

OFFERING MEMORANDUM

**R\$275,000,000**



# **Arcos Dorados Holdings Inc.**

*(incorporated in the British Virgin Islands)*

**10.25% Notes due 2016**

Payable in U.S. Dollars

The notes offered hereby are a reopening of Arcos Dorados Holdings Inc.'s R\$400,000,000 10.25% Notes due 2016 issued on July 13, 2011 (the "Existing Notes") and the notes offered hereby will be consolidated with, and form a single series with, the Existing Notes. Unless otherwise specified, references in this offering memorandum to the "notes" means the notes offered hereby and the Existing Notes. The aggregate principal amount of the notes offered hereby and the Existing Notes will be R\$675,000,000. The notes offered hereby and the existing notes will share the same CUSIP and ISIN numbers and common codes and be fungible, except that the notes offered hereby that are offered and sold in offshore transactions under Regulation S shall be issued and maintained under a temporary CUSIP number during a 40 day distribution compliance period.

The notes will mature on July 13, 2016. Interest on the notes offered hereby will accrue from January 13, 2012 and will be payable semi-annually in arrears on January 13 and July 13 of each year beginning on July 13, 2012. Purchasers of the notes offered hereby will be entitled to receive the full amount of the next semi-annual regular interest payment on July 13, 2012. The notes are denominated in *reais*, but payment of principal and interest will be made in U.S. dollars as described in this offering memorandum. Accordingly, your investment in the notes is subject to currency risk with respect to the Brazilian *real*/U.S. dollar exchange rate.

We may redeem any of the notes in whole, but not in part, at a price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date at any time upon the occurrence of specified events regarding the British Virgin Islands and other relevant jurisdictions' tax laws, as set forth in this offering memorandum.

The notes will be fully and unconditionally guaranteed on a senior unsecured basis by certain of our current and future subsidiaries. We refer to these subsidiaries as the "guarantors."

The notes offered hereby and the related guarantees (i) will rank equally with all of the existing and future unsecured and unsubordinated indebtedness of Arcos Dorados Holdings Inc. and the guarantors and (ii) will be effectively junior to all existing and future secured indebtedness of Arcos Dorados Holdings Inc. and the guarantors to the extent of the assets securing that indebtedness.

We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market. See "Listing and General Information." This offering memorandum constitutes a prospectus for the purpose of the Luxembourg Law dated July 10, 2005 on Prospectuses for Securities.

**Investing in the notes involves risks. See "Risk Factors" beginning on page 18.**

**Price: 102.529% and accrued interest from January 13, 2012**

The notes and the related guarantees have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under any state securities laws and are being offered only: (1) to qualified institutional buyers under Rule 144A and (2) outside the United States in compliance with Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the notes may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer, see "Transfer Restrictions."

The initial purchasers delivered the notes offered hereby to purchasers in book-entry form through The Depository Trust Company ("DTC") on April 24, 2012.

**BofA Merrill Lynch**

**Citigroup**

**Credit Suisse**

June 20, 2012



**This is an offering by Arcos Dorados Holdings Inc. and not by McDonald's Corporation or any of its affiliates.**

## TABLE OF CONTENTS

	<u>Page</u>
Notice to New Hampshire Residents .....	iv
Presentation of Financial and Other Information .....	v
Summary .....	1
The Offering .....	7
Summary Financial and Other Information .....	13
Risk Factors .....	19
Cautionary Statement Regarding Forward-Looking Statements .....	23
Use of Proceeds .....	25
Capitalization .....	26
Exchange Rates .....	27
Description of Notes .....	30
Book-Entry, Delivery and Form .....	55
Taxation .....	59
Plan of Distribution .....	63
Enforcement of Judgments .....	68
Transfer Restrictions .....	69
Listing and General Information .....	71
Where You Can Find More Information .....	73
Incorporation by Reference .....	73
Validity of Notes .....	74
Independent Registered Public Accounting Firm .....	75
Annex A—Form 6-K for the Month of May, 2012 .....	A-1

**We have not authorized anyone to provide any information other than that contained, or incorporated by reference, in this offering memorandum. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. Neither we nor the initial purchasers are making an offer of the notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained, or incorporated by reference, in this offering memorandum is accurate at any date other than the date on the front cover of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since the date on the front cover of this offering memorandum.**

---

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum 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 in this offering memorandum 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 (the “Territories” hereinafter defined) 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).

---

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes. We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC will act as initial purchasers with respect to the offering of the notes offered hereby. This offering memorandum does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such

purchases, offers or sales, and neither we nor the initial purchasers nor their agents have any responsibility therefor. See “Transfer Restrictions” for information concerning some of the transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained, or incorporated by reference, in this offering memorandum;
- you have not relied on the initial purchasers or their agents or any person affiliated with the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth, or incorporated by reference, in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

**In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.**

**This offering memorandum may only be used for the purpose for which it has been published. The initial purchasers are not making any representation or warranty as to the accuracy or completeness of the information contained, or incorporated by reference, in this offering memorandum, and nothing contained, or incorporated by reference, in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. The initial purchasers have not independently verified any of such information and assume no responsibility for the accuracy or completeness of the information contained, or incorporated by reference, in this offering memorandum.**

---

See “Risk Factors” following the “Summary,” for a description of certain factors relating to an investment in the notes, including information about our business. None of us, the initial purchasers or any of our or their representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

---

Any and all website addresses included in this offering memorandum are included as textual references only, and the information contained in such websites (or accessed through them) is not incorporated into this offering memorandum, shall not be regarded as part of such offering memorandum and do not constitute investment materials.

---

**This is an offering by Arcos Dorados Holdings Inc. and not by McDonald’s Corporation or any of its affiliates. McDonald’s Corporation and its affiliates make no representation or warranty, express or implied, for or in respect of the information contained, or incorporated by reference, herein.**

---

## NOTICE TO NEW HAMPSHIRE RESIDENTS

**NEITHER THE FACT THAT A REGISTRATION STATEMENT, OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

---

The notes offered hereby will be available initially only in book-entry form. The notes offered hereby have been issued in the form of one or more registered global notes. The global notes have been deposited with, or on behalf of, the Depository Trust Company (“DTC”) and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected through, records maintained by DTC and its participants. The global notes offered under Regulation S under the Securities Act, if any, to be deposited with the trustee as custodian for DTC, and beneficial interests in them may be held through the Euroclear Bank, S.A./N.V., as operator of the Euroclear System or Clearstream Banking, *société anonyme*. After the initial issuance of the global notes, certificated notes may be issued in registered form only in very limited circumstances, which shall be in minimum denominations of R\$250,000 and integral multiples of R\$1,000. See “Book-Entry, Delivery and Form” for further discussion of these matters.

---

### General

We have appointed National Registered Agents, Inc. as agent to receive service of process under the indenture governing the notes, including with respect to any action brought against us in the United States District Court for the Southern District of New York under the federal securities laws of the United States or of any State of the United States or any action brought against us in the Supreme Court of the State of New York in the County of New York under the securities laws of the State of New York.

---

### Additional Information

While any notes remain outstanding, we will make available, upon request, to any holder and any prospective purchaser of notes the information required pursuant to Rule 144(A)(d)(4)(i) under the Securities Act, during any period in which we are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market. See “Listing and General Information.” We will comply with any undertakings assumed or undertaken by us from time to time to the Luxembourg Stock Exchange in connection with the notes, and we will furnish to them all such information as the rules of the Luxembourg Stock Exchange may require in connection with the listing of the notes.

## 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 “Brazilian reais” or “R\$” are to the Brazilian *real*.

### 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 from our annual report on Form 20-F incorporated by reference in this offering memorandum includes our consolidated financial statements at December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, as stated in their report incorporated by reference in this offering memorandum.

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 offering memorandum to a fiscal year, such as “fiscal year 2011,” relate to our fiscal year ended on December 31 of that calendar year.

See Note 21 to our consolidated financial statements and “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Factors Affecting Comparability of Results—Impact of Venezuelan Currency Controls and Related Accounting Changes on Our Results of Operations” in our annual report on Form 20-F incorporated by reference in this offering memorandum for information regarding the translation and remeasurement of the results of our Venezuelan operations.

### 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.

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 24 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 offering memorandum and in our annual report on Form 20-F incorporated by reference herein 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 an 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 offering memorandum or incorporated by reference herein 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 offering memorandum and our annual report on Form 20-F incorporated herein, 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 offering memorandum or our annual report on Form 20-F incorporated herein.

### **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, or incorporated by reference, in this offering memorandum. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

## SUMMARY

*This summary highlights information contained elsewhere, or incorporated by reference, in this offering memorandum. This summary may not contain all the information that may be important to you, and we urge you to read this entire offering memorandum carefully, including the “Risk Factors” section included elsewhere in this offering memorandum, as well as our annual report on Form 20-F for the fiscal year ended December 31, 2011, including our consolidated financial statements and notes to those statements, incorporated by reference in this offering memorandum, before deciding to invest in the notes.*

### **Our Business**

#### **Overview**

We are the world’s largest McDonald’s franchisee in terms of systemwide sales and number of restaurants, according to McDonald’s, representing 5.5% of McDonald’s global sales in 2011, 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 10.4% in 2010, according to Euromonitor. We have the exclusive right to own, operate and grant franchises of McDonald’s restaurants in 20 countries and territories in Latin America and the Caribbean, including Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curaçao, Ecuador, French Guiana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Trinidad and Tobago (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. As of December 31, 2011, we operated or franchised 1,840 McDonald’s-branded restaurants, which represented 6.8% of McDonald’s total franchised restaurants worldwide. In 2011 and 2010, we paid \$170.4 million and \$141.0 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 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, as described below, which, together with the purchase of the McDonald’s LatAm business, we refer to as the Acquisition. 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. As of December 31, 2011, of our 1,840 McDonald’s-branded restaurants in the Territories, 1,358 (or 73.8%) were Company-operated restaurants and 482 (or 26.2%) 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 509 of our restaurants (totaling approximately 1.2 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 333 restaurants (247 Company-operated and 86 franchised), 165 McCafé locations, where we sell a variety of customizable beverages, and 670 Dessert Centers, where we sell desserts, 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 10.1% in 2007 to 10.4% in 2010 according to Euromonitor. We have increased our total revenues by 37.2% from 2009 to 2011. More recently, our consolidated total revenues, net income and Adjusted EBITDA (as defined under “Presentation of Financial and Other Information—Other Financial Measures”) increased 21.2%, 9.0% and 13.6%, respectively, in 2011 as compared to 2010, to \$3,657.6 million, \$115.5 million and \$339.8 million, respectively. In addition, our consolidated total revenues, net income and Adjusted EBITDA increased 13.2%, 32.5% and 12.3%, respectively, in 2010 as compared to 2009, to \$3,018.1 million, \$106.0 million and \$299.1 million, respectively.



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, 2011, 36.0% of our restaurants were located in Brazil, 29.7% in SLAD, 26.3% in NOLAD and 8.0% in the Caribbean division. We believe our diversified market presence reduces our dependence on any one market and helps stabilize the impact of individual countries' economic cycles on our revenues. We focus on our customers by managing operations at the local level, including marketing campaigns and special offers, menu management and monitoring customer satisfaction, while leveraging our size by conducting administrative and strategic functions at the divisional or corporate level, as appropriate.

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

	As of and for the Years Ended December 31,				
	2011	2010	2009	2008	2007(1)
	(in thousands of U.S. dollars, except percentages)				
<b>Total Revenues</b>					
Brazil .....	\$1,890,824	\$1,595,571	\$1,200,742	\$1,237,208	\$461,868
Caribbean division.....	267,701	260,617	244,774	231,734	90,796
NOLAD .....	355,265	305,017	240,333	232,083	91,932
SLAD(2).....	1,143,859	856,913	979,627	905,817	296,743
<b>Total .....</b>	<b>3,657,649</b>	<b>3,018,118</b>	<b>2,665,476</b>	<b>2,606,842</b>	<b>941,339</b>
<b>Adjusted EBITDA(3)</b>					
Brazil .....	\$289,462	\$250,606	\$160,037	\$144,965	\$39,800
Caribbean division.....	9,493	23,556	21,167	22,013	13,099
NOLAD .....	19,551	15,400	3,918	15,961	10,655
SLAD(2).....	121,475	83,998	129,889	138,683	36,530
Corporate and others .....	(100,193)	(74,446)	(48,628)	(33,648)	(9,187)
<b>Total .....</b>	<b>339,788</b>	<b>299,114</b>	<b>266,383</b>	<b>287,974</b>	<b>90,897</b>
<b>Adjusted EBITDA Margin(4)</b>					
Brazil .....	15.3%	15.7%	13.3%	11.7%	8.6%
Caribbean division.....	3.5	9.0	8.6	9.5	14.4
NOLAD .....	5.5	5.0	1.6	6.9	11.6
SLAD(2).....	10.6	9.8	13.3	15.3	12.3
<b>Total .....</b>	<b>9.3</b>	<b>9.9</b>	<b>10.0</b>	<b>11.0</b>	<b>9.7</b>
<b>Systemwide comparable sales growth(5)(6)</b>					
<b>Total .....</b>	<b>13.7%</b>	<b>14.9%</b>	<b>5.5%</b>	—	—
Brazil .....	9.3	17.5	2.7	—	—
Caribbean division.....	(0.6)	4.7	4.2	—	—
NOLAD .....	8.5	9.1	(1.7)	—	—
SLAD.....	29.6	16.1	12.2	—	—

(1) Data for the year ended December 31, 2007 includes only five months of operations, beginning August 3, 2007, the date on which we commenced operations in the Territories.

(2) Currency controls in Venezuela and related accounting changes have a significant effect on our results of operations and impact the comparability of our results of operations in 2010 compared to 2009. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Factors Affecting Comparability of Results—Impact of Venezuelan Currency Controls and Related Accounting Changes on Our Results of Operations" in our annual report on Form 20-F incorporated by reference in this offering memorandum for information regarding the translation and remeasurement of the results of our Venezuelan operations.

- (3) Adjusted EBITDA is a measure of our performance that is reviewed by our management. Adjusted EBITDA does not have a standardized meaning and, accordingly, our definition of Adjusted EBITDA may not be comparable to Adjusted EBITDA as used by other companies. Total Adjusted EBITDA is a non-GAAP measure. For our definition of Adjusted EBITDA and a reconciliation thereof, see “Presentation of Financial and Other Information—Other Financial Measures” and “Summary Financial and Other Information.”
- (4) Adjusted EBITDA margin is Adjusted EBITDA divided by total revenues, expressed as a percentage.
- (5) 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.
- (6) 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.

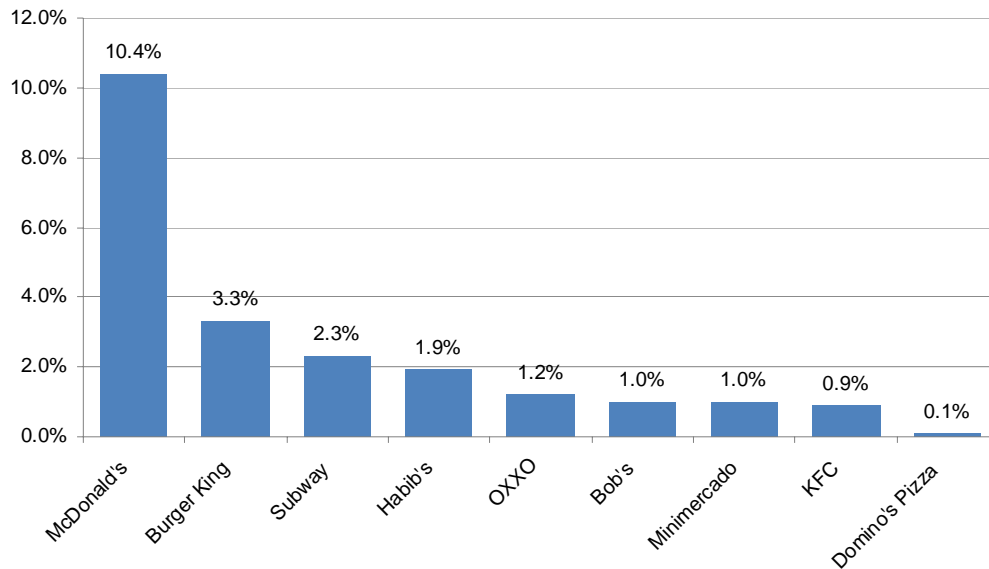
### ***Our Industry***

We operate in the quick-service restaurant, or 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 \$44.7 billion (nominal value) in 2012. In addition, Euromonitor forecasts that the fast food segment in Latin America and the Caribbean will have grown 58.2% in the period from 2007 to 2012, which is 18 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 9.6%, which in turn is significantly higher than the estimated 1.7% compound annual growth rate of the U.S. fast food segment.

Euromonitor estimates that QSRs captured 59.8% of market share within the fast food segment in Latin America and the Caribbean in 2010 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 52.4% during the period from 2007 to 2012.

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 2010:



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 History and Relationship with McDonald's**

### ***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 a Master Franchise Agreement for all 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.

