESPECT THERETO

Date	Amount of Loan Made	End of Interest Period	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By

EXHIBIT C

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: ______,

To: Bank of America, N.A., as Lender

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of August 3, 2011 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among Arcos Dorados B.V., a private company with limited liability (*besloten venootschap met beperkte aansprakelijkheid*) organized under the laws of The Netherlands with seat in Amsterdam (the "Borrower"), certain Subsidiaries of the Borrower, as Guarantors, and Bank of America, N.A. (the "Lender").

The undersigned Chief Financial Officer hereby certifies (in its capacity as an officer of the Borrower and not in his/her personal capacity) as of the date hereof that he/she is the ____ of the Borrower, and that, as such, he/she is authorized to execute and deliver this Certificate to the Lender on the behalf of the Borrower, and that:

[Use following paragraph 1 for fiscal ***year-end*** *financial statements]*

1. The Borrower has delivered the year-end audited financial statements required by Section 5.1(a) of the Agreement for the fiscal year of the Borrower ended as of the above date certified by independent public accountants of nationally recognized standing.

[Use following paragraph 1 for fiscal ***quarter-end*** *financial statements]*

1. The Borrower has delivered the unaudited financial statements required by Section 5.1(b) of the Agreement for the fiscal quarter of the Borrower ended as of the above date. Such financial statements fairly present the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP applied on a consistent basis as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. A review of the activities of the Borrower during such fiscal period has been made by, or under the supervision of, the undersigned with a view to determining whether during such fiscal period the Borrower performed and observed all its Obligations under the Loan Documents, and

[select one:]

[to the best knowledge of the undersigned, no Default or Event of Default has occurred and is continuing.]

--or--

[to the best knowledge of the undersigned, the following is a list of Defaults and/or Events of Default that have occurred and are continuing and their nature and status:]

3. The calculations set forth on Schedule 1 attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of ______________________ , ________.

ARCOS DORADOS B.V.

By: ____
Name:
Title:

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
($ 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:	$ ________
2.	Consolidated Interest Expense of the Borrower during Statement Period:	$ ________
3.	Consolidated Income Tax Expense of the Borrower during Statement Period:	$ ________
4.	Consolidated Non-cash Charges of the Borrower during Statement Period:	$ ________
5.	any non-operating and/or non-recurring charges, expenses or losses of the Borrower and its Subsidiaries during Statement Period:	$ ________
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:	$ ________
7.	all non-cash credits and gains increasing Consolidated Net Income for the Borrower during Statement Period:	$ ________
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:	$ ________
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:	$ ________
10.	Consolidated EBITDA (Line I.A.1 <u>plus</u> Line I.A.2 <u>plus</u> Line I.A.3 <u>plus</u> Line I.A.4 <u>plus</u> Line I.A.5 <u>plus</u> Line I.A.6 <u>less</u> Line I.A.7 <u>less</u> Line I.A.8 <u>less</u> Line I.A.9):	$ ________

B. Consolidated EBITDA attributable to Guarantors:

1.	portion of Consolidated EBITDA attributable to the Guarantors within the Territory of the United Mexican States on a Combined/Consolidated Basis	$ ________
2.	portion of Consolidated EBITDA attributable to the Guarantors within the Territory of Brazil on a Combined/Consolidated Basis	$ ________
3.	portion of Consolidated EBITDA attributable to the Guarantors within the Territory of the Commonwealth of Puerto Rico on a Combined/Consolidated Basis	$ ________
[4.	portion of Consolidated EBITDA attributable to within the Territory of [country] on a Combined/Consolidated Basis]	$ ________
[5].	Consolidated EBITDA (Line I.B.1 plus Line I.B.2 plus Line I.B.3 [plus Line I.B.4][1]):	$ ________

C. Guarantors' share of Consolidated EBITDA (Line I.B.[5] divided by Line I.A.10): ____%

Minimum permitted: *80%*

II. Section 6.6 – Consolidated Net Indebtedness to EBITDA Ratio.

A. Consolidated Net Indebtedness of Borrower as at Statement Date:

1.	Consolidated Indebtedness:	$ ________
2.	cash and cash equivalents and consolidated marketable securities recorded as current assets (except for any Capital Stock in any Person):	$ ________
3.	Consolidated Net Indebtedness (Line II.A1 less Line II.A.2):	$ ________