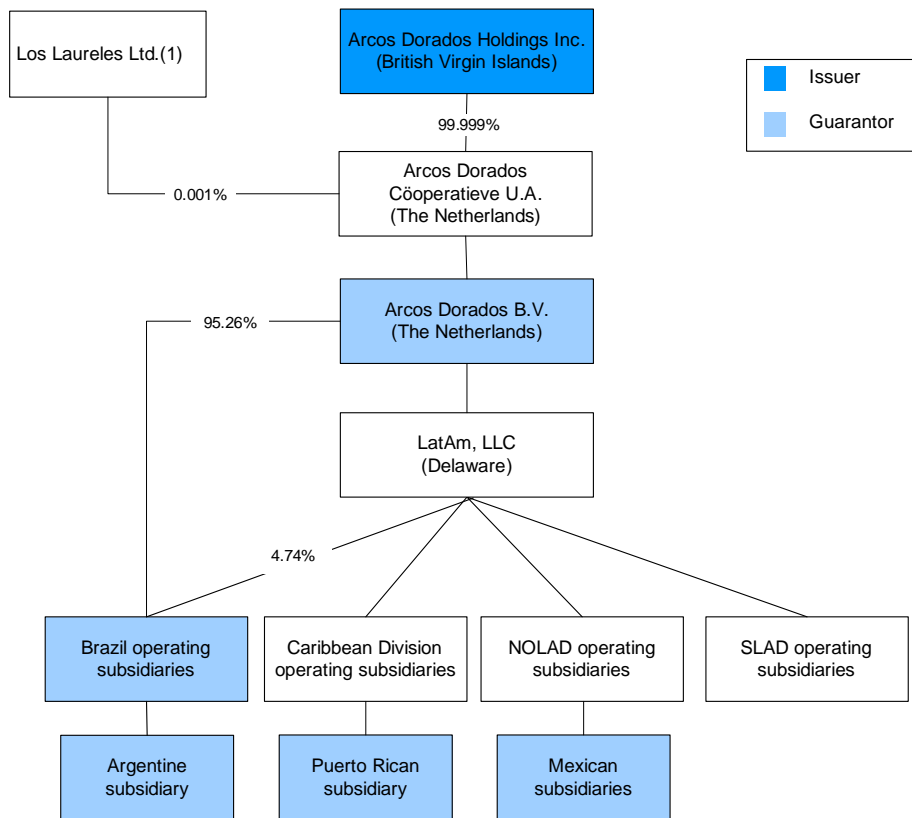
### **Our Corporate Structure**

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 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. and has contributed its interests in Los Laureles Ltd. to a trust whose sole beneficiaries are Mr. Staton and his descendants. 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.

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 certain selling shareholders 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 all of their existing shareholdings in our company, which amounted to 44,475,958 class A shares. Our issued share capital is fully paid.

The following chart summarizes our corporate structure as of March 31, 2012.



- (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.
- (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%.

### General Information

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.

Investors should contact us for any inquiries through the address and telephone number of our principal executive offices. Our principal website is [www.arcosdorados.com](http://www.arcosdorados.com). The information contained on our website is not a part of this offering memorandum.

## THE OFFERING

*This summary highlights information presented in greater detail elsewhere in this offering memorandum or incorporated by reference herein. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum, including the information incorporated by reference from our annual report on Form 20-F, before investing in the notes, including “Risk Factors” and our consolidated financial statements.*

<b>Issuer</b> .....	Arcos Dorados Holdings Inc.
<b>Guarantors</b> .....	Each subsidiary existing on the issue date incorporated or formed under the laws of Argentina (excluding Adcom S.A., Arcos Santafesinos, S.A. and Arcos Mendocinos, S.A.), Brazil, Mexico or Puerto Rico, Golden Arch Development Corporation, Arcos Dorados B.V. and certain other subsidiaries incorporated, formed or acquired under the laws of Argentina, Brazil, Mexico or Puerto Rico after the issue date (collectively, the “Subsidiary Guarantors”). The Subsidiary Guarantors represented in the aggregate 81.3%, 74.4%, 73.2% and 74.1% of our consolidated EBITDA, consolidated total revenues, consolidated total assets and total Company-operated and franchised restaurants in the year ended December 31, 2011, respectively. Our non-guarantor subsidiaries represented in the aggregate 18.7%, 25.6%, 26.8% and 25.9% of our consolidated EBITDA, consolidated total revenues, consolidated total assets and total Company-operated and franchised restaurants in the year ended December 31, 2011, respectively. The Subsidiary Guarantors represented in the aggregate 77.6%, 72.5%, 72.1% and 73.8% of our consolidated EBITDA, consolidated total revenues, consolidated total assets and total Company-operated and franchised restaurants in the year ended March 31, 2012, respectively. Our non-guarantor subsidiaries represented in the aggregate 22.4%, 27.5%, 27.9% and 26.2% of our consolidated EBITDA, consolidated total revenues, consolidated total assets and total Company-operated and franchised restaurants in the year ended March 31, 2012, respectively.
<b>Notes offered</b> .....	R\$275 million aggregate principal amount of 10.25% notes due 2016. The notes offered hereby are a reopening of Arcos Dorados Holdings Inc.’s R\$400,000,000 10.250% Notes due 2016 issued on July 13, 2011 and the notes offered hereby will be consolidated with, and form a single series with, such Existing Notes. The aggregate principal amount of the notes offered hereby and the Existing Notes will be R\$675,000,000. The notes offered hereby and the existing notes will share the same CUSIP and ISIN numbers and common codes and be fungible, except

	<p>that the notes offered hereby that are offered and sold in offshore transactions under Regulation S shall be issued and maintained under a temporary CUSIP number during a 40 day distribution compliance period.</p>
<b>Issue price</b> .....	<p>102.529% and accrued interest from and including January 13, 2012 up to but excluding April 24, 2012, in the amount of approximately R\$28.76 per R\$1,000 principal amount of the notes, or an aggregate amount of R\$7,908,159.72, converted to U.S. dollars at the rate of 1.8840 Brazilian <i>real</i>/U.S. dollar.</p>
<b>Maturity date</b> .....	<p>July 13, 2016.</p>
<b>Interest payment dates</b> .....	<p>January 13 and July 13, commencing July 13, 2012.</p>
<b>Interest</b> .....	<p>The notes offered hereby will bear interest from January 13, 2012 at the annual rate of 10.25%, payable semi-annually in arrears on each interest payment date.</p>
<b>Conversion of payment amounts</b> .....	<p>All amounts due in respect of principal or interest will be paid in U.S. dollars, calculated by the Calculation Agent using the Settlement Rate on the applicable Rate Calculation Date.</p>
<b>Ranking</b> .....	<p>The notes and guarantees will be senior unsecured obligations and will rank equal in right of payment with all of our and the Subsidiary Guarantors' existing and future senior unsecured indebtedness. The notes and the guarantees will effectively rank junior to all of our and the Subsidiary Guarantors' secured indebtedness to the extent of the value of our assets securing such indebtedness. The notes and guarantees will be structurally subordinated to all obligations of the Company's subsidiaries that are not guaranteeing the notes.</p> <p>As of December 31, 2011, we had consolidated total liabilities of U.S.\$1,195.8 million, including consolidated total indebtedness of U.S.\$532.3 million. Our non-guarantor subsidiaries, taken together, had U.S.\$171.7 million of our consolidated total liabilities, including U.S.\$5.6 million of our consolidated total indebtedness.</p>
<b>Settlement Rate</b> .....	<p>The Settlement Rate will be, for any Rate Calculation Date, the rate determined by the Calculation Agent that is equal to the Brazilian <i>real</i>/U.S. dollar commercial rate, expressed as the amount of Brazilian <i>reais</i> per one U.S. dollar as reported by <i>Banco Central do Brasil</i> (the "Central Bank") on the SISBACEN Data System and on its website (which, at the date hereof, is located</p>

at <http://bcb.gov.br>) under transaction code PTAX800 (“Consultas de Câmbio” or “Exchange Rate Enquiry”), Option 5, “Venda” (“Cotações para Contabilidade” or “Rates for Accounting Purposes”) (or any successor screen established by the Central Bank), for such Rate Calculation Date (the “R\$ Ptax Rate”); *provided*, however, that if the R\$ Ptax Rate scheduled to be reported on any Rate Calculation Date is not reported by the Central Bank on such Rate Calculation Date, then the Settlement Rate will be BRL12; in the event BRL12 is unavailable, then the Settlement Rate will be BRL13. If the Settlement Rate cannot be calculated as described above, the Calculation Agent will determine the Settlement Rate by reference to the quotations received from the Reference Banks. The quotations will be determined in each case for such Rate Calculation Date as soon as practicable after (i) the Calculation Agent determines that the Settlement Rate cannot be calculated as described above for such Rate Calculation Date and (ii) the identities of the Reference Banks are provided by the Company to the Calculation Agent by written notice. The Calculation Agent will ask each of the Reference Banks for quotations for the offered Brazilian *real*/U.S. dollar exchange rate for the sale of U.S. dollars. The Settlement Rate will be the average of the Brazilian *real*/U.S. dollar exchange rates obtained from the Reference Banks. If more than one quotation is obtained, the Settlement Rate will then be the average of the Brazilian *real*/U.S. dollar exchange rates obtained from the Reference Banks. If only one quotation is obtained, the Settlement Rate will be that quotation. Where no such quotations are obtained from the Reference Banks, if the Company determines in its sole discretion that there are one or two other suitable replacement banks active in the Brazilian *real*/U.S. dollar market, the Calculation Agent shall ask such banks to provide such quotations as soon as practicable after the identities of such replacement banks are provided by the Company to the Calculation Agent by written notice, and the Calculation Agent shall use such quotations as it receives to determine the Settlement Rate (taking an average rate, as set forth above, if applicable); *provided*, however, that if the Reference Banks and any such replacement banks are not providing quotations in the manner described above, the Settlement Rate will be the Settlement Rate determined as of the preceding Rate Calculation Date.

**BRL12**.....

The BRL12 is the Trade Association for the Emerging Markets (“EMTA”) BRL Industry Survey Rate (BRL12), calculated if the R\$Ptax Rate is not



available, which is the final Brazilian *real*/U.S. dollar specified rate of U.S. dollars, expressed as the amount of Brazilian *reais* per one U.S. dollar, published on EMTA's website (which, at the date hereof, is located at <http://www.emta.org>) for the Rate Calculation Date. BRL12 is calculated by EMTA (or a service provider EMTA may select in its sole discretion) using the EMTA BRL Industry Survey Methodology dated as of 1 March 2004, as amended from time to time, pursuant to which EMTA conducts a twice-daily survey of up to 15 Brazilian financial institutions that are active participants in the Brazilian *real*/U.S. dollar spot market, with a required minimum participation of at least 5 financial institutions.

**BRL13** .....

The BRL13 is the EMTA BRL Indicative Survey Rate (BRL13), calculated if the R\$Ptax Rate is not available, which is the final Brazilian *real*/U.S. dollar specified rate of U.S. dollars, expressed as the amount of Brazilian *reais* per one U.S. dollar, published on EMTA's website (which, at the date hereof, is located at <http://www.emta.org>) for the Rate Calculation Date. BRL13 is calculated by EMTA (or a service provider EMTA may select in its sole discretion) using the EMTA BRL Industry Survey Methodology dated as of 1 March 2004, as amended from time to time, pursuant to which EMTA conducts a survey of up to 30 Brazilian and non-Brazilian financial institutions that are active participants in the Brazilian *real*/U.S. dollar spot market, with a required minimum participation of at least 8 financial institutions.

**Rate calculation date** .....

A Rate Calculation Date is the third Business Day preceding each interest payment date, redemption date, purchase date or the maturity date.

**Business day** .....

A Business Day is a day, other than a Saturday, a Sunday, or a legal holiday or a day on which commercial banks and foreign exchange markets are authorized or obligated to close in the City of New York; *provided*, however, that solely for the purposes of determining the Settlement Rate, "Business Day" means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open, or not authorized to close, in São Paulo, Brazil, and the City of New York.

**Change of control offer** .....

Upon the occurrence of a Change of Control Repurchase Event (as defined in "Description of Notes"), we will be required to make an offer to purchase the notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest. See "Description of Notes—Change

<b>Covenants</b> .....	of Control” and “ —Certain Definitions.”  The indenture 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. See “Description of Notes—Covenants.”
<b>Events of default</b> .....	For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, and any other amounts due with respect to the notes, see “Description of Notes—Events of Default.”
<b>Use of proceeds</b> .....	The proceeds from the issue of the notes will be used for capital expenditures and other general corporate purposes. See “Use of Proceeds.”
<b>Form and denomination; settlement</b> .....	The notes offered hereby will be issued in the form of global notes without coupons, registered in the name of a nominee of The Depository Trust Company and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, société anonyme. The notes offered hereby will be issued in minimum denominations of R\$250,000 and integral multiples of R\$1,000 in excess thereof.
<b>Transfer restrictions</b> .....	We have not registered the notes under the Securities Act. The notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See “Transfer Restrictions.”
<b>Listing</b> .....	We have applied to list the notes on the official list of the Luxembourg Stock Exchange and to trade them on the Euro MTF market.
<b>Governing law</b> .....	The indenture and the Existing Notes are, and the new notes will be governed by, the laws of the State of New York.
<b>Trustee, registrar, paying agent and transfer agent</b> .....	Citibank, N.A.
<b>Luxembourg paying agent, transfer agent and listing agent</b> .....	Banque Internationale à Luxembourg, société anonyme
<b>Calculation Agent</b> .....	Citibank, N.A.
<b>Selling restrictions</b> .....	There are restrictions on persons to whom notes can be

sold, and on the distribution of this offering memorandum, as described in “Plan of Distribution.”

**Risk Factors**

You should carefully consider all of the information contained, or incorporated by reference, in this offering memorandum prior to investing in the notes offered hereby. In particular, we urge you to carefully consider the information set forth under “Risk Factors” for a discussion of risks and uncertainties relating to us, our subsidiaries, our business, our shareholders and an investment in the notes offered hereby.

## SUMMARY FINANCIAL AND OTHER INFORMATION

The summary balance sheet data as of December 31, 2011 and 2010 and the income statement data for the years ended December 31, 2011, 2010 and 2009 of Arcos Dorados Holdings Inc. are derived from the consolidated financial statements incorporated by reference in this offering memorandum, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global. The summary balance sheet data as of December 31, 2009, 2008 and 2007 and the income statement data for the years ended December 31, 2008 and 2007 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 or incorporated by reference 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. Consequently, the income statement data for the year ended December 31, 2007 only includes five months of operations.

Included below is historical financial information of McDonald's LatAm business prior to the date of the Acquisition. This financial information presents the combined results of operations and financial condition of McDonald's LatAm business (as our predecessor business). The summary income statement data for the seven-month period ended July 31, 2007 are derived from the combined financial statements of McDonald's LatAm business, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, and are not included or incorporated by reference herein.

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" included elsewhere in this offering memorandum and our annual report on Form 20-F, including our consolidated financial statements and the notes thereto, incorporated by reference in this offering memorandum.

See Note 21 to our consolidated financial statements and "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Factors Affecting Comparability of Results—Impact of Venezuelan Currency Controls and Related Accounting Changes on Our Results of Operations" in our annual report on Form 20-F incorporated by reference in this offering memorandum for information regarding the translation and remeasurement of the results of our Venezuelan operations, which affects the comparability of our results of operations in 2010 compared to 2009. In particular, currency controls in Venezuela and related accounting changes have a significant effect on our results of operations and greatly impact the comparability of our results of operations from period to period.