B. Consolidated EBITDA for Statement Period (from Line I.A.10): $ ________

C. Consolidated Net Indebtedness to EBITDA Ratio (Line II.A.3 – I.A.10): ______

Maximum permitted: *2.50 to 1*

[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 Bank of America, N.A., as Lender (the "Lender"). Unless otherwise defined herein, capitalized terms used herein and defined in that certain Credit Agreement, dated as of August 3, 2011 (as amended, restated, extended, supplemented or otherwise modified from time to time, the "Credit Agreement;" the terms defined therein being used herein as therein defined), among Arcos Dorados B.V., a private company with limited liability (*besloten venootschap met beperkte aansprakelijkheid*) organized under the laws of The Netherlands with seat in Amsterdam (the "Borrower"), certain Subsidiaries of the Borrower, as Guarantors, and the Lender, are used herein as therein defined and the rules of construction set forth in Section 1.2 thereof shall apply hereto.

WHEREAS, the Borrower has entered into the Credit Agreement providing for the making of Loans,

WHEREAS, in connection with the Credit Agreement, certain of the Borrower's Subsidiaries have entered into (or are required to enter into) the Credit Agreement as Guarantors thereunder,

WHEREAS, pursuant to Section 5.5 of the Credit Agreement, the Borrower [is required to][may] cause one or more additional Subsidiaries to become a party to the Credit Agreement as Guarantors, and

WHEREAS, the Additional Guarantor desires to execute and deliver this Agreement in order to become a party to the Credit Agreement pursuant to Section 5.5 of the Credit Agreement,

NOW, THEREFORE, IT IS AGREED as follows:

SECTION 1. Joinder.

(a) By executing and delivering this Agreement, the Additional Guarantor hereby becomes a party to the Credit Agreement as a "Guarantor" thereunder, expressly assumes all obligations and liabilities of a "Guarantor" thereunder and ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Credit Agreement.

(b) Without limiting the generality of the terms of paragraph (a), the Additional Guarantor hereby unconditionally and irrevocably guarantees the prompt payment and performance of the Obligations in full when due (whether at stated maturity, upon acceleration or otherwise), and agrees that if the Borrower fails to pay any

Obligation when due, it will forthwith, on written demand, pay the amount not so paid at the place and in the manner specified in the Credit Agreement, including, in particular, in accordance with Section 2.12 of the Credit Agreement (and without duplication of any amount thereof previously paid by any other Guarantor thereunder and not rescinded or refunded), and that in the case of any extension of time of payment or renewal of any of the Obligations, the same will be promptly paid in full when due (whether at extended maturity, upon acceleration or otherwise) in accordance with the terms of such extension or renewal. The Additional Guarantor further agrees that its guarantee hereunder and under the Credit Agreement constitutes a guarantee of payment when due and not of collection and that the obligations of the Guarantors under the Credit Agreement shall be joint and several. The Additional Guarantor hereby acknowledges that it has received a copy of the Credit Agreement, as it may have been amended or supplemented from time to time.

(c) The Additional Guarantor hereby makes each of the representations and warranties contained in Article III of the Credit Agreement on the date hereof as if such representations and warranties were made as of the date hereof, after giving effect to this Agreement.

(d) The Additional Guarantor hereby waives acceptance by the Lender of the Guaranty by the Additional Guarantor upon the execution of this Agreement by the Additional Guarantor.

SECTION 2. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures were upon the same agreement.