	Arcos Dorados					Predecessor
	For the Years Ended December 31,					January 1, 2007 to
	2011	2010	2009	2008	2007(2)	July 31, 2007
<b>Income Statement Data:</b>	(in thousands of U.S. dollars, except for share data)					
Sales by Company-operated restaurants.....	\$ 3,504,128	\$ 2,894,466	\$ 2,536,655	\$ 2,480,897	\$ 895,429	\$ 1,078,194
Revenues from franchised restaurants .....	153,521	123,652	128,821	125,945	45,910	46,881
<b>Total revenues.....</b>	<b>3,657,649</b>	<b>3,018,118</b>	<b>2,665,476</b>	<b>2,606,842</b>	<b>941,339</b>	<b>1,125,075</b>
Company-operated restaurant expenses:						
Food and paper .....	(1,216,141)	(1,023,464)	(929,718)	(902,305)	(332,547)	(416,615)
Payroll and employee benefits.....	(701,278)	(569,084)	(491,214)	(461,602)	(161,871)	(196,510)
Occupancy and other operating expenses.....	(918,102)	(765,777)	(667,438)	(647,152)	(238,765)	(307,391)
Royalty fees.....	(170,400)	(140,973)	(121,901)	(118,980)	(44,878)	(40,660)
Franchised restaurants—occupancy expenses.....	(51,396)	(37,634)	(42,327)	(42,416)	(13,979)	(18,491)
General and administrative expenses .....	(334,914)	(254,165)	(189,507)	(186,098)	(71,898)	(78,081)
Other operating expenses, net.....	(14,665)	(22,464)	(16,562)	(26,095)	(6,310)	(16,015)
<b>Total operating costs and expenses.....</b>	<b>(3,406,896)</b>	<b>(2,813,561)</b>	<b>(2,458,667)</b>	<b>(2,384,648)</b>	<b>(870,248)</b>	<b>(1,073,763)</b>
<b>Operating income.....</b>	<b>250,753</b>	<b>204,557</b>	<b>206,809</b>	<b>222,194</b>	<b>71,091</b>	<b>51,312</b>
Net interest expense.....	(60,749)	(41,613)	(52,473)	(26,272)	(13,978)	(33,363)
Loss from derivative instruments .....	(9,237)	(32,809)	(39,935)	(2,620)	(13,672)	—
Foreign currency exchange results(3).....	(23,926)	3,237	(14,098)	(74,884)	(3,542)	—
Other non-operating income (expenses), net(3).....	3,562	(23,630)	(1,240)	(1,934)	(43)	(2,095)
<b>Income before income taxes.....</b>	<b>160,403</b>	<b>109,742</b>	<b>99,063</b>	<b>116,484</b>	<b>39,856</b>	<b>15,854</b>
Income tax expense.....	(44,603)	(3,450)	(18,709)	(12,067)	(17,511)	(31,922)
<b>Net income (loss).....</b>	<b>115,800</b>	<b>106,292</b>	<b>80,354</b>	<b>104,417</b>	<b>22,345</b>	<b>(16,068)</b>
Less: Net income attributable to non-controlling interests .....	(271)	(271)	(332)	(1,375)	(43)	—
<b>Net income (loss) attributable to Arcos Dorados Holdings Inc./Predecessor .....</b>	<b>115,529</b>	<b>106,021</b>	<b>80,022</b>	<b>103,042</b>	<b>22,302</b>	<b>(16,068)</b>
<b>Earnings per share:</b>						
Basic net income per common share attributable to Arcos Dorados Holdings Inc.....	\$ 0.54	\$ 0.44	\$ 0.33	\$ 0.43	\$ —	\$ —
Diluted net income per common share attributable to Arcos Dorados Holdings Inc.....	\$ 0.54	\$ 0.44	\$ 0.33	\$ 0.43	\$ —	\$ —

As of December 31,						
	2011	2010	2009	2008	2007	
(in thousands of U.S. dollars, except for share data)						
<b>Balance Sheet Data(4):</b>						
Cash and cash equivalents.....	\$ 176,301	\$ 208,099	\$ 167,975	\$ 105,982	\$ 92,580	
<b>Total current assets.....</b>	<b>588,614</b>	<b>552,355</b>	<b>394,011</b>	<b>380,275</b>	<b>382,801</b>	
Property and equipment, net .....	1,023,180	911,730	785,862	709,667	724,673	
<b>Total non-current assets .....</b>	<b>1,286,792</b>	<b>1,231,911</b>	<b>1,088,937</b>	<b>923,488</b>	<b>862,797</b>	
<b>Total assets .....</b>	<b>1,875,406</b>	<b>1,784,266</b>	<b>1,482,948</b>	<b>1,303,763</b>	<b>1,245,598</b>	
Accounts payable.....	184,113	186,700	124,560	126,403	125,495	
Short-term debt and current portion of long-term debt .....	3,811	17,947	11,046	15,306	216	
<b>Total current liabilities .....</b>	<b>589,292</b>	<b>605,148</b>	<b>396,810</b>	<b>388,357</b>	<b>375,566</b>	
Long-term debt, excluding current portion.....	525,951	451,423	454,461	351,870	352,460	
<b>Total non-current liabilities .....</b>	<b>606,485</b>	<b>629,923</b>	<b>632,092</b>	<b>474,654</b>	<b>462,253</b>	
<b>Total liabilities .....</b>	<b>1,195,777</b>	<b>1,235,071</b>	<b>1,028,902</b>	<b>863,011</b>	<b>837,819</b>	
Total common stock.....	484,569	377,546	377,546	377,546	377,546	
<b>Total equity .....</b>	<b>679,629</b>	<b>549,195</b>	<b>454,046</b>	<b>440,752</b>	<b>407,779</b>	
<b>Total liabilities and equity .....</b>	<b>1,875,406</b>	<b>1,784,266</b>	<b>1,482,948</b>	<b>1,303,763</b>	<b>1,245,598</b>	
Shares outstanding(5) .....	209,529,412	241,882,966	241,882,966	241,882,966	241,882,966	

	For the Years Ended December 31,				
	2011	2010	2009	2008	2007(2)
	(in thousands of U.S. dollars, except percentages)				
<b>Other Data:</b>					
<b>Total Revenues</b>					
Brazil .....	\$ 1,890,824	\$ 1,595,571	\$ 1,200,742	\$ 1,237,208	\$ 461,868
Caribbean division.....	267,701	260,617	244,774	231,734	90,796
NOLAD .....	355,265	305,017	240,333	232,083	91,932
SLAD(6).....	1,143,859	856,913	979,627	905,817	296,743
<b>Total</b> .....	<b>3,657,649</b>	<b>3,018,118</b>	<b>2,665,476</b>	<b>2,606,842</b>	<b>941,339</b>
<b>Operating Income</b>					
Brazil .....	\$ 246,926	\$ 208,102	\$ 127,291	\$ 102,819	\$ 23,846
Caribbean division.....	(5,244)	11,189	10,448	12,454	8,602
NOLAD .....	(8,709)	(16,718)	(17,252)	(4,863)	2,536
SLAD(6).....	99,813	66,288	108,261	119,716	29,642
Corporate and others and purchase price allocation .....	(82,033)	(64,304)	(21,939)	(7,932)	6,465
<b>Total</b> .....	<b>250,753</b>	<b>204,557</b>	<b>206,809</b>	<b>222,194</b>	<b>71,091</b>
<b>Operating Margin(7)</b>					
Brazil .....	13.1%	13.0%	10.6%	8.3%	5.2%
Caribbean division.....	(2.0)	4.3	4.3	5.4	9.5
NOLAD .....	(2.5)	(5.5)	(7.2)	(2.1)	2.8
SLAD(6).....	8.7	7.7	11.1	13.2	10.0
<b>Total</b> .....	<b>6.9</b>	<b>6.8</b>	<b>7.8</b>	<b>8.5</b>	<b>7.6</b>
<b>Adjusted EBITDA(8)</b>					
Brazil .....	\$ 289,462	\$ 250,606	\$ 160,037	\$ 144,965	\$ 39,800
Caribbean division.....	9,493	23,556	21,167	22,013	13,099
NOLAD .....	19,551	15,400	3,918	15,961	10,655
SLAD(6).....	121,475	83,998	129,889	138,683	36,530
Corporate and others .....	(100,193)	(74,446)	(48,628)	(33,648)	(9,187)
<b>Total</b> .....	<b>339,788</b>	<b>299,114</b>	<b>266,383</b>	<b>287,974</b>	<b>90,897</b>
<b>Adjusted EBITDA Margin(9)</b>					
Brazil .....	15.3%	15.7%	13.3%	11.7%	8.6%
Caribbean division.....	3.5	9.0	8.6	9.5	14.4
NOLAD .....	5.5	5.0	1.6	6.9	11.6
SLAD(6).....	10.6	9.8	13.3	15.3	12.3
<b>Total</b> .....	<b>9.3</b>	<b>9.9</b>	<b>10.0</b>	<b>11.0</b>	<b>9.7</b>
<b>Other Financial Data:</b>					
Working capital(10) .....	\$ (678)	\$ (52,793)	\$ (2,799)	\$ (8,082)	\$ 7,235
Capital expenditures(11) .....	325,852	176,173	101,166	167,893	45,174
Dividends declared per common share .....	\$ 0.24	\$ 0.17	\$ —	\$ —	\$ —
<b>Other Operating Data:</b>					
<b>Systemwide comparable sales growth(12)(13)</b> .....	<b>13.7%</b>	<b>14.9%</b>	<b>5.5%</b>	—	—
Brazil .....	9.3	17.5	2.7	—	—
Caribbean division.....	(0.6)	4.7	4.2	—	—
NOLAD .....	8.5	9.1	(1.7)	—	—
SLAD.....	29.6	16.1	12.2	—	—
<b>Systemwide average restaurant sales(13)(14)</b> .....	<b>\$ 2,648</b>	<b>\$ 2,288</b>	<b>\$ 2,147</b>	<b>\$ 2,186</b>	\$ —
<b>Systemwide sales growth(13)(15)</b> .....	<b>21.1%</b>	<b>10.2%</b>	<b>0.9%</b>	—	—
Brazil .....	19.2	34.3	(2.4)	—	—
Caribbean division.....	1.4	3.8	4.6	—	—
NOLAD .....	14.9	19.2	(12.3)	—	—
SLAD .....	34.5	(20.2)	9.2	—	—

	As of December 31,				
	2011	2010	2009	2008	2007
<b>Number of systemwide restaurants</b> .....	<b>1,840</b>	<b>1,755</b>	<b>1,680</b>	<b>1,640</b>	<b>1,593</b>
Brazil .....	662	616	578	564	553
Caribbean division.....	147	142	145	145	142
NOLAD .....	484	476	456	448	427
SLAD .....	547	521	501	483	471
<b>Number of Company-operated restaurants</b> .....	<b>1,358</b>	<b>1,292</b>	<b>1,226</b>	<b>1,155</b>	<b>1,092</b>
Brazil .....	488	453	432	426	422
Caribbean division.....	96	91	93	89	87
NOLAD .....	314	310	289	242	195
SLAD .....	460	438	412	398	388
<b>Number of franchised restaurants</b> .....	<b>482</b>	<b>463</b>	<b>454</b>	<b>485</b>	<b>501</b>
Brazil .....	174	163	146	138	131
Caribbean division.....	51	51	52	56	55
NOLAD .....	170	166	167	206	232
SLAD .....	87	83	89	85	83

- (1) The financial data for our predecessor is not directly comparable to our financial data for several reasons, including:
- Predecessor data does not include the effect of the purchase accounting due to the Acquisition, which has reduced the accounting value of our long-lived assets and goodwill and the related depreciation and amortization expense.
  - Predecessor data includes royalties that are lower as a percentage of sales than the royalties we are required to pay pursuant to the MFAs.
  - Predecessor data does not include general and administrative expenses related to corporate functions.
  - Predecessor data does not include interest expense related to our long-term debt which resulted from the partial financing of the Acquisition and the subsequent increase in interest expense resulting from the issuance of senior notes for an aggregate principal amount of \$450 million by our subsidiary, Arcos Dorados B.V., under an indenture dated October 1, 2009, which we refer to as the 2019 notes, and the issuance in July 2011 of the Existing Notes. Predecessor data does include interest expense related to intercompany loans, which we eliminate in consolidation.
  - Predecessor data includes foreign exchange results related to intercompany loans within the translation adjustment in the other comprehensive income component of shareholders' equity, while we generally report these results as a component of our earnings since generally we do not consider intercompany loans to be of a long-term nature.
- (2) Data for the year ended December 31, 2007 includes only five months of operations, beginning August 3, 2007, the date on which we commenced operations in the Territories.
- (3) For the seven months ended July 31, 2007, "Other non-operating expenses, net" includes "Foreign currency exchange results."
- (4) The balance sheet data as of December 31, 2010, 2009, 2008 and 2007 does not reflect the split-off of the Axis business. See "Item 4. Information on the Company—B. Business Overview—Our Operations—Supply and Distribution" in our annual report on Form 20-F incorporated by reference in this offering memorandum.
- (5) Data as of December 2010, 2009, 2008 and 2007 was adjusted to reflect the stock split approved on March 14, 2011. See Note 22 to our consolidated financial statements included in our annual report on Form 20-F incorporated by reference in this offering memorandum for details.
- (6) Currency controls in Venezuela and related accounting changes have a significant effect on our results of operations and impact the comparability of our results of operations in 2010 compared to 2009. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Factors Affecting Comparability of Results Impact of Venezuelan Currency Controls and Related Accounting Changes on Our Results of Operations" in our annual report on Form 20-F incorporated by reference in this offering memorandum for information regarding the translation and remeasurement of the results of our Venezuelan operations.
- (7) Operating margin is operating income divided by total revenues, expressed as a percentage.
- (8) 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:

Consolidated Adjusted EBITDA Reconciliation	For the Years Ended December 31,				
	2011	2010	2009	2008	2007(2)
	(in thousands of U.S. dollars)				
<b>Net income attributable to Arcos Dorados Holdings Inc.</b> .....	<b>\$ 115,529</b>	<b>\$ 106,021</b>	<b>\$ 80,022</b>	<b>\$ 103,042</b>	<b>\$ 22,302</b>
<b>Plus (Less):</b>					
Net interest expense .....	60,749	41,613	52,473	26,272	13,978
Loss from derivative instruments .....	9,237	32,809	39,935	2,620	13,672
Foreign currency exchange results .....	23,926	(3,237)	14,098	74,884	3,542
Other non-operating (income) expenses, net .....	(3,562)	23,630	1,240	1,934	43
Income tax expense .....	44,603	3,450	18,709	12,067	17,511
Net income attributable to non-controlling interests .....	271	271	332	1,375	43
<b>Operating income</b> .....	<b>250,753</b>	<b>204,557</b>	<b>206,809</b>	<b>222,194</b>	<b>71,091</b>
<b>Plus (Less):</b>					
Items excluded from computation that affect operating income:					
Depreciation and amortization .....	68,971	60,585	54,169	49,496	18,263
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 .....	(7,123)	(5,299)	(8,465)	(4,592)	—
Write-offs of property and equipment .....	3,570	2,635	9,434	5,144	1,543
Impairment of long-lived assets .....	1,715	4,668	—	—	—
Stock-based compensation related to the special awards in connection with the initial public offering under the 2011 Plan .....	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 .....	2,077	—	102	1,066	—
<b>Adjusted EBITDA</b> .....	<b>339,788</b>	<b>299,114</b>	<b>266,383</b>	<b>287,974</b>	<b>90,897</b>

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

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

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

(12) 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.

(13) 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.

(14) 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.

(15) 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.

## RISK FACTORS

Our annual report on Form 20-F for the year ended December 31, 2011, which is incorporated by reference in this offering memorandum, describes the risks with respect to our business, our industry, Latin America and the Caribbean and investments in a British Virgin Islands company. You should carefully consider these risks and uncertainties and the ones set forth below, as well as the other information in this offering memorandum, before making an investment in the notes. Our business, financial condition or results of operations could be materially and adversely affected if any of these risks occurs. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. This offering memorandum and our annual report on Form 20-F incorporated herein also contain forward-looking statements that involve risks and uncertainties. See “Cautionary Statement Regarding 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 described in our annual report on Form 20-F incorporated by reference herein or described below and elsewhere in this offering memorandum.

### Certain Factors Relating to the Notes and the Guarantees

***Interest and principal payments on your notes will depend on the exchange rate between the Brazilian real and the U.S. dollar at the time of the relevant payment.***

You are assuming the foreign exchange risk in connection with payments on the notes. Since the notes are denominated in Brazilian *reals* and the interest and principal payments we make on the notes is determined by reference to the Brazilian *real*-U.S. dollar exchange rate, you will bear all of the risk that the Brazilian *real* may depreciate, and if the Brazilian *real* were to depreciate over the life of the notes, the interest and principal payments you receive on the notes would decrease, perhaps significantly. Brazil has historically experienced periods of extreme volatility. If the Brazilian *real* were to depreciate against the U.S. dollar, the principal amount due at the maturity or upon redemption of the notes could be significantly less than the initial amount you invested, and you could lose a significant portion of your investment in the notes.

***Brazilian Government policy or actions could adversely affect the exchange rate between the Brazilian real and the U.S. dollar and could adversely affect the market value of the notes.***

Brazil has had a floating interest rate since 1999. However, the Central Bank has from time to time intervened in the foreign exchange market. These interventions or other governmental actions could adversely affect the value of the notes, as well as the yield (in U.S. dollar terms) on the notes and the amount payable to you on an interest payment date, at maturity or upon redemption or acceleration.

Even in the absence of governmental action directly affecting currency exchange rates, political or economic developments in Brazil or elsewhere could lead to significant and sudden changes in the exchange rate between the Brazilian *real* and the U.S. dollar.

Furthermore, Brazilian law provides that, in the event of a serious imbalance in Brazil’s balance of payments or a foreseeable likelihood of such an imbalance, the Brazilian government may, for a limited period of time, impose restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil and on the conversion of Brazilian currency into foreign currencies. Brazil has not restricted the remittance of foreign investors’ proceeds since 1994. However, no assurance can be given that such measures will not be instituted in the future. Changes in exchange controls could cause the value of the Brazilian *real* to depreciate against the U.S. dollar, resulting in a reduced yield to you, a possible loss on the notes and a possible adverse impact on the market value of the notes.

***Our indebtedness could adversely affect our business, financial condition and results of operations, as well as our ability to meet our payment obligations under the notes and our other debt.***

Following this offering we will have a significant amount of debt and debt service requirements. As of December 31, 2011, after giving effect to this offering we would have had approximately U.S.\$682.0 million of outstanding financial debt.

This level of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under the notes and our other outstanding debt;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in all of our debt becoming immediately due and payable;
- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the notes and our other debt.

Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our existing or any future credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under the notes and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the notes and our other debt.