SECTION 3. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF NEW YORK (NOT INCLUDING SUCH STATE'S CONFLICT OF LAWS PROVISIONS OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GUARANTOR]

By: ______________________________
Name:
Title:

Address:

ACKNOWLEDGED:

BANK OF AMERICA, N.A., as the Lender

By: ______________________________
Name:
Title:

Exibit 4.24

FIRST AMENDMENT TO
CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT is made and dated as of August 3, 2012 (the "Amendment") among ARCOS DORADOS B.V., a private company with limited liability (*besloten venootschap met beperkte aansprakelijkheid*) organized under the laws of The Netherlands with seat in Amsterdam (the "Borrower"), certain subsidiaries of the Borrower as guarantors (the "Guarantors"), and BANK OF AMERICA, N.A., as lender (the "Lender") and amends that certain Credit Agreement dated as of August 3, 2011 (as the same may be further amended or modified from time to time, the "Credit Agreement").

R E C I T A L S

WHEREAS, the Lender has agreed, subject to the terms and conditions hereinafter set forth, to amend the Credit Agreement in certain respects as set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

1. Terms. All terms used herein shall have the same meanings as in the Credit Agreement unless otherwise defined herein.

2. Amendment. Upon the occurrence of the Amendment Effective Date (defined below), the Credit Agreement is hereby amended as follows:

2.1 The definition of "Maturity Date" in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Maturity Date" means August 3, 2013.

2.2 Section 2.7 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Section 2.7 Certain Fees.

(a) Commitment Fee. The Borrower agrees to pay to the Lender on the last day of each March, June, September and December, commencing with September 30, 2012, and on the Commitment Termination Date, a commitment fee (the "Commitment Fee"), at a rate of (x) at all times prior to August 3, 2012, 0.50% *per annum*, and (y) thereafter, 0.75% *per annum*, on the average daily amount of the unutilized portion of the Commitment of the fiscal quarter of the Borrower ended on such day. The phrase "unutilized portion of the Commitment" as used in the preceding sentence means, as of any day, the positive difference between (a) the amount of the Commitment, and (b) the outstanding principal amount of the Loans. The Commitment Fee shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Commitment Fee due to the Lender shall commence to accrue on the Closing Date, shall be payable in arrears and shall cease to accrue on the date on which the Commitment shall be terminated or terminates as provided herein.

(b) Facility Fee. The Borrower agrees to pay to the Lender on the last day of each March, June, September and December, commencing with September 30, 2012, and on the Commitment Termination Date, a facility fee of 0.125% *per annum* on the actual daily amount of the Commitment, regardless of usage, for the period commencing on the Amendment Effective Date and thereafter at all times during which the Commitment or any Loans remain outstanding, including at any time during which one or more of the conditions in Article IV is not met."

3. Representations and Warranties. The Borrower and each Guarantor hereby represents and warrants to the Lender that, on and as of the date hereof, and after giving effect to this Amendment:

3.1 Authorization; Enforceable Obligations; No Contravention**.** The execution, delivery and performance of this Amendment by the Loan Parties have been duly authorized by all necessary action, and this Amendment is a legal, valid and binding obligation of the Loan Parties party hereto, enforceable in accordance with its terms, except as enforceability may be limited by applicable Debtor Relief Laws. The execution, delivery and performance of this Amendment (i) are not in contravention of law or of the terms of any Loan Party's organizational documents, and (ii) will not result in the breach of or constitute a default under, or result in the creation of a Lien or require a payment to be made under any indenture, agreement or undertaking to which the Borrower or any Guarantor is a party or by which it or its property may be bound or affected, except in the case referred to in this clause (ii), to the extent that such breach, default, Lien or payment would not reasonably be expected to have a Material Adverse Effect.

3.2 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority, including the Central Bank of Brazil, or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Borrower or any Guarantor of this Amendment, which has not been duly obtained.

3.3 Incorporation of Certain Representations. After giving effect to the terms of this Amendment, the representations and warranties of the Borrower and the Guarantors set forth in Article III of the Credit Agreement (except as to such representations and warranties made as of an earlier specified date which are true and correct as of the date made) are true and correct as of the date hereof, (A) if any such representation and warranty is qualified as to materiality or by reference to the existence of a Material Adverse Effect, in all respects (as so qualified), or (B) if any such representation and warranty is not so qualified, in all material respects; *provided*, that for purposes of this Section 3.3, the representations and warranties of the Borrower contemplated in Section 3.1 of the Credit Agreement shall be deemed to refer to the last day of the period covered by the most recent financial statements furnished to the Lender under the Credit Agreement; *provided further* that the representation and warranty set forth in Section 3.16 of the Credit Agreement is made hereby with respect to the period of four (4) fiscal quarters ended on March 31, 2012.