***Despite our current indebtedness levels, we may still be able to incur substantially more debt. This could exacerbate further the risks associated with our substantial leverage.***

We and our subsidiaries may be able to incur substantial additional indebtedness, including secured indebtedness, in the future. The terms of the indenture do not restrict us from doing so. In addition, the indenture will allow us to issue additional notes under certain circumstances, which will also be guaranteed by the guarantors. The indenture will also allow us to incur certain secured debt which would be effectively senior to the notes. In addition, the indenture will not prevent us from incurring other liabilities that do not constitute indebtedness. If new debt or other liabilities are added to our current debt levels, the related risks that we now face could intensify.

***Not all of our subsidiaries will be required to guarantee the notes, and the assets of any non-guarantor subsidiaries may not be available to make payments on the notes.***

The notes will not be guaranteed by any of our subsidiaries other than the subsidiaries existing on the issue date incorporated or formed under the laws of Argentina (excluding Adcom S.A., Arcos Santafesinos, S.A. and Arcos Mendocinos, S.A.), Brazil, Mexico or Puerto Rico, Golden Arch Development Corporation, Arcos Dorados B.V. and each other subsidiary incorporated, formed or acquired under the laws of Argentina, Brazil, Mexico or Puerto Rico after the issue date that has more than \$10.0 million of indebtedness outstanding and is not an excluded subsidiary because of local laws or the existence of minority shareholders. Our non-guarantor subsidiaries represented in the aggregate 18.7%, 25.6%, 26.8% and 25.9% of our consolidated EBITDA, consolidated total revenues, consolidated total assets and total Company-operated and franchised restaurants in the year ended December 31, 2011, respectively.

In the event that any of our non-guarantor subsidiaries becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, holders of their debt, and their trade creditors generally, will be entitled to payment on their

claims from the assets of that subsidiary before any of those assets are made available to us or any guarantors. Consequently, your claims in respect of the notes will be effectively subordinated to all of the liabilities of any of our subsidiaries that is not a guarantor, including trade payables. In addition, the indenture permits these subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that these subsidiaries may incur. As of December 31, 2011, our non-guarantor subsidiaries, taken together, had U.S.\$171.7 million of our consolidated total liabilities.

***Fraudulent conveyance laws may void the notes and/or the Subsidiary Guarantees or subordinate the notes and/or the Subsidiary Guarantees.***

The issuance of the notes may be subject to review under applicable bankruptcy law or relevant fraudulent conveyance laws if a bankruptcy lawsuit is commenced by or on behalf of our or the guarantors' creditors. Under these laws, if in such a lawsuit a court were to find that, at the time the notes are issued, we:

- incurred this debt with the intent of hindering, delaying or defrauding current or future creditors; or
- received less than reasonably equivalent value or fair consideration for incurring this debt, and the issuer:
  - was insolvent or was rendered insolvent by reason of the related financing transactions;
  - was engaged, or about to engage, in a business or transaction for which our remaining assets constituted unreasonably small capital to carry on our business; or
  - intended to incur, or believed that we would incur, debts beyond our ability to pay these debts as they mature, as all of the foregoing terms are defined in or interpreted under the relevant fraudulent transfer or conveyance statutes;

then the court could void the notes or subordinate the notes to our presently existing or future debt or take other actions detrimental to you.

We cannot assure you as to what standard a court would apply in order to determine whether we were "insolvent" as of the date the notes were issued, and we cannot assure you that, regardless of the method of valuation, a court would not determine that we were insolvent on that date. Nor can we assure you that a court would not determine, regardless of whether we were insolvent on the date the notes were issued, that the payments constituted fraudulent transfers on another ground.

The guarantees may also be subject to review under various laws for the protection of creditors. The analysis set forth above would generally apply, except that the guarantees could also be subject to the claim that, since the guarantees were incurred for our benefit, and only indirectly for the benefit of the guarantors, the obligations of the guarantors thereunder were incurred for less than reasonably equivalent value or fair consideration. A court could void a guarantor's obligation under its guarantee, subordinate the guarantee to the other indebtedness of a guarantor, direct that holders of the notes return any amounts paid under a guarantee to the relevant guarantor or to a fund for the benefit of its creditors, or take other action detrimental to the holders of the notes. In addition, the liability of each guarantor under the indenture will be limited to the amount that will result in its guarantee not constituting a fraudulent conveyance, and there can be no assurance as to what standard a court would apply in making a determination as to what would be the maximum liability of each guarantor.

***We may be unable to make a change of control offer required by the indenture governing the notes, which would cause defaults under the indenture governing the notes.***

The terms of the notes will require us to make an offer to repurchase the notes upon the occurrence of a specified change of control event at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest to the date of the purchase. Any financing arrangements we may enter may require repayment of amounts outstanding in the event of a specified change of control event and limit our ability to fund the repurchase of your notes in certain circumstances. It is possible that we will not have sufficient funds at the time of the specified change of control event to make the required repurchase of notes or that restrictions in our credit facilities and other financing arrangements will not allow the repurchases. See "Description of Notes—Change of Control."

***An active trading market may not develop for the notes, which may hinder your ability to liquidate your investment.***

The notes offered hereby are a new issue of securities with no established trading market. We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market. We cannot assure you, however, that an active trading market for the notes will develop or be sustained. Certain of the initial purchasers have informed us that they intend to make a market in the notes after the completion of this offering. However, the initial purchasers are not obligated to do so and may cease their market-making at any time. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for fixed income securities and by changes in our financial performance or prospects or in the prospects for companies in our industry in general. As a result, we cannot assure you that an active trading market will develop for the notes. If no active trading market develops, you may not be able to resell your notes at their fair market value or at all. The reoffering and resale of the notes is subject to significant legal restrictions.

***The notes are subject to transfer restrictions.***

The notes have not been registered under the Securities Act or any state securities laws. As a result, holders of notes may reoffer or resell notes only if there is an applicable exemption from the registration requirements of the Securities Act and applicable state laws that apply to the circumstances of the offer and sale.

***The notes will be effectively subordinated to any secured debt and to certain claims preferred by statute.***

Our obligations under the notes are unsecured. As a result, the notes will be effectively subordinated to any secured debt to the extent of the value of the collateral securing such debt. As of December 31, 2011, we had no secured debt outstanding. However, the terms of the indenture permit us to incur secured debt in the future. In the event that we are not able to repay amounts due under any future secured debt obligations, creditors could proceed against the collateral guaranteeing such indebtedness. In that event, any proceeds upon a realization of the collateral would be applied first to amounts due under the secured debt obligations before any proceeds would be available to make payments on the notes. If there is a default under our debt obligations, the value of this collateral may not be sufficient to repay both our secured creditors, if any, and the holders of the notes. Additionally, the claims of holders of the notes will rank effectively junior to certain obligations that are preferred by statute, including certain claims relating to taxes, social security and labor.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum and our annual report on Form 20-F incorporated by reference herein contain 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, or incorporated by reference, in this offering memorandum 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 offering memorandum and in our annual report on Form 20-F incorporated by reference herein 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 various factors, including, but not limited to, those identified in “Risk Factors” in this offering memorandum and incorporated by reference from our annual report on Form 20-F. 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 reimagining 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 “Risk Factors” and in our annual report on Form 20-F incorporated by reference in this offering memorandum.

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.

## **USE OF PROCEEDS**

We expect to receive total gross proceeds of approximately R\$282.0 million (\$149.7 million), before deducting estimated commissions and expenses of the offering that are payable by us. We intend to apply the net proceeds of \$148.4 million for capital expenditures and other general corporate purposes.



## CAPITALIZATION

The table below sets forth our capitalization (defined as short-term debt, long-term debt and equity) as of December 31, 2011 derived from our consolidated financial statements prepared in accordance with U.S. GAAP:

- on an actual basis;
- as adjusted to give effect to the issuance of the notes offered hereby, assuming gross proceeds from the issuance of R\$282.0 million (\$149.7 million).

Investors should read this table in conjunction with our consolidated financial statements that are included in our annual report on Form 20-F incorporated by reference in this offering memorandum.

	As of December 31, 2011	
	Actual	As Adjusted
	(in thousands of U.S. dollars)	
Cash and cash equivalents .....	\$ 176,301	\$ 325,959
<b>Short-term debt:</b>		
Short-term debt .....	840	840
<b>Long-term debt (including current portion):</b>		
Derivative financial instruments .....	2,583	2,583
Capital lease obligations .....	5,171	5,171
Other long-term borrowings .....	2,971	2,971
2019 notes .....	306,532	306,532
Existing Notes .....	214,248	214,248
Notes offered hereby .....	—	149,658
Total long-term debt .....	531,505	681,163
<b>Equity:</b>		
420,000,000 class A shares, no par value, authorized and 129,529,412 such shares, issued and outstanding at December 31, 2011 .....	351,654	351,654
80,000,000 class B shares, no par value, authorized, issued and outstanding at December 31, 2011 .....	132,915	132,915
Additional paid-in capital .....	5,734	5,734
Accumulated other comprehensive loss .....	(148,389)	(148,389)
Retained earnings .....	336,707	336,707
<b>Total Arcos Dorados Holdings Inc. shareholders' equity .....</b>	<b>678,621</b>	<b>678,621</b>
Non-controlling interest in subsidiaries .....	1,008	1,008
<b>Total equity .....</b>	<b>679,629</b>	<b>679,629</b>
<b>Total capitalization .....</b>	<b>1,211,974</b>	<b>1,361,632</b>

## EXCHANGE RATES

In 2011, 82.8% 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*

As of June 11, 2012 the exchange rate for the purchase of U.S. dollars as reported by Argentina's Central Bank was ARS\$4.490 per U.S. dollar.

	Period- End	Average for Period	Low	High
	(Argentine pesos per U.S. dollar)			
	ARS\$	ARS\$	ARS\$	ARS\$
<b>Year Ended December 31:</b>				
2007 .....	3.151	3.120	3.055	3.180
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
<b>Quarter Ended:</b>				
March 31, 2012 .....	4.379	4.341	4.305	4.379
<b>Month Ended:</b>				
October 31, 2011 .....	4.236	4.222	4.205	4.236
November 30, 2011 .....	4.281	4.260	4.238	4.281
December 31, 2011 .....	4.303	4.289	4.278	4.304
January 31, 2012 .....	4.336	4.321	4.305	4.338
February 29, 2012 .....	4.357	4.345	4.334	4.357
March 31, 2012 .....	4.379	4.356	4.335	4.379
April 30, 2012 .....	4.415	4.398	4.380	4.415
May 31, 2012 (through May 28, 2012) .....	4.477	4.447	4.421	4.477
June 30, 2012 (through June 11, 2012) .....	4.490	4.484	4.471	4.496

### *Brazil*

As of June 11, 2012, the exchange rate for the purchase of U.S. dollars as reported by the Central Bank of Brazil was R\$2.035 per U.S. dollar.

	Period- End	Average for Period	Low	High
	(Brazilian <i>reais</i> per U.S. dollar)			
	R\$	R\$	R\$	R\$
<b>Year Ended December 31:</b>				
2007 .....	1.771	1.944	1.733	2.156
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
<b>Quarter Ended:</b>				
March 31, 2012 .....	1.822	1.770	1.702	1.868
<b>Month Ended:</b>				
September 30, 2011 .....	1.854	1.750	1.604	1.902
October 31, 2011 .....	1.689	1.773	1.689	1.886
November 30, 2011 .....	1.811	1.790	1.727	1.894
December 31, 2011 .....	1.876	1.837	1.783	1.876
January 31, 2012 .....	1.739	1.790	1.739	1.868
February 29, 2012 .....	1.709	1.718	1.702	1.738
March 31, 2012 .....	1.822	1.795	1.715	1.833
April 30, 2012 .....	1.892	1.855	1.826	1.892
May 31, 2012 (through May 23, 2012) .....	1.978	1.982	1.915	2.082
June 30, 2012 (through June 11, 2012) .....	2.035	2.032	2.018	2.035

### *Mexico*

As of June 11, 2012, 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.13.9625 per U.S. dollar.

	Period- End	Average for Period	Low	High
	(Mexican <i>pesos</i> per U.S. dollar)			
	Ps.	Ps.	Ps.	Ps.
<b>Year Ended December 31:</b>				
2007 .....	10.90	10.94	10.66	11.27
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
<b>Quarter Ended:</b>				
March 31, 2012 .....	12.85	13.02	12.63	13.98
<b>Month Ended:</b>				
September 30, 2011 .....	13.42	12.92	12.26	13.89
October 31, 2011 .....	13.20	13.47	13.20	13.97
November 30, 2011 .....	14.03	13.64	13.11	14.24
December 31, 2011 .....	13.98	13.75	13.48	13.99
January 31, 2012 .....	12.95	13.49	12.93	13.98
February 29, 2012 .....	12.88	12.80	12.65	13.01
March 31, 2012 .....	12.85	12.76	12.63	12.98
April 30, 2012 .....	13.21	13.03	12.73	13.23

	<b>Period- End</b>	<b>Average for Period</b>	<b>Low</b>	<b>High</b>
	(Mexican pesos per U.S. dollar)			
	<b>Ps.</b>	<b>Ps.</b>	<b>Ps.</b>	<b>Ps.</b>
May 31, 2012 (through May 23, 2012).....	14.00	13.49	12.96	14.03
June 30, 2012 (through June 11, 2012) .....	13.96	14.13	13.94	14.39

### Venezuela

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.

	<b>Purchase</b>	<b>Sale</b>	<b>Payment of External Public Debt</b>
	(Venezuelan <i>bolívares fuertes</i> per U.S. dollar)		
<b>Period:</b>	<b>Bs.F</b>	<b>Bs.F</b>	<b>Bs.F</b>
March 3, 2005 through December 31, 2007(1).....	2.1446	2.1500	2.1500

	<b>Purchase</b>	<b>Sale</b>	<b>Payment of External Public Debt</b>
	(Venezuelan <i>bolívares fuertes</i> per U.S. dollar)		
<b>Period:</b>	<b>Bs.F</b>	<b>Bs.F</b>	<b>Bs.F</b>
January 1, 2008 through January 7, 2010 .....	2.1446	2.1500	2.1500

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

	<b>Purchase</b>	<b>Sale</b>	<b>Payment of External Public Debt</b>
	(Venezuelan <i>bolívares fuertes</i> per U.S. dollar)		
	<b>Bs.F</b>	<b>Bs.F</b>	<b>Bs.F</b>
January 1, 2011 through June 11, 2012 .....	4.2893	4.3000	4.3000

- (1) Effective January 1, 2008, the currency of Venezuela was converted to the *bolívar fuerte*, which represents one thousand *bolívares*. The exchange rates for the period from March 3, 2005 through December 31, 2007 have been translated from *bolívares* per U.S. dollar to *bolívares fuertes* per U.S. dollar at a 1,000-to-1 ratio to facilitate comparison with later periods.

## DESCRIPTION OF NOTES

The notes offered hereby (the “new notes”) have been issued as additional notes under the indenture dated as of July 13, 2011 (the “Indenture”) between us and Citibank, N.A., as trustee (the “Trustee”) and calculation agent (the “Calculation Agent”). The terms of the Indenture provide for guarantees, including guarantees of the new notes. We urge you to read this Description of Notes, the offering memorandum and the Indenture because they define your rights as holders of the new notes. You may obtain a copy of the Indenture in the manner described under “Listing and General Information” in this offering memorandum, and, for so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, at the office of the paying agent in Luxembourg.

You can find the definition of capitalized terms used in this section of this offering memorandum under “—Certain Definitions.” In this section, when we refer to:

- the “Company,” we mean Arcos Dorados Holdings Inc. (parent company only) and not its Subsidiaries; and
- the “Notes” in this section, we mean the Existing Notes (as defined below), the new notes offered pursuant to this offering memorandum and, unless the context otherwise requires, any Additional Notes, as described below in “—General.”

On July 13, 2011, we issued R\$400,000,000 of our 10.25% Notes due 2016 (the “Existing Notes”) under the Indenture. The aggregate principal amount of the new notes and the Existing Notes will be R\$675,000,000. The new notes will be consolidated with and form a single series with the Existing Notes. The new notes are identical to, and will be *pari passu* with and treated identically with, the Existing Notes.

The notes offered hereby and the Existing Notes will share the same CUSIP and ISIN numbers and common codes and be fungible, except that the notes offered hereby that are offered and sold in offshore transactions under Regulation S shall be issued and maintained under a temporary CUSIP number during a 40 day distribution compliance period.

### General

The new notes will:

- be senior unsecured obligations of the Company;
- rank equal in right of payment with all other existing and future senior unsecured indebtedness of the Company;
- rank senior in right of payment to all existing and future subordinated indebtedness of the Company, if any;
- be effectively subordinated to all existing and future secured indebtedness of the Company to the extent of the value of the assets securing such indebtedness;
- be guaranteed by each Subsidiary Guarantor with such guarantee ranking equal in right of payment with all other existing and future senior unsecured indebtedness of such Guarantor; and
- be structurally subordinated to all obligations of the Company’s subsidiaries that are not guaranteeing the notes.

As of December 31, 2011, we had consolidated total liabilities of U.S.\$1,195.8 million, including consolidated total indebtedness of U.S.\$532.3 million, and we were the account party under a letter of credit issued for the benefit of McDonald’s Latin America that had an undrawn amount as of such date of U.S.\$80.0 million. Our non-guarantor subsidiaries, taken together, had U.S.\$171.7 million of our consolidated total liabilities and U.S.\$5.6 million of our consolidated total indebtedness. As of the same date, after giving effect to the issuance and sale of the Notes, we would have had consolidated total indebtedness of U.S.\$682.0 million.