3.4 Default. Both before and after giving effect to this Amendment, no Default or Event of Default under the Credit Agreement has occurred and is continuing.

4. Conditions, Effectiveness. This Amendment shall become effective as of the date (the "Amendment Effective Date") on which each of the following conditions shall have been satisfied:

(a) The Lender shall have received this Amendment duly executed and delivered on behalf of the Borrower and each Guarantor;

(b) The Borrower shall have paid on or before the Amendment Effective Date all fees and other amounts due and payable by the Borrower to the Lender (including fees and expenses of counsel to lender) in accordance with the Credit Agreement (as amended hereby) to the extent invoiced to the Borrower prior to the Amendment Effective Date.

(c) All consents, licenses and approvals required in connection with the execution, delivery and performance by the Loan Parties of this Amendment shall have been received by the Loan Parties.

5. Miscellaneous.

5.1 Effectiveness of the Credit Agreement and other Loan Documents. Except as hereby expressly amended, the Credit Agreement, the Note, the Fee Letter and each Subsidiary Joinder Agreement (if any), shall each remain in full force and effect, are hereby ratified and confirmed in all respects on and as of the date hereof, and each Loan Party hereby reaffirms its obligations thereunder.

5.2 Post Amendment Effective Date Covenants.

(a) Within five Business Days after the Amendment Effective Date, Arcos Dourados Comércio de Alimentos Ltda. shall file the Minutes of the Quotaholders' Meeting (*Ata de Reunião de Quotistas*) authorizing the Amendment with the Commercial Registry of the State of São Paulo (*Junta Comercial do Estado de São Paulo*).

(b) The Loan Parties shall furnish the Lender with true and correct copies of such resolutions and powers of attorney authorizing the Amendment as the Lender may reasonably request within five calendar days of the Amendment Effective Date.

5.3 Waivers. This Amendment is limited solely to the matters expressly set forth herein and is specific in time and in intent and does not constitute, nor should it be construed as, a waiver or amendment of any other term or condition, right, power or privilege under the Credit

Agreement or under any agreement, contract, indenture, document or instrument mentioned therein; nor does it preclude or prejudice any rights of the Lender thereunder, or any exercise thereof or the exercise of any other right, power or privilege, nor shall it require the Lender to agree to an amendment, waiver or consent for a similar transaction or on a future occasion, nor shall any future waiver of any right, power, privilege or default hereunder, or under any agreement, contract, indenture, document or instrument mentioned in the Credit Agreement, constitute a waiver of any other right, power, privilege or default of the same or of any other term or provision.

5.4 Loan Document. This Amendment is a Loan Document.

5.5 Counterparts. This Amendment may be executed in any number of counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

5.6 Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

ARCOS DORADOS B.V., as Borrower

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

ARCOS SERCAL SERVICIOS, S.A. DE C.V., as a Guarantor

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

ARCOS SERCAL INMOBILIARIA, S. DE R.L. DE C.V., as a Guarantor

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

ARCOS DOURADOS COMERCIO DE ALIMENTOS, LTDA., as a Guarantor

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

[*Signature Page to First Amendment to Credit Agreement*]

ARCOS DORADOS PUERTO RICO, INC., as a Guarantor

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

GOLDEN ARCH DEVELOPMENT CORPORATION, as a Guarantor

By: /s/ Diego Pace
Name: Diego Pace
Title: Attorney-in-Fact

[*Signature Page to First Amendment to Credit Agreement*]

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 3rd day of August, 2012, before me, a notary public within and for said county, personally appeared Diego Pace to me personally known who being duly sworn, did say that he is the Attorney-in-Fact of Arcos Dorados B.V., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Margaret A. DiSarro