On the closing date of the notes offered hereby, the Company will issue R\$275 million aggregate principal amount of Notes, which is the amount in *reais* equivalent to U.S.\$146.0 million, calculated using the rate of 1.8840 Brazilian *reais* per one U.S. dollar. The Company may issue an unlimited principal amount of securities under the Indenture and may, without your consent, issue additional Notes (“Additional Notes”) in one or more transactions, which have substantially identical terms (other than issue price, issue date and date from which the interest will accrue) as Notes issued on the Issue Date. Any Additional Notes will be consolidated and form a single class with the Notes issued on the Issue Date, so that, among other things, Holders of any Additional Notes will have the right to vote together with Holders of Notes issued on the Issue Date as one class.

The Notes will be issued in the form of one or more Global Notes without coupons, registered in the name of a nominee of DTC, as depository. The Notes will be issued in minimum denominations of R\$250,000 and integral multiples of R\$1,000 in excess thereof. See “Book-Entry, Delivery and Form” in this offering memorandum.

### **Principal, Maturity and Interest**

The new notes will be issued in an aggregate principal amount of R\$275 million, which is the amount in *reais* equivalent to U.S.\$146.0 million, calculated using the rate of 1.8840 Brazilian *reais* per one U.S. dollar. The Notes will mature on July 13, 2016, unless earlier redeemed in accordance with the terms of the Notes. See “—Optional Redemption” and “—Mandatory Redemption” below. The principal amount of the Notes will be payable in U.S. dollars in full in a single payment upon maturity unless redeemed or repurchased earlier pursuant to the terms of the Indenture.

The Notes will not be entitled to the benefit of any mandatory sinking fund.

Interest on the new notes will accrue at the rate of 10.25% per year and will be payable semi-annually in arrears on January 13 and July 13 of each year, commencing on July 13, 2012. Purchasers of the new notes will be entitled to receive the full amount of the next semi-annual regular interest payment on July 13, 2012. Payments will be made to the persons who are registered Holders at the close of business on December 28 and June 28, as the case may be, immediately preceding the applicable interest payment date.

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The principal of, premium, if any, interest, and Additional Amounts (as defined below), if any, on the Notes will be payable in U.S. dollars, or in such other coin or currency of the United States of America as is legal tender for the payment of public and private debts at the time of payment, as calculated by the Calculation Agent by converting the applicable *reais* amount into U.S. dollars at the Settlement Rate (as defined below) on the applicable Rate Calculation Date (as defined below). Payments of principal, interest and Additional Amounts, if any, shall be made by depositing immediately available funds in U.S. dollars into an account maintained by, or on behalf of, the Trustee, acting on behalf of the Holders, at least one Business Day prior to the relevant payment date.

Initially, the Trustee will act as Registrar, Transfer Agent and principal Paying Agent for the Notes. The Company may change the Registrar, Transfer Agent and Paying Agent, without notice to Holders. If a Holder of Notes in an aggregate principal amount of at least R\$2,500,000 has given wire transfer instructions to the Company and the Trustee, the Trustee, as Paying Agent, will remit all principal, premium, if any, and interest payments in respect of those Notes received from the Company in accordance with those instructions. All other payments on the Notes will be made at the office or agency of the Paying Agent in New York City unless the Company elects to make interest payments by check mailed to the registered Holders at their registered addresses.

As long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, the Company will also maintain a Transfer Agent and a Paying Agent in Luxembourg.

If any scheduled interest or principal payment date or any date for early redemption of the Notes is not a Business Day, the payment will be made on the next Business Day. No interest on the Notes will accrue as a result of this delay in payment.

For purposes of all payments of interest, principal or other amounts contemplated herein:

“BRL12” means the Trade Association for the Emerging Markets (“EMTA”) BRL Industry Survey Rate (BRL12), calculated if the R\$Ptax Rate is not available, which is the final Brazilian real/U.S. dollar specified rate of U.S. dollars, expressed as the amount of Brazilian *reais* per one U.S. dollar, published on EMTA’s website (which, at the date hereof, is located at <http://www.emta.org>) for the Rate Calculation Date. BRL12 is calculated by EMTA (or a service provider EMTA may select in its sole discretion) using the EMTA BRL Industry Survey Methodology dated as of 1 March 2004, as amended from time to time, pursuant to which EMTA conducts a twice-daily survey of up to 15 Brazilian financial institutions that are active participants in the Brazilian *real*/U.S. dollar spot market, with a required minimum participation of at least 5 financial institutions.

“BRL13” means the EMTA BRL Indicative Survey Rate (BRL13), calculated if the R\$Ptax Rate is not available, which is the final Brazilian *real*/U.S. dollar specified rate of U.S. dollars, expressed as the amount of Brazilian *reais* per one U.S. dollar, published on EMTA’s website (which, at the date hereof, is located at <http://www.emta.org>) for the Rate Calculation Date. BRL13 is calculated by EMTA (or a service provider EMTA may select in its sole discretion) using the EMTA BRL Industry Survey Methodology dated as of 1 March 2004, as amended from time to time, pursuant to which EMTA conducts a survey of up to 30 Brazilian and non-Brazilian financial institutions that are active participants in the Brazilian *real*/U.S. dollar spot market, with a required minimum participation of at least 8 financial institutions.

“Rate Calculation Date” means the third Business Day preceding each interest payment date, redemption date, purchase date or the maturity date.

“Reference Banks” means Banco do Brasil S.A., Banco Itaú S.A., Banco Santander (Brasil) S.A. and Banco Bradesco S.A., and any successor thereto or any replacement thereof designated by the Company in its reasonable discretion that is a Brazilian bank of international standing.

“Settlement Rate” means, for any Rate Calculation Date, the rate determined by the Calculation Agent that is equal to the Brazilian *real*/ U.S. dollar commercial rate, expressed as the amount of Brazilian *reais* per one U.S. dollar as reported by *Banco Central do Brasil* (the “Central Bank”) on the SISBACEN Data System and on its website (which, at the date hereof, is located at <http://bcb.gov.br>) under transaction code PTAX800 (“Consultas de Câmbio” or “Exchange Rate Enquiry”), Option 5, “Venda” (“Cotações para Contabilidade” or “Rates for Accounting Purposes”) (or any successor screen established by the Central Bank), for such Rate Calculation Date (the “R\$ Ptax Rate”); *provided*, however, that if the R\$ Ptax Rate scheduled to be reported on any Rate Calculation Date is not reported by the Central Bank on such Rate Calculation Date, then the Settlement Rate will be BRL12; in the event BRL12 is unavailable, then the Settlement Rate will be BRL13. If the Settlement Rate cannot be calculated as described above, the Calculation Agent will determine the Settlement Rate by reference to the quotations received from the Reference Banks. The quotations will be determined in each case for such Rate Calculation Date as soon as practicable after (i) the Calculation Agent determines that the Settlement Rate cannot be calculated as described above for such Rate Calculation Date and (ii) the identities of the Reference Banks are provided by the Company to the Calculation Agent by written notice. The Calculation Agent will ask each of the Reference Banks for quotations for the offered Brazilian *real*/U.S. dollar exchange rate for the sale of U.S. dollars. The Settlement Rate will be the average of the Brazilian *real*/U.S. dollar exchange rates obtained from the Reference Banks. If more than one quotation is obtained, the Settlement Rate will then be the average of the Brazilian *real*/U.S. dollar exchange rates obtained from the Reference Banks. If only one quotation is obtained, the Settlement Rate will be that quotation. Where no such quotations are obtained from the Reference Banks, if the Company determines in its sole discretion that there are one or two other suitable replacement banks active in the Brazilian *real*/U.S. dollar market, the Company shall ask such banks to provide such quotations to the Company, which such quotations the Company shall deliver to the Calculation Agent as soon as practicable after the identities of such replacement banks are provided by the Company to the Calculation Agent by written notice, and the Calculation Agent shall use such quotations as it receives to determine the Settlement Rate (taking an average rate, as set forth above, if applicable); *provided*, however, that if the Reference Banks and any such replacement banks are not providing quotations in the manner described above, the Settlement Rate will be the Settlement Rate determined as of the preceding Rate Calculation Date.

## Subsidiary Guarantees

The obligations of the Company pursuant to the Notes, will be fully and unconditionally guaranteed (a “Subsidiary Guarantee”), jointly and severally, on an unsecured basis, by (i) each Subsidiary existing on the Issue Date incorporated or formed under the laws of Argentina (excluding Adcom S.A., Arcos Santafesinos, S.A. and Arcos Mendocinos, S.A.), Brazil, Mexico or Puerto Rico, (ii) Golden Arch Development Corporation, a Delaware corporation authorized to conduct business in Puerto Rico, (iii) Arcos Dorados B.V., a private limited liability company (*besloten vennootschap*) formed in the Netherlands and (iv) each other Subsidiary incorporated, formed or acquired under the laws of Argentina, Brazil, Mexico or Puerto Rico after the Issue Date other than the Unlevered Subsidiaries or the Excluded Subsidiaries (clauses (i), (ii), (iii) and (iv), collectively being referred to as the “Subsidiary Guarantors”). The Subsidiary Guarantors represented in the aggregate 81.3%, 74.4%, 73.2% and 74.1% of our consolidated EBITDA, consolidated total revenues, consolidated total assets and total Company-operated and franchised restaurants in the year ended December 31, 2011, respectively.

Each Subsidiary Guarantee will be limited to the maximum amount that would not render the Subsidiary Guarantors’ obligations subject to avoidance under applicable fraudulent conveyance provisions of applicable law. By virtue of this limitation, a Subsidiary Guarantor’s obligation under its Subsidiary Guarantee could be significantly less than amounts payable with respect to the Notes, or a Subsidiary Guarantor may have effectively no obligation under its Subsidiary Guarantee. See “Risk Factors—Certain Factors Relating to the Notes and the Guarantees—Fraudulent conveyance laws may void the notes and/or the subsidiary guarantees or subordinate the notes and/or the subsidiary guarantees.”

The Subsidiary Guarantee of a Subsidiary Guarantor will terminate upon:

- a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (other than to the Company or another Subsidiary Guarantor) otherwise permitted by the Indenture; or
- discharge of the Notes, as provided in “—Satisfaction and Discharge.”

The Company is permitted under the terms of the Indenture to incorporate, form or acquire new Subsidiaries under the laws of Argentina, Brazil, Mexico or Puerto Rico that will not be required to guarantee the Notes to the extent they are (i) not permitted to do so because of local laws or the existence of minority shareholders (“Excluded Subsidiaries”) or (ii) Unlevered Subsidiaries; *provided* that in the case of a new Excluded Subsidiary, the Company provides the Trustee with an Officer’s Certificate certifying that such subsidiary is prevented by local law or the existence of minority shareholders from guaranteeing the Notes.

## Additional Amounts

We are not currently required by British Virgin Islands law to deduct any British Virgin Island withholding taxes from payments of interest to investors. However, if we become obligated to do so (or if a Subsidiary Guarantor is obligated to deduct any withholding taxes from payments made under a Subsidiary Guarantee) we will (or, with respect to a Subsidiary Guarantee, a Subsidiary Guarantor will) pay additional amounts on those payments and certain other payments to the extent described below (“Additional Amounts”).

The Company, and each Subsidiary Guarantor, will, subject to the exceptions set forth below, pay to Holders of the Notes such Additional Amounts as may be necessary so that every net payment of interest, premium upon redemption of the Notes or principal to the Holders will not be less than the amount provided for in the Notes. By net payment, we mean the amount that we (or a Subsidiary Guarantor) or our paying agent pay any Holder after deducting or withholding an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed with respect to that payment by the British Virgin Islands or any jurisdiction where the Company or any Subsidiary Guarantor is incorporated, resident or doing business for tax purposes or from or through which any payment in respect of the Notes is made

by the paying agent or the Company, or any political subdivision thereof (a “Relevant Jurisdiction”), or by any taxing authority of a Relevant Jurisdiction.



Our obligation to pay Additional Amounts is subject to several important exceptions. The Company, and each Subsidiary Guarantor, will not be required to pay Additional Amounts to any Holder for or on account of any of the following:

- any present or future taxes, duties, assessments or other governmental charges that would not have been imposed but for any present or former connection between the Holder (or a fiduciary, settlor, beneficiary, member or shareholder of the Holder) and the Relevant Jurisdiction (other than the mere receipt of a payment or the ownership or holding of a Note);
- any estate, inheritance, capital gains, excise, personal property tax, sales, transfer, gift or similar tax, assessment or other governmental charge imposed with respect to the Notes;
- any taxes, duties, assessments or other governmental charges that would not have been imposed but for the failure of the Holder or any other Person to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction, for tax purposes, of the Holder or any beneficial owner of the Note if compliance is required by law, regulation or by an applicable income tax treaty to which the Relevant Jurisdiction is a party, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge (including withholding taxes payable on interest payments under the Notes) and we have given the Holders at least 30 days' notice that Holders will be required to provide such certification, identification or information;
- any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on or in respect of the Notes;
- any present or future taxes, duties, assessments or other governmental charges with respect to a Note presented for payment, where presentation is required, more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the Holder of such Note would have been entitled to such Additional Amounts on presenting such Note for payment on any date during such 30-day period;
- any withholding or deduction that is required to be made pursuant to EC Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive;
- any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of the principal of, or premium or interest on any Note, if such tax, assessment or other governmental charge results from the presentation of any Note for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment by at least one other available paying agent of the Company;
- any payment on the Note to a Holder that is a fiduciary, a partnership, a limited liability company or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership, an interestholder in such a limited liability company or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the Note; or
- in the case of any combination of the items listed above.

Upon request, the Company will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of taxes in respect of which we have paid any Additional Amount.

Any reference in this offering memorandum, the Indenture or the Notes to principal, premium, interest or any other amount payable in respect of the Notes by us will be deemed also to refer to any Additional Amount that may be payable with respect to that amount under the obligations referred to in this section.

In the event of any merger or other transaction described and permitted under “—Covenants—Limitation on Merger, Consolidation and Sale of Assets,” all references to the British Virgin Islands, the laws or regulations of the British Virgin Islands, and the political subdivisions or taxing authorities of the British Virgin Islands under this “Additional Amounts” section and under “—Optional Redemption—Optional Redemption Upon Tax Event” will be deemed to also include the jurisdiction of incorporation or tax residence of the Surviving Entity, if different from the British Virgin Islands, and any political subdivision therein or thereof, law or regulations, and any taxing authority of such other jurisdiction or any political subdivision therein or thereof, respectively.

## **Optional Redemption**

### ***Optional Redemption Upon Tax Event***

If the Company determines that, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Relevant Jurisdiction (as defined above in “—Additional Amounts”), any taxing authority thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, rules or regulations becomes effective or, in the case of a change in official interpretation or application, is announced or otherwise made available on or after the date of this offering memorandum (or on or after the date a Surviving Entity assumes the obligations under the Notes, in the case of a Surviving Entity with a different Relevant Jurisdiction than the Company), we (or a Subsidiary Guarantor) would be obligated, to pay any Additional Amounts (see “—Additional Amounts” and “Taxation—Certain British Virgin Islands Tax Considerations”), provided that the Company, in its business judgment, determines that such obligation cannot be avoided by the Company taking reasonable measures available to it (including, without limitation, taking reasonable measures to change the paying agent), then, at our option, all, but not less than all, of the Notes may be redeemed at any time at a redemption price equal to 100% of the outstanding principal amount, plus any accrued and unpaid interest to the redemption date due thereon up to but not including the date of redemption; *provided* that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which we (or a Subsidiary Guarantor) would be obligated to pay these Additional Amounts if a payment on the Notes were then due, and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

Prior to the publication of any notice of redemption pursuant to this provision, we will deliver to the Trustee:

- an Officers’ Certificate stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem have occurred; and
- an Opinion of Counsel from legal counsel in the Relevant Jurisdiction (which may be our counsel) of recognized standing to the effect that we have or will become obligated to pay such Additional Amounts as a result of such change or amendment.

This notice, once delivered by us to the Trustee, will be irrevocable.

We will give notice of any redemption at least 30 but not more than 60 days before the redemption date to the Trustee, which will, in turn, provide notice to Holders of Notes as described in “—Notices” below.

### ***Optional Redemption Procedures***

Notice of any redemption will be mailed by first-class mail, postage prepaid, at least 35 but not more than 60 days before the redemption date to Holders of Notes to be redeemed at their respective registered addresses. For so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the exchange so require, the Company will cause notices of redemption to also be published as described in “—Notices” below.

Notes called for redemption will become due on the date fixed for redemption. The Company will pay the redemption price in U.S. dollars, as calculated by the Calculation Agent by converting the *reais* amount into U.S. dollars at the Settlement Rate on the applicable Rate Calculation Date, for the Notes together with accrued and unpaid interest thereon through the date of redemption. On and after the redemption date, interest will cease to accrue on the Notes as long as the Company has deposited with the Paying Agent funds in satisfaction of the

applicable redemption price pursuant to the Indenture. Upon redemption of the Notes by the Company, the redeemed Notes will be cancelled.