Title: Notary Public, State of New York
No. 01DI4755968
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Nov. 30, 2014

[*Notary Page to First Amendment to Credit Agreement*]

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 3rd day of August, 2012, before me, a notary public within and for said county, personally appeared Diego Pace to me personally known who being duly sworn, did say that he is the Attorney-in-Fact of Arcos Sercal Servicios, S.A. de C.V., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Margaret A. DiSarro

Title: Notary Public, State of New York
No. 01DI4755968
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Nov. 30, 2014

[*Notary Page to First Amendment to Credit Agreement*]

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 3rd day of August, 2012, before me, a notary public within and for said county, personally appeared Diego Pace to me personally known who being duly sworn, did say that he is the Attorney-in-Fact of Arcos Sercal Inmobiliaria, S. de R.L. de C.V., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Margaret A. DiSarro

Title: Notary Public, State of New York
No. 01DI4755968
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Nov. 30, 2014

[*Notary Page to First Amendment to Credit Agreement*]

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 3rd day of August, 2012, before me, a notary public within and for said county, personally appeared Diego Pace to me personally known who being duly sworn, did say that he is the Attorney-in-Fact of Arcos Dourados Comercio de Alimentos, Ltda., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Margaret A. DiSarro

Title: Notary Public, State of New York
No. 01DI4755968
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Nov. 30, 2014

[*Notary Page to First Amendment to Credit Agreement*]

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 3rd day of August, 2012, before me, a notary public within and for said county, personally appeared Diego Pace to me personally known who being duly sworn, did say that he is the Attorney-in-Fact of Arcos Dorados Puerto Rico, Inc., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Margaret A. DiSarro

Title: Notary Public, State of New York
No. 01DI4755968
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Nov. 30, 2014

[*Notary Page to First Amendment to Credit Agreement*]

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 3rd day of August, 2012, before me, a notary public within and for said county, personally appeared Diego Pace to me personally known who being duly sworn, did say that he is the Attorney-in-Fact of Golden Arch Development Corporation, one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Margaret A. DiSarro

Title: Notary Public, State of New York
No. 01DI4755968
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Nov. 30, 2014

[*Notary Page to First Amendment to Credit Agreement*]

LENDER:

BANK OF AMERICA, N.A., as Lender

By: /s/ Juan Pablo Cuevas
Name: Juan Pablo Cuevas
Title: Managing Director

[*Signature Page to First Amendment to Credit Agreement*]

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

On this 10th day of August 2012, before me, a notary public within and for said county, personally appeared Juan Pablo Cuevas to me personally known who being duly sworn, did say that he is the Managing Director of Bank of America, N.A., one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said persons.

By: /s/ Mabel Soriano

Title: Notary Public, State of Florida
No. EE085429
Commission Expires Dec. 22, 2013