Once notice of redemption is sent to the Holders, Notes called for redemption become due and payable at the redemption price on the redemption date, and, commencing on the redemption date, Notes redeemed will cease to accrue interest.

## **Mandatory Redemption**

### ***Mandatory Redemption upon Exercise of Call Option***

No later than 5 Business Days following the date upon which the Call Option Redemption Event occurs, the Company will provide the Trustee with a notice to redeem all of the Notes at a purchase price in U.S. dollars equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon through the date of redemption (the “Call Option Exercise Payment”). For the avoidance of doubt, a Call Option Redemption Event will only occur in connection with the exercise by McDonald’s of the McDonald’s Call Option under the Master Franchise Agreements with respect to the Master Franchisee or the Brazilian Master Franchisee. An exercise by McDonald’s of the McDonald’s Call Option with respect to any other Subsidiary of the Company shall not be treated as a Call Option Redemption Event.

Notes subject to mandatory redemption following a Call Option Redemption Event will become due on the earlier of the date fixed for redemption or the 30th day following the Call Option Redemption Event. On and after the redemption date, interest will cease to accrue on the Notes as long as the Company has deposited with the Paying Agent funds in an amount equal to the Call Option Exercise Payment. Upon redemption of the Notes by the Company, the redeemed Notes will be cancelled. For so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the exchange so require, the Company will cause notices of redemption to also be published as described in “—Notices” below.

## **Change of Control**

Upon the occurrence of a Change of Control Repurchase Event, each Holder will have the right to require that the Company purchase all or a portion (in integral multiples of R\$1,000, *provided* that the principal amount of such Holder’s Note will not be less than R\$250,000) of the Holder’s Notes at a purchase price in U.S. dollars, as calculated by the Calculation Agent by converting the *reais* amount into U.S. dollars at the Settlement Rate on the applicable Rate Calculation Date, equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon through the purchase date (the “Change of Control Payment”).

Within 30 days following the date upon which the Change of Control Repurchase Event occurs, the Company must send, by first-class mail, a notice to each Holder, with a copy to the Trustee, offering to purchase the Notes as described above (a “Change of Control Offer”) and, for so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the exchange so require, publish such notice as described in “—Notices” below. The Change of Control Offer will state, among other things, the purchase date, which must be at least 30 but not more than 60 days from the date the notice is mailed, other than as may be required by law (the “Change of Control Payment Date”).

On the Change of Control Payment Date, the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent funds in an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers’ Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

If only a portion of a Note is purchased pursuant to a Change of Control Offer, a new Note in a principal amount equal to the portion thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to a Change of Control Offer will be cancelled and cannot be reissued.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent any such rule, laws and regulations are applicable in connection with the purchase of Notes in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the Indenture, the Company will comply with such securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by doing so.

Other existing and future indebtedness of the Company may contain prohibitions on the occurrence of events that would constitute a Change of Control or require that Indebtedness be purchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Company to repurchase the Notes upon a Change of Control may cause a default under such indebtedness even if the Change of Control itself does not.

If a Change of Control Repurchase Event occurs, the Company may not have available funds sufficient to make the Change of Control Payment for all the Notes that might be delivered by Holders seeking to accept the Change of Control Offer. In the event the Company is required to purchase outstanding Notes pursuant to a Change of Control Offer, the Company expects that it would seek third-party financing to the extent it does not have available funds to meet its purchase obligations and any other obligations it may have. However, we cannot assure you that the Company would be able to obtain necessary financing, and the terms of the Indenture may restrict the ability of the Company to obtain such financing.

Holders will not be entitled to require the Company to purchase their Notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction which is not a Change of Control.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

One of the events that constitutes a Change of Control under the Indenture is the disposition of “all or substantially all” of the Company’s assets under certain circumstances. This term varies based upon the facts and circumstances of the subject transaction and has not been interpreted under New York State law (which is the governing law of the Indenture) to represent a specific quantitative test. As a consequence, in certain circumstances there may be uncertainty in ascertaining whether a particular transaction involved a disposition of “all or substantially all” of the assets of a Person. In the event that Holders elect to require the Company to purchase the Notes and the Company contests such election, there can be no assurance as to how a court interpreting New York State law would interpret the phrase under certain circumstances.

## **Covenants**

### ***Limitation on Liens***

The Company will not, and will not cause or permit any of its Subsidiaries to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, to secure any Indebtedness, unless contemporaneously therewith effective provision is made to secure the Notes, the Subsidiary Guarantees and all other amounts due under the Indenture equally and ratably with such Indebtedness (or, in the event that such Indebtedness is subordinated in right of payment to the Notes or the Subsidiary Guarantees prior to such Indebtedness) with a Lien on the same properties and assets securing such Indebtedness for so long as such Indebtedness is secured by such Lien.

### ***Limitations on Sale and Lease-Back Transactions***

The Company will not, and will not permit any of its Subsidiaries to, enter into any Sale and Lease-Back Transaction with respect to any property of such Person, unless either:

- (a) the Company or that Subsidiary would be entitled pursuant to the provisions of the Indenture described above under “—Limitation on Liens” (including any exception to the restrictions set forth therein) to issue, assume or guarantee Indebtedness secured by a Lien on any such property at least equal in amount to the Attributable Debt with respect to such Sale and Lease-Back Transaction, without equally and ratably securing the Notes, or
- (b) the Company or that Subsidiary shall apply or cause to be applied, in the case of a sale or transfer for cash, an amount equal to the net proceeds thereof and, in the case of a sale or transfer otherwise than for cash, an amount equal to the fair market value of the property so leased, to (1) the retirement, within 12 months after the effective date of the Sale and Lease-Back Transaction, of any of the Company’s Indebtedness ranking at least *pari passu* with the Notes or Indebtedness of any Subsidiary, in each case owing to a Person other than the Company or any of its Subsidiaries or (2) to the acquisition, purchase, construction or improvement of real property or personal property used or to be used by the Company or any of its Subsidiaries in the ordinary course of business.

These restrictions will not apply to:

- (1) transactions providing for a lease term, including any renewal, of not more than three years; and
- (2) transactions between the Company and any of its Subsidiaries or between the Company’s Subsidiaries.

### ***Limitation on Merger, Consolidation and Sale of Assets***

The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company’s properties and assets (determined on a consolidated basis for the Company and its Subsidiaries), to any Person unless:

- (a) either:
  - (1) the Company is the surviving or continuing corporation; or
  - (2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company’s Subsidiaries substantially as an entirety (the “Surviving Entity”):
    - (A) is a corporation organized and validly existing under the laws of the British Virgin Islands or the United States of America, any State thereof or the District of Columbia; and
    - (B) expressly assumes, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance and observance of the covenants of the Notes and the Indenture on the part of the Company to be performed or observed;
- (b) immediately before and immediately after giving effect to such transaction, no Default or Event of Default has occurred or is continuing;
- (c) each Subsidiary Guarantor has confirmed by supplemental indenture that its Subsidiary Guarantee will apply for the obligations of the Surviving Entity in respect of the Indenture and the Notes; and

(d) the Company or the Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction have been satisfied.

For purposes of this covenant, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company (determined on a consolidated basis for the Company and its Subsidiaries), will be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The provisions of clause (b) above will not apply to any merger or consolidation of the Company into an Affiliate of the Company incorporated solely for the purpose of reincorporating the Company in another jurisdiction so long as the Indebtedness of the Company and its Subsidiaries taken as a whole is not increased thereby.

The foregoing shall not apply to (i) any transfer of assets between the Company and any Subsidiary and (ii) any transfer of assets among or between Subsidiaries.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Subsidiaries in accordance with this covenant, in which the Company is not the continuing Person, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the Notes with the same effect as if such Surviving Entity had been named as such and the Company shall be relieved of its obligations under the Indenture and the Notes. For the avoidance of doubt, compliance with this covenant will not affect the obligations of the Company (including a Surviving Entity, if applicable) under "—Change of Control," if applicable.

No Subsidiary Guarantor may consolidate with or merge with or into any Person, or sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or permit any Person to merge with or into the Subsidiary Guarantor unless:

(a) the other Person is the Company or any Subsidiary that is a Subsidiary Guarantor or becomes a Subsidiary Guarantor concurrently with the transaction; or

(b) (1) either (x) the Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes by supplemental indenture all of the obligations of the Subsidiary Guarantor under its Subsidiary Guarantee; and (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(c) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (in each case other than to the Company or a Subsidiary) otherwise permitted by the Indenture.

### ***Reports to Holders***

If at any point the Company is no longer subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will furnish to the Holders of the Notes and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

If at any point the Company is no longer subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will furnish or cause to be furnished to the Trustee in English (for distribution only to the Holders of Notes)

- within 90 days after the end of the first, second and third quarters of the Company's fiscal year (commencing with the quarter ending immediately following the Company no longer being subject to such

reporting requirements), quarterly unaudited financial statements (consolidated) prepared in accordance with GAAP of the Company for such period; and

- within 120 days after the end of the fiscal year of the Company (commencing with the first fiscal year ending immediately following the Company no longer being subject to such reporting requirements), annual audited financial statements (consolidated) prepared in accordance with GAAP of the Company for such fiscal year and a report on such annual financial statements by the Auditors.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's or any other Person's compliance with any of its covenants under the Indenture or the Notes (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

The Trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, the Company's or any other Person's compliance with the covenants described above or with respect to any reports or other documents filed under the Indenture; provided, however, that nothing herein shall relieve the Trustee of any obligations to monitor the Company's timely delivery of all reports and certificates described in this section "—Reports to Holders."

## **Notices**

Notices to Holders of Notes will be mailed to them at their registered addresses.

In addition, from and after the date the Notes are listed on Luxembourg Stock Exchange for trading on the Euro MTF Market and so long as it is required by the rules of such exchange, all notices to Holders of Notes will be published in English:

- (1) in a leading newspaper having a general circulation in Luxembourg (which currently is expected to be *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>); or
- (2) if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it will be published in Saturday, Sunday or holiday editions.

Notices will be deemed to have been given on the date of mailing or of publication as aforesaid or, if published on different dates, on the date of the first such publication.

## **Events of Default**

The following are "Events of Default" with respect to the Notes:

- (1) default in the payment when due of the principal of or premium, if any, on (including, in each case, any related Additional Amounts) any Notes, including the failure to make a required payment to purchase Notes tendered pursuant to an optional redemption, mandatory redemption or a Change of Control Offer;
- (2) default for 30 days or more in the payment when due of interest (including any related Additional Amounts) on any Notes;
- (3) the failure by the Company or any Subsidiary to comply with any other covenant or agreement contained in the Indenture or the Notes for 60 days or more after written notice to the Company thereof from the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Notes;
- (4) default by the Company or any Significant Subsidiary under any indebtedness for borrowed money which:

(a) is caused by a failure to pay principal of or premium, if any, or interest on such indebtedness for borrowed money prior to the expiration of any applicable grace period provided in such indebtedness for borrowed money on the date of such default; or

(b) results in the acceleration of such indebtedness for borrowed money prior to its Stated Maturity;

and the principal or accreted amount of indebtedness for borrowed money covered by clause (a) or (b) at the relevant time, (i) in the case of any or all Venezuelan Subsidiaries aggregates U.S.\$50 million (or the equivalent in other currencies) or (ii) in the case of the Company and all other Significant Subsidiaries (other than any and all Venezuelan Subsidiaries) aggregates U.S.\$40 million (or the equivalent in other currencies) or more;

(5) failure by the Company or any of its Significant Subsidiaries to pay one or more final judgments against any of them, (i) in the case of any and all Venezuelan Subsidiaries aggregating U.S.\$50 million (or the equivalent in other currencies) or (ii) in the case of the Company and all other Significant Subsidiaries (other than any and all Venezuelan Subsidiaries) aggregating U.S.\$40 million (or the equivalent in other currencies) or more, which are not paid, discharged or stayed for a period of 60 days or more (to the extent not covered by a reputable and creditworthy insurance company);

(6) either Master Franchise Agreement shall, for any reason, be terminated; *provided* that no Call Option Redemption Event shall have occurred;

(7) certain events of bankruptcy affecting the Company or any of its Subsidiaries or group of Subsidiaries that, taken together, would constitute a Significant Subsidiary; or

(8) except as permitted by the Indenture, any Subsidiary Guarantee is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect or any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee; *provided* that the Subsidiary Guarantee of a Subsidiary Guarantor becoming unenforceable or invalid as a result of a change in law shall not constitute an Event of Default under the Indenture.

If an Event of Default (other than an Event of Default specified in clauses (6) or (7) above with respect to the Company) has occurred and is continuing, the Trustee or the Holders of at least 25% in principal amount of outstanding Notes may declare the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a “notice of acceleration.” If an Event of Default specified in clauses (6) or (7) above occurs with respect to the Company, then the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration with respect to the Notes as described in the preceding paragraph, the Holders of a majority in principal amount of the Notes may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and

(4) if the Company has paid the Trustee its compensation and reimbursed the Trustee for its expenses, disbursements and advances outstanding at that time.

No rescission will affect any subsequent Default or impair any rights relating thereto.



The Holders of a majority in principal amount of the Notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any Notes.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee indemnity reasonably satisfactory to it. Subject to all provisions of the Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No Holder of any Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

- (1) such Holder gives to the Trustee written notice of a continuing Event of Default;
- (2) Holders of at least 25% in principal amount of the then outstanding Notes make a written request to pursue the remedy;
- (3) such Holders of the Notes provide to the Trustee satisfactory indemnity;
- (4) the Trustee does not comply within 60 days; and
- (5) during such 60-day period the Holders of a majority in principal amount of the outstanding Notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

*provided* that a Holder of a Note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such Note on or after the respective due dates expressed in such Note. The time of validity of a Holder's claim to payment of interest and repayment of principal is six years.

The Company is required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee written notice of such Default or Event of Default, the status thereof and what action the Company is taking or proposes to take in respect thereof. In the absence of any such notice of Default or Event of Default from the Company, the Trustee shall not be deemed to have notice or be charged with knowledge of any Default or Event of Default. The Indenture provides that if a Default or Event of Default occurs, is continuing and is actually known to a responsible officer of the Trustee, the Trustee must mail to each Holder notice of the Default or Event of Default within 45 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of its trust officers in good faith determines that withholding notice is in the interests of the Holders.

### **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (1) either:
  - (a) all the Notes theretofor authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofor been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or
  - (b) all Notes not theretofor delivered to the Trustee for cancellation have become due and payable, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire Indebtedness on the Notes not theretofor delivered to the Trustee for cancellation, for principal of,

premium, if any, and interest on the Notes to the date of deposit, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment; and

(2) the Company has paid all other sums payable under the Indenture and the Notes by it; and

(3) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

### **Modification of the Indenture**

From time to time, the Company and the Trustee, without the consent of the Holders, may amend, modify or supplement the Indenture and the Notes for the following purposes:

(1) to cure any ambiguity, omission, defect or inconsistency contained therein;

(2) to provide for the assumption by a successor Person of the obligations of the Company or a Subsidiary Guarantor under the Indenture;

(3) to add Subsidiary Guarantees or additional guarantees with respect to the Notes or release a Subsidiary Guarantee in accordance with the terms of the Indenture;

(4) to secure the Notes;

(5) to add to the covenants of the Company for the benefit of the Holders or surrender any right or power conferred upon the Company;

(6) to provide for the issuance of additional Notes in accordance with the Indenture;

(7) to evidence the replacement of the Trustee as provided for under the Indenture;

(8) if necessary, in connection with any release of any security permitted under the Indenture;

(9) to make any other change that does not adversely affect the rights of any Holder in any material respect;

(10) to provide for uncertificated Notes in addition to or in place of certificated Notes; or

(11) to conform the text of the Indenture, the Subsidiary Guarantees or the Notes to any provision of this "Description of the Notes."

Other modifications to, amendments of, and supplements to, the Indenture or the Notes may be made with the consent of the Holders of a majority in principal amount of the then outstanding Notes issued under the Indenture, except that, without the consent of each Holder affected thereby, no amendment may:

(1) reduce the percentage of the principal amount of the Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change or have the effect of changing the time for payment of interest on any Notes;

(3) change any place of payment where the principal of or interest on the Notes is payable;

(4) reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption, or reduce the redemption price therefor;

(5) make any Notes payable in money other than that stated in the Notes;

(6) make any change in provisions of the Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on such Notes on or after the due date thereof or to bring suit to enforce such

payment, or permitting Holders of a majority in principal amount of Notes to waive Defaults or Events of Default;

(7) amend, change or modify in any material respect the obligation of the Company to make and consummate a Change of Control Offer in respect of a Change of Control Repurchase Event that has occurred;

(8) eliminate or modify in any manner a Subsidiary Guarantor's obligations with respect to its Subsidiary Guarantee which adversely affects Holders in any material respect, except as contemplated in the Indenture;

(9) make any change in the provisions of the Indenture described under "—Additional Amounts" that adversely affects the rights of any Holder or amend the terms of the Notes in a way that would result in a loss of exemption from any applicable taxes; and

(10) make any change to the provisions of the Indenture or the Notes that adversely affects the ranking of the Notes (for the avoidance of doubt, a change to the covenants "Limitation on Liens" and "Limitations on Sale and Lease-Back Transactions" does not adversely affect the ranking of the Notes).

### **Governing Law; Jurisdiction**

The Indenture and the Existing Notes are, and the new notes will be governed by, and construed in accordance with, the law of the State of New York.

The Company and the other parties to the Indenture (including the Trustee) has submitted to the jurisdiction of the U.S. federal and New York state courts located in The City of New York, Borough of Manhattan, and the Company has appointed an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture or the Notes.

### **The Trustee and Calculation Agent**

Citibank, N.A. is the Trustee and Calculation Agent under the Indenture. The principal office of the Trustee at which its corporate trust business is administered is located at (a) 111 Wall Street, 15th Floor, New York, New York, 10005, Attention 15th Floor Window for note transfer purposes and presentment of notes for final payment thereon and (b) 388 Greenwich Street, 14th Floor, New York, New York, 10013, Attention Global Transaction Services, Arcos Dorados, for all other purposes.

Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

### **No Personal Liability**

No past, present or future incorporator, director, officer, employee, shareholder or controlling person, as such, of the Company or any Subsidiary Guarantor will have any liability for any obligations of the Company under the Notes, the Indenture or the Subsidiary Guarantee or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws or under corporate law of the British Virgin Islands.

### **Currency Indemnity**

The Company, and each Subsidiary Guarantor, will pay all sums payable under the Indenture, the Notes or its Subsidiary Guarantee, as applicable, solely in U.S. Dollars. Any amount that you receive or recover in a currency other than U.S. Dollars in respect of any sum expressed to be due to you from the Company and any Subsidiary Guarantor, will only constitute a discharge to us to the extent of the U.S. Dollar amount which you are able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which you are able to do so. If the

U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to you under any Note, the Company and the relevant Subsidiary Guarantor, will indemnify you against any loss you sustain as a result. In any event, the Company will indemnify you, to the greatest extent permitted under applicable law, against the cost of making any purchase of U.S. Dollars. For the purposes of this paragraph, it will be sufficient for you to certify in a satisfactory manner that you would have suffered a loss had an actual purchase of U.S. Dollars been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which you were able to do so. In addition, you will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Company and the Subsidiary Guarantors;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any Holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

### **Listing**

In the event that the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, the Company will use its best efforts to maintain such listing; *provided* that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the “Transparency Directive”) or any legislation implementing the Transparency Directive or other directives or legislation, the Company could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Company would otherwise use to prepare its published financial information, the Company may delist the Notes from the Luxembourg Stock Exchange in accordance with the rules of the exchange and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as the Company’s Board of Directors may decide.

### **Certain Definitions**

The following sets forth certain of the defined terms used in the Indenture. Reference is made to the Indenture for full disclosure of all such terms, as well as any other terms used herein for which no definition is provided.

“*Acquired Indebtedness*” means Indebtedness of a Person or any of its subsidiaries existing at the time such Person becomes a Subsidiary of the Company or at the time it merges or consolidates with the Company or any of its Subsidiaries or is assumed in connection with the acquisition of assets from such Person. Acquired Indebtedness will be deemed to have been Incurred at the time such Person becomes a Subsidiary or at the time it merges or consolidates with the Company or a Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

“*Additional Amounts*” has the meaning set forth under “—Additional Amounts” above.

“*Additional Notes*” has the meaning set forth under “—General” above.

“*Affiliate*” means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. Solely for purposes of this definition, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“*Attributable Debt*” means (i) with respect to a Sale and Lease-Back Transaction relative to any property, at the time of determination, the present value of the total net amount of rent required to be paid under such lease during the remaining term thereof (including any period for which such lease has been extended), discounted at the applicable rate of interest set forth or implicit in the terms of such lease (or, if not practicable to determine such rate, the weighted average interest rate per annum borne by the securities of all series then outstanding under the Indenture) and (ii) in the case of any lease which is terminable by the lessee upon the payment of a penalty, the net amount of such lease shall be the lesser of (x) the net amount determined assuming termination upon the first date such lease may be terminated (in which case the net amount shall also include the amount of the penalty, but shall not include any rent that would be required to be paid under such lease subsequent to the first date upon which it may be terminated) or (y) the net amount determined assuming no such termination.

“*Board of Directors*” means, with respect to any Person, the board of directors or similar governing body of such Person or any duly authorized committee thereof.

“*Board Resolution*” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“*Brazilian Master Franchisee*” means Arcos Dourados Comercio de Alimentos Ltda., or any successor to its rights and obligations under the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald’s Latin America and Arcos Dourados Comercio de Alimentos Ltda, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“*Business Day*” means a day, other than a Saturday, a Sunday, or a legal holiday or a day on which commercial banks and foreign exchange markets are authorized or obligated to close in the City of New York; *provided*, however, that solely for the purposes of determining the Settlement Rate, “Business Day” means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open, or not authorized to close, in São Paulo, Brazil, and the City of New York.

“*Call Option Closing Date*” means the date on which the equity interests of the Master Franchisee or the Brazilian Master Franchisee are transferred to McDonald’s upon McDonald’s exercise of the McDonald’s Call Option and the Call Option Price in respect thereof is paid by McDonald’s to the Company.

“*Call Option Price*” means the price payable by McDonald’s to the Company upon exercise by McDonald’s of the McDonald’s Call Option in respect of the equity interests of the Master Franchisee or the Brazilian Master Franchisee.

“*Call Option Redemption Event*” means the occurrence of the Call Option Closing Date and the payment of the Call Option Price by McDonald’s to the Company, but only with respect to the Master Franchisee and/or the Brazilian Master Franchisee.

“*Capital Stock*” means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated and whether or not voting) of equity of such Person, including each class of Common Stock, Preferred Stock, limited liability interests or partnership interests, but excluding any debt securities convertible into such equity.

“*Capitalized Lease Obligations*” means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

“*Change of Control*” means the occurrence of one or more of the following events:

(1) The Permitted Holders cease to be the “beneficial owners” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of 30.0% of the voting power of the Voting Stock of the Company (including any Surviving Entity), the Master Franchisee or the Brazilian Franchisee;

(2) individuals appointed by the Permitted Holders cease for any reason to constitute a majority of the members of the Board of Directors of the Company, the Master Franchisee or the Brazilian Franchisee;

(3) the sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the assets of the Company, the Master Franchisee or the Brazilian Franchisee, determined on a consolidated basis, to any “person” (as defined in Sections 13d and 14d under the Exchange Act), whether or not otherwise in compliance with the Indenture, other than a Permitted Holder; or

(4) the approval by the holders of Capital Stock of the Company, the Master Franchisee or the Brazilian Franchisee of any plan or proposal for the liquidation or dissolution of the Company, the Master Franchisee or the Brazilian Franchisee, whether or not otherwise in compliance with the Indenture.

“*Change of Control Payment*” has the meaning set forth under “—Change of Control.”

“*Change of Control Payment Date*” has the meaning set forth under “—Change of Control.”

“*Commodity Agreement*” means, with respect to any Person, any commodity swap agreement, commodity cap agreement, commodity collar agreement, commodity or raw material futures contract or any other agreement as to which such Person is a party designed to manage commodity risk of such Person.

“*Change of Control Repurchase Event*” means the occurrence of both a Change of Control and a Rating Downgrade Event.

“*Common Stock*” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

“*Consolidated Net Tangible Assets*” means the total consolidated assets of the Company and its Subsidiaries, as shown on the most recent balance sheet of the Company provided to the Trustee pursuant to “Certain Covenants—Reports to Holders” (or required to be provided thereunder), less (a) all current liabilities of the Company and its Subsidiaries after eliminating (1) all intercompany items between the Company and any of its Subsidiaries or between Subsidiaries and (2) all current maturities of long-term Indebtedness; and (b) all goodwill, patents, tradenames, trademarks, copyrights, franchises, experimental expenses, organization expenses and any other amounts classified as intangible assets in accordance with GAAP; all calculated in accordance with GAAP and calculated on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by the Company and its Subsidiaries subsequent to such date and on or prior to the date of determination.

“*Currency Agreement*” means, with respect to any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed solely to hedge foreign currency risk of such Person.

“*Default*” means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

“*Event of Default*” has the meaning set forth under “—Events of Default.”

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

“*Excluded Subsidiary*” has the meaning set forth under “—Subsidiary Guarantees” above.

“*Fair Market Value*” means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm’s-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided* that the Fair Market Value of any such asset or assets will be determined conclusively by the Board of Directors of the Company acting in good faith, and will be evidenced by a Board Resolution.

“*Fitch*” means Fitch Inc., a subsidiary of Fimalac, S.A., and its successors.

“*Franchise Documents*” means the Master Franchise Agreements and any other documents pursuant to which the Company 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 generally accepted accounting principles in effect in the United States.

“*Hedging Obligations*” means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

“*Holder*” means the Person in whose name a Note is registered in the note register pursuant to the terms of the Indenture.

“*Incur*” means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, guarantee or otherwise become liable in respect of such Indebtedness (and “*Incurrence*” and “*Incurred*” will have meanings correlative to the foregoing).

“*Indebtedness*” means, with respect to any Person, without duplication:

- (1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;
- (2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all Capitalized Lease Obligations of such Person;
- (4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business);
- (5) all reimbursement obligations in respect of letters of credit, banker’s acceptances or similar credit transactions (except to the extent incurred in the ordinary course of business and such obligation is satisfied within 20 Business Days of Incurrence);
- (6) guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clause (8) below;
- (7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) above which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the Indebtedness so secured; and
- (8) all net obligations under Hedging Obligations of such Person (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

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.

“*Interest Rate Agreement*” means, with respect to any Person, any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed solely to hedge interest rate risk of such Person.

“*Issue Date*” means July 13, 2011, the first date of issuance of Notes under the Indenture. The new notes, which are fungible with the Existing Notes, were issued on April 24, 2012.

“*L/C Documents*” means the Letter of Credit, the Letter of Credit Agreement, the L/C Security Documents and each other agreement, instrument or document delivered in connection with the foregoing, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“*L/C Security Documents*” means the Security Agreement dated as of August 3, 2007 made by the Subsidiaries of the Company party thereto and the Pledge Agreement dated as of August 3, 2007 made by the Subsidiaries of the Company party thereto, in each case to secure the obligations under the Letter of Credit Agreement.

“*Letter of Credit*” means the irrevocable standby letter of credit issued on August 3, 2007, for the account of the Company and the subsidiary guarantors identified thereto, for the benefit of McDonald’s Latin America, pursuant to the Letter of Credit Agreement.

“*Letter of Credit Agreement*” means the Letter of Credit Reimbursement Agreement, dated as of August 3, 2007, between the Company and Credit Suisse, Cayman Islands Branch, as issuing bank.

“*Lien*” means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder; provided that in no event shall an operating lease be deemed to constitute a Lien.

“*Master Franchise Agreements*” means the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald’s Latin America, the Company and the other parties thereto, and the Second Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald’s Latin America and Arcos Dourados Comercio de Alimentos Ltda., as the same may be amended, restated, supplemented or otherwise modified from time to time.

“*Master Franchisee*” means LatAm, LLC, or any successor to its rights and obligations under the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald’s Latin America, the Company and the other parties thereto, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“*McDonald’s*” means McDonald’s Corporation and its Subsidiaries.

“*McDonald’s Call Option*” means the “Call Option” referred to in the Master Franchise Agreements.

“*McDonald’s Deposit*” shall mean any cash and investments, in an aggregate amount not to exceed \$15,000,000, serving as credit support to obligations owing by the Company and the Subsidiary Guarantors to McDonald’s Latin America under the Franchise Documents.

“*McDonald’s Deposit Pledge Agreement*” means documentation, pursuant to which a lien in favor of McDonald’s Latin America is granted over the McDonald’s Deposit (and to the extent perfection of such lien is by “control” as provided in Section 9-314 of the Uniform Commercial Code, any related control agreements in customary form providing for such perfection).



“*McDonald’s Foreign Pledge Agreements*” means, collectively, the pledge agreements listed on a schedule to the Indenture.

“*McDonald’s Latin America*” means McDonald’s Latin America, LLC, a limited liability company organized under the laws of the State of Delaware.

“*McDonald’s Mortgage*” means any mortgages granted in favor of McDonald’s Latin America on Secured Restricted Real Estate, in each case securing obligations owing to McDonald’s Latin America under the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald’s Latin America, the Company and the other parties thereto, as the same may be amended, restated, supplemented or otherwise modified from time to time, in an aggregate amount not to exceed the undrawn portion of the Letter of Credit on the date of termination thereof.

“*McDonald’s Security Documents*” means the McDonald’s U.S. Stock Pledge Agreement, dated as of August 3, 2008, made by the Company 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.

“*Moody’s*” means Moody’s Investors Service, Inc., or any successor thereto.

“*Opinion of Counsel*” means a written opinion of counsel, who may be an employee of or counsel for the Company (except as otherwise provided in the Indenture), obtained at the expense of the Company, a Surviving Entity or a Subsidiary, and who is reasonably acceptable to the Trustee.

“*Permitted Business*” means the business or businesses conducted by the Company and its Subsidiaries as of the Issue Date and any business ancillary or complementary thereto.

“*Permitted Holders*” means (1) Woods W. Staton and any Related Party of Mr. Staton and (2) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned directly or indirectly 51% or more by Persons specified in clause (1).

“*Permitted Liens*” means any of the following Liens:

- (1) Liens existing on the Issue Date and any extension, renewal or replacement thereof;
- (2) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, material- men, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof;
- (3) (a) licenses, sublicenses, leases or subleases granted by the Company or any of its Subsidiaries to other Persons not materially interfering with the conduct of the business of the Company or any of its Subsidiaries and (b) any interest or title of a lessor, sublessor or licensor under any lease or license agreement permitted by the Indenture to which the Company or any Subsidiary is a party;
- (4) Liens Incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, customs duties, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);
- (5) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person’s obligations in respect of bankers’ acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(6) Liens on patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to the extent such Liens arise from the granting of license to use such patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to any Person in the ordinary course of business of the Company or any of its Subsidiaries;

(7) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(8) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or a Subsidiary, including rights of offset and set-off;

(9) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings, *provided* that appropriate reserves required pursuant to GAAP have been made in respect thereof;

(10) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(11) deposits in the ordinary course of business securing liability for reimbursement obligations of insurance carriers providing insurance to the Company or its Subsidiaries and any Liens thereon;

(12) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired;

(13) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository institution;

(14) Liens securing Hedging Obligations;

(15) Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness which has been secured by a Lien permitted under the covenant described under “—Covenants—Limitation on Liens” not incurred pursuant to clause (18) or (20); *provided* that such new Liens:

(a) are no less favorable to the Holders of Notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced; and

(b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;

(16) Liens securing Indebtedness or other obligations of a Subsidiary owing to the Company or another Subsidiary;

(17) Liens securing Acquired Indebtedness not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided* that

(a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Subsidiary; and

(b) such Liens do not extend to or cover any property of the Company or any Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Subsidiary and are no more favorable to the lienholders than the Liens

securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Subsidiary;

(18) purchase money Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred to finance the acquisition or leasing of property of the Company or a Subsidiary used in a Permitted Business; *provided that*:

(a) the related Purchase Money Indebtedness does not exceed the cost of such property and will not be secured by any property of the Company or any Subsidiary other than the property so acquired; and

(b) the Lien securing such Indebtedness will be created within 365 days of such acquisition;

(19) Liens securing an amount of Indebtedness outstanding at any one time (together with any Sale and Lease-Back Transaction (as defined below) that would otherwise be prohibited by the provisions of the Indenture described under “—Limitations on Sale and Lease-Back Transactions”) not to exceed the greater of (a) U.S.\$175 million (or the equivalent in other currencies) or (b) 15% of Consolidated Net Tangible Assets;

(20) Liens under the L/C Documents;

(21) Liens in favor of McDonald’s Latin America created pursuant to the McDonald’s Security Documents and the McDonald’s Mortgages; and

(22) the interest of McDonald’s Latin America, as franchisor under the Franchise Documents.

“*Person*” means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

“*Preferred Stock*” means, with respect to any Person, any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

“*Purchase Money Indebtedness*” means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement of any property; *provided that* the aggregate principal amount of such Indebtedness does not exceed such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of the Refinancing.

“*Rating Agency*” means (1) each of Fitch, Moody’s and S&P; and (2) if any of Fitch, Moody’s or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of our control, a “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, selected by us as a replacement agency for Fitch, Moody’s or S&P, as the case may be.

“*Rating Downgrade Event*” means the rating on the Notes is lowered from their rating then in effect as a result of any event or circumstance comprised of or arising as a result of, or in respect of, a Change of Control (or pending Change of Control) by at least two of the Rating Agencies on any date during the period (the “Trigger Period”) from the date of the public announcement by the Issuer of a Change of Control (or pending Change of Control) until the end of the 60-day period following public announcement by the Issuer of the consummation of a Change of Control (which Trigger Period shall be extended following the consummation of the Change of Control so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies). In the event that less than two Rating Agencies are providing a rating for the Notes at the commencement of any Trigger Period, then a “Rating Downgrade Event” shall be deemed to have occurred during that Trigger Period. Notwithstanding the foregoing, no Rating Downgrade Event will be deemed to have occurred as a result of any event or circumstance comprised of or arising as a result of, or in respect of, a Change of Control unless and until such Change of Control has actually been consummated.