Exhibit 8.1

Subsidiaries of Registrant

Name	Place of Incorporation
Adcon S.A.	Argentina
Administrative Development Company	Delaware
Aduy S.A.	Uruguay
Alimentos Arcos Dorados de Venezuela C.A.	Venezuela
Alimentos Arcos Dorados Margarita, C.A.	Venezuela
Alimentos Arcos Dorados Punto Fijo, C.A.	Venezuela
Alimentos Latinoamericanos Venezuela ALV, C.A.	Venezuela
Arcgold del Ecuador, S.A.	Ecuador
Arcos del Sur, S.R.L.	Uruguay
Arcos Dorados Argentina S.A.	Argentina
Arcos Dorados Aruba N.V.	Aruba
Arcos Dorados B.V.	Netherlands
Arcos Dorados Caribbean Development Corp.	Delaware
Arcos Dorados Colombia S.A.	Colombia
Arcos Dorados Coöperatieve U.A.	Netherlands
Arcos Dorados Costa Rica ADCR, S.A.	Costa Rica
Arcos Dorados Costa Rica Inmobiliaria, S.A.	Costa Rica
Arcos Dorados Curacao, N.V.	Curacao
Arcos Dorados French Guiana	French Guiana
Arcos Dorados Guadeloupe	Guadeloupe
Arcos Dorados Martinique	Martinique
Arcos Dorados Panama, S.A.	Panama
Arcos Dorados Puerto Rico, Inc.	Puerto Rico
Arcos Dorados Restaurantes de Chile, Ltda.	Chile
Arcos Dorados Trinidad Limited	Trinidad
Arcos Dorados USVI, Inc.	USVI
Arcos Dourados Comercio de Alimentos Ltda.	Brazil
Arcos Dourados Restaurantes Ltda.	Brazil
Arcos SerCal Inmobiliaria, S. de R.L. de C.V.	Mexico
Arcos SerCal Servicios, S.A. de C.V.	Mexico
Arcos BraPa S.A.	Panama
Centro Especializado de Negocios Internacionales, S. de R.L. de C.V.	Mexico
Compañía de Inversiones Inmobiliarias (C.I.I.) S.A.	Argentina
Complejo Agropecuario Carnico (Carnicos), C.A.	Venezuela
Arcos Dorados Uruguay S.A. (Gauchito de Oro S.A.)	Uruguay
Gerencia Operativa ARC, C.A.	Venezuela
Compañía Operativa de Alimentos COR, C.A.	Venezuela
Golden Arch Development Corporation	Delaware
Hamburgue S.A.S.	Colombia
Inversiones Axis S.A.	Chile
LatAm, LLC	Delaware
Logistics and Manufacturing LOMA Co.	Delaware

Management Operations Company	Delaware
Operaciones Arcos Dorados de Perú, S.A.	Perú
Restaurant Realty of Mexico, Inc.	Delaware
Sistemas Central America, S.A.	Panama
Sistemas McOpCo Panama, S.A.	Panama
Arcos Dorados Latam LLC	Delaware
SEM Panama SA	Panama

EXHIBIT 12.1

CERTIFICATION

I, Woods Staton, 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 26, 2013

/s/ Woods Staton
Woods Staton
Chief Executive Officer

EXHIBIT 12.2

CERTIFICATION

I, Germán Lemonnier, 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 26, 2013

/s/ Germán Lemonnier
Germán Lemonnier
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, 2012 (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. Woods Staton, 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 26, 2013

/s/ Woods Staton
Name: Woods Staton
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, 2012 (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. Germán Lemonnier, 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 26, 2013

/s/ Germán Lemonnier
Name: Germán Lemonnier
Chief Financial Officer

Exhibit 15.1

CONSENT OF EUROMONITOR INTERNATIONAL LTD

We hereby consent to the use by Arcos Dorados Holdings Inc. (the "Company"), in connection with its Annual Report for the year ended December 31, 2012 on Form 20-F, and any amendments and supplements thereto (collectively, the "Annual Report"), of excerpts from our report dated May 2012, as amended and supplemented from time to time (the "Euromonitor Report"), the preliminary estimates we provided to the Company (the "Preliminary Estimates"), the information contained in the Euromonitor Report and the Preliminary Estimates (the "Intellectual Property") and the use of our name in the Annual Report. We confirm that we have reviewed the references to the Euromonitor Report and the Preliminary Estimates in the Annual Report dated April 26, 2013, and we consent to this use of the Intellectual Property. We also confirm that we have reviewed references to the Intellectual Property and that they are quoted in an appropriate context.

We hereby consent to the incorporation by reference in Registration Statement No. 333-187531 on Form F-3 and Registration Statement No. 333-173496 on Form S-8 of the Intellectual Property appearing in the Annual Report.

Euromonitor International Ltd

By: /s/ Tom Kitchin
Name: Tom Kitchin
Title: Director

Exhibit 15.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form F-3ASR No. 333-187531) of Arcos Dorados Holdings Inc., and

(2) Registration Statement (Form S-8 No. 333-173496) pertaining to the Equity Incentive Plan of Arcos Dorados Holdings Inc;

of our reports dated March 8, 2013, 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, 2012.

Buenos Aires, Argentina
April 26, 2013

/s/ Pistrelli, Henry Martin Y Asociados S.R.L.
PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global