“*Refinance*” means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. “Refinanced” and “Refinancing” have correlative meanings.

“*Refinancing Indebtedness*” means Indebtedness of the Company or any Subsidiary issued to Refinance any other Indebtedness of the Company or a Subsidiary so long as the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Company in connection with such Refinancing.

“*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.

“*Sale and Leaseback Transaction*” means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Subsidiary of any property, whether owned by the Company or any Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such Property.

“*S&P*” means Standard & Poor’s Rating Service or any successor thereto.

“*Secured Restricted Real Estate*” means the real estate listed on a schedule to the Indenture.

“*Significant Subsidiary*” means a Subsidiary of the Company that would constitute a “Significant Subsidiary” of the Company in accordance with Rule 1-02 under Regulation S-X under the Securities Act in effect on the Issue Date.

“*Stated Maturity*” means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

“*Subsidiary*” means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person’s outstanding Voting Stock.

“*Subsidiary Guarantee*” means the unconditional guarantee, on a joint and several basis, of the full and prompt payment of all obligations of the Company under the Indenture and the Notes, in accordance with the terms of the Indenture.

“*Subsidiary Guarantor*” has the meaning set forth under “—Subsidiary Guarantees” above.

“*Surviving Entity*” has the meaning set forth under “—Covenants—Limitation on Merger, Consolidation and Sale of Assets.”

“*Unlevered Subsidiary*” means any Subsidiary that has not more than \$10.0 million of outstanding Indebtedness Incurred after the Issue Date.

“*Venezuelan Subsidiary*” means any direct or indirect Subsidiary of the Company that generates more than 50% of its revenues or holds more than 50% of its total assets in Venezuela.

“*Voting Stock*” means, with respect to any Person, securities of any class of Capital Stock of such Person then outstanding and normally entitled to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person. The term “normally entitled” means without regard to any contingency.

## **BOOK-ENTRY, DELIVERY AND FORM**

The notes are being offered and sold only:

- to qualified institutional buyers in reliance on Rule 144A (the “Rule 144A Notes”); or
- in offshore transactions in reliance on Regulation S (the “Regulation S Notes”).

The notes will be issued in fully registered global form in minimum denominations of R\$250,000 and integral multiples of R\$1,000 in excess thereof. Rule 144A Notes initially will be represented by a single permanent global certificate (which may be subdivided) without interest coupons (the “Rule 144A Global Note”). Regulation S Notes initially will be represented by a single permanent global certificate (which may be subdivided) without interest coupons (the “Regulation S Global Note” and, together with the Rule 144A Global Note, the “Global Notes”).

The Global Notes will be deposited upon issuance with the Trustee as custodian for The Depository Trust Company (“DTC”), in New York, New York, and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC, including Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”), and Clearstream Banking, société anonyme (“Clearstream”), as described below under “—Depository Procedures.”

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in certificated form except in the limited circumstances described below under “—Exchange of Book-Entry Notes for Certificated Notes.”

The notes will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “Transfer Restrictions” in this offering memorandum. In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

### **Depository Procedures**

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the “Participants”) and facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the “Indirect Participants”). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through Participants or Indirect Participants. DTC has no knowledge of the identity of beneficial owners of securities held by or on behalf of DTC. DTC’s records reflect only the identity of Participants to whose accounts securities are credited. The ownership interests and transfer of ownership interests of each beneficial owner of each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

Pursuant to procedures established by DTC:

- upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and
- ownership of such interests in the Global Notes will be maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes may hold their interests therein directly through DTC, if they are Participants in such system, or indirectly through organizations (including Euroclear and Clearstream) that are Participants or Indirect Participants in such system. Euroclear and Clearstream will hold interests in the notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. The depositaries, in turn, will hold interests in the notes in customers' securities accounts in the depositaries' names on the books of DTC.

All interests in a Global Note, including those held through Euroclear or Clearstream, will be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream will also be subject to the procedures and requirements of those systems. The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of beneficial owners of interests in a Global Note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests. For certain other restrictions on the transferability of the notes, see "—Exchange of Book-Entry Notes for Certificated Notes."

**Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.**

Payments in respect of the principal of and premium, if any, and interest on a Global Note registered in the name of DTC or its nominee will be remitted by the Trustee (or the Paying Agents if other than the Trustee) to DTC in its capacity as the registered holder under the Indenture. The Company, the Registrar, the Paying Agent and the Trustee will treat the persons in whose names the notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, none of the Company, the Registrar, the Paying Agent, the Trustee or any agent of the Company, the Registrar, the Paying Agent or the Trustee has or will have any responsibility or liability for:

- any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the Global Notes, or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or
- any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Company that its current practice is to credit the accounts of the relevant Participants with the payment on the payment date in amounts proportionate to their respective holdings in the principal amount of the relevant security as shown on the records of DTC, unless DTC has reason to believe it will not receive payment on such payment date. Payments by the Participants and the Indirect Participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee, the Registrar, the Paying Agent or the Company. None of the Company, the Registrar, the Paying Agent, the Trustee or any agent of the Company, the Registrar, the Paying Agent or the Trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the notes, and the Company, the Registrar, the Paying Agent and the Trustee and their respective agents may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Except for trades involving only Euroclear and Clearstream participants, interests in the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its Participants.

Subject to the transfer restrictions described under “Transfer Restrictions” in this offering memorandum, transfers between Participants in DTC will be effected in accordance with DTC’s procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to the transfer restrictions described under “Transfer Restrictions” in this offering memorandum, cross-market transfers between Participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC’s rules on behalf of Euroclear or Clearstream, as the case may be, by their depositaries. Cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in that system in accordance with the rules and procedures and within the established deadlines (Brussels time) of that system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositaries to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant in DTC will be credited and reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised the Company that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC’s settlement date.

DTC has advised the Company that it will take any action permitted to be taken by a holder of notes only at the direction of one or more Participants to whose account with DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given such direction.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and the procedures may be discontinued at any time. None of the Company, the Registrar, the Paying Agent or the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

The information in this section concerning DTC, Euroclear and Clearstream and their book-entry systems has been obtained from sources that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof.

#### **Exchange of Book-Entry Notes for Certificated Notes**

The Global Notes are exchangeable for certificated notes in definitive, fully registered form without interest coupons (the “Certificated Notes”) only in the following limited circumstances:

- DTC notifies the Company that it is unwilling or unable to continue as depositary for the Global Note or DTC ceases to be a clearing agency registered under the Exchange Act at a time when DTC is required to be so registered in order to act as depositary, and in each case the Company fails to appoint a successor depositary within 90 days of such notice; or
- if there shall have occurred and be continuing an Event of Default with respect to the notes and a majority of the holders of the notes so request.

In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC (in



accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Transfer Restrictions” in this offering memorandum, unless the Company determines otherwise in accordance with the Indenture and in compliance with applicable law.

### **Transfers Within and Between Global Notes**

Beneficial interests in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in the Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S.

The Trustee shall be entitled to receive such evidence as may be reasonably requested by them to establish the identity and/or signatures of the transferor and transferee.

Transfers of beneficial interests within a Global Note may be made without delivery of any written certification or other documentation from the transferor or the transferee.

Transfers of beneficial interests in the Regulation S Global Note for beneficial interests in the Rule 144A Global Note or vice versa will be effected by DTC by means of an instruction originated by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest.

## TAXATION

### Certain British Virgin Islands Tax Considerations

#### *General*

*The following is a general summary of the British Virgin Islands tax consequences as of the date hereof in relation to the acquisition, holding or disposal of notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder of notes or a prospective holder and in view of its general nature, it should be treated with corresponding caution. Holders should consult their tax advisers with regard to the tax consequences of investing in the notes.*

*Except as otherwise indicated, this summary only addresses the tax legislation as in effect on the date hereof and as interpreted in case law published on or prior to the date hereof, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.*

*Please note that this summary does not describe the British Virgin Islands tax consequences for a holder of the notes who will receive or has received the notes as employment income, deemed employment income or otherwise as compensation.*

We are not liable to pay any form of 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 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 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.

### Certain U.S. Federal Income Tax Considerations

**This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the new notes. This tax disclosure was written in connection with the promotion or marketing of the new notes by the Company, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986, as amended (the “Code”). Holders should seek their own advice based on their particular circumstances from an independent tax advisor.**

The following is a description of certain U.S. federal income tax consequences to U.S. Holders (as defined below) of acquiring, owning and disposing of new notes, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person’s decision to acquire the new notes. This discussion applies only to initial U.S. Holders that (i) purchase new notes at the “issue price,” which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the new notes is sold for money and (ii) hold these new notes as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder’s particular circumstances, including 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 new notes as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the new notes, persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar, entities classified as partnerships for U.S. federal income tax purposes, tax-exempt entities or persons holding new notes in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds the new notes, 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 new notes and partners therein should consult their tax advisors as to the particular U.S. federal income tax consequences of acquiring, owning and disposing of the new notes.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. Prospective investors should consult their tax advisors regarding the U.S. federal income tax consequences of an investment in the new notes, as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

As used herein, a “U.S. Holder” is a holder that is a beneficial owner of a new note and is, for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or (iii) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

As further described below, the rules applicable to foreign currency notes may require a holder to treat some or all of the holder’s income, gain or loss with respect to a new note as “exchange gain or loss,” which will be U.S. source ordinary income or loss. The applicable rules, which are complex, permit certain elections. U.S. Holders should consult their tax advisors regarding these rules.

*Uncertainties Regarding Tax Treatment.* Because the new notes are denominated in a currency other than the U.S. dollar, the new notes are subject to special rules under Section 988 of the Code and the Treasury regulations thereunder (the “988 regulations”). The proper application of the 988 regulations to the new notes is unclear. For purposes of applying the 988 regulations to the new notes, we believe that it is reasonable to treat the relevant Settlement Rates that we use to translate the issue price and payments on a new note into U.S. dollars (as set forth above under “Description of Notes—Principal, Maturity and Interest”) as the relevant exchange rates for determining income, gain or loss with respect to payments on, or the proceeds from the disposition of, the new notes, and the remainder of this discussion assumes that such treatment is correct. It is possible, however, that the Internal Revenue Service (“IRS”) could require a U.S. Holder to calculate income, gain or loss on the new notes using spot rates in effect on the date the new notes are issued or on a relevant payment date, as the case may be. If such rates were to apply, it is possible that the character, amount, source and timing of income, gain or loss on the new notes could differ from what is described below. U.S. Holders should consult their tax advisors regarding the proper application of the 988 regulations to the new notes.

In addition, the IRS could assert that (i) our obligation to repurchase the new notes for an amount equal to 101% of the principal amount of the new notes, plus accrued and unpaid interest to the date of repurchase, under the circumstances described above under the heading “Description of Notes—Mandatory Redemption—Mandatory Redemption upon Exercise of Call Option” or (ii) our obligation to repurchase the new notes for an amount equal to 101% of the principal amount of the new notes, plus accrued and unpaid interest to the date of repurchase, under the circumstances described above under the heading “Description of Notes—Mandatory Redemption—Change of Control” requires the new notes to be treated as “nonfunctional currency contingent payment debt instruments” under the applicable Treasury regulations. The Company intends to take the position, and the remainder of this discussion assumes, that our obligation to repurchase the new notes in these circumstances does not result in the new notes being treated as “nonfunctional currency contingent payment debt instruments.” Our determination is not, however, binding on the IRS, which could challenge this position. If such a challenge were successful, a U.S. Holder might be required to accrue income on the new notes in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of a new note.

*Pre-Issuance Accrued Interest.* A portion of a U.S. Holder's purchase price for the new notes is attributable to interest accrued prior to the date the new notes are issued (such interest, "pre-issuance accrued interest"). We believe that the portion of the first scheduled interest payment on the new notes that is attributable to pre-issuance accrued interest should be treated as a return of the pre-issuance accrued interest rather than as a payment on the new notes. Assuming this treatment is respected, (a) a U.S. Holder's tax basis in the new notes will not include amounts attributable to pre-issuance accrued interest and (b) a U.S. Holder should recognize exchange gain or loss (which will be U.S. source ordinary income or loss and will not be treated as interest income or expense) upon the return of the pre-issuance accrued interest in an amount equal to the difference between (i) the U.S. dollar value of the pre-issuance accrued interest, translated at the Settlement Rate applicable to the first scheduled interest payment, and (ii) the U.S. dollar value of the pre-issuance accrued interest, translated at the Settlement Rate applicable to the issuance of the new notes.

*Payments of Interest; Amortizable Bond Premium.* Subject to the application of the amortizable bond premium rules described below, interest received by a U.S. Holder on a new note (including any Additional Amounts, but excluding any amount attributable to pre-issuance accrued interest, the treatment of which is discussed above) will be taxed as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for U.S. federal income tax purposes.

Interest income with respect to a new note will constitute foreign source income for U.S. federal income tax purposes, which is relevant in calculating a U.S. Holder's foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to two specific classes of income. For this purpose, interest income on the new notes will constitute "passive category income" for most U.S. Holders.

A U.S. Holder generally will be considered to have purchased a new note with amortizable bond premium in an amount equal to the excess, if any, of the issue price of the new note over the principal amount of the new note (each as determined in Brazilian *reais*). A U.S. Holder generally may elect to amortize this premium over the remaining term of the new note using a constant-yield method and generally may use the amortizable bond premium allocable to an accrual period to offset stated interest required to be included in income with respect to the new note in that accrual period (in each case, as determined in Brazilian *reais*). An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by a U.S. Holder and may be revoked only with the consent of the IRS. In addition, if a U.S. Holder elects to accrue interest income on a new note with amortizable bond premium currently, that election will result in a deemed election to amortize bond premium for all of the U.S. Holder's debt instruments with amortizable bond premium.

A cash-method U.S. Holder who has not made an election to accrue interest income on a new note currently should include in income (after any reduction in interest for amortized bond premium, as described above) the U.S. dollar amount in respect of the resulting interest received. An accrual-method U.S. Holder (including, for purposes of this discussion, a cash-method U.S. Holder who elects to accrue interest income currently) will be required to include in income the U.S. dollar value of the amount of interest income that accrues with respect to a new note during an accrual period (after any reduction in interest for amortized bond premium, as described above). The U.S. dollar value of the accrued income (after reduction for any amortized bond premium) will be determined by translating the accrued income (determined in Brazilian *reais*) at the average Brazilian *real*/U.S. dollar exchange rate for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. An accrual-method U.S. Holder will recognize exchange gain or loss (which will be U.S. source ordinary income or loss and will not be treated as interest income or expense) with respect to accrued interest income on the date the interest payment (or proceeds from the sale, exchange or other disposition attributable to accrued interest) is actually received. The exchange gain or loss so recognized will equal the difference between (i) the U.S. dollar amount of the payment in respect of the accrual period (after any reduction in the payment for amortized bond premium) and (ii) the U.S. dollar value of interest income that has accrued during the accrual period (as determined above).

An accrual-method U.S. Holder may elect to translate interest income into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the appropriate rate on the date of receipt. For purposes of this election, we believe that it is reasonable to translate interest income into U.S. dollars at the Settlement Rate in effect on the relevant Rate Calculation Date. A U.S.

Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

*Exchange Gain or Loss with Respect to Amortized Bond Premium.* If a U.S. Holder elects to amortize bond premium (as described above under “— *Payments of Interest; Amortizable Bond Premium*”), exchange gain or loss is realized on amortized bond premium with respect to any accrual period in an amount which should be equal the difference between (i) the U.S. dollar value of the amount of amortized bond premium, determined based on the Settlement Rate on the applicable Rate Calculation Date, and (ii) the U.S. dollar value of the amount of amortized bond premium, determined using the Settlement Rate applicable to the issuance of the new note. Any exchange gain or loss will be ordinary income or loss. A U.S. Holder must reduce its tax basis in the new note by the U.S. dollar value of the amount of the premium amortized in any accrual period (which should be determined by reference to the Settlement Rate in effect on the relevant Rate Calculation Date).

*Sale, Retirement or Other Taxable Disposition of the New Notes.* A U.S. Holder’s tax basis in a new note will generally equal the U.S. dollar cost of such new note to the U.S. Holder (not including any amount attributable to pre-issuance accrued interest), reduced in respect of previously amortized bond premium (as described above). Upon the sale, retirement or other taxable disposition of a new note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, retirement or taxable disposition and the U.S. Holder’s tax basis in the new note. For these purposes, the amount realized does not include any amount attributable to accrued interest, which is treated as interest as described above under “— *Payments of Interest; Amortizable Bond Premium*.” The amount realized on the retirement of a new note would be the U.S. dollar amount received by the U.S. Holder upon such retirement. If a U.S. Holder receives Brazilian *reais* upon sale or other taxable disposition of a new note, the amount realized by the holder generally will be the U.S. dollar value of the Brazilian *reais* received calculated at the exchange rate in effect on the date of such sale or taxable disposition. Except to the extent of exchange gain or loss (as described below), gain or loss realized on the sale, retirement or other taxable disposition of a new note will generally be capital gain or loss, will be U.S. source for purposes of computing a U.S. Holder’s foreign tax credit limitation, and will be long-term capital gain or loss if at the time of the sale, retirement or taxable disposition the new note has been held for more than one year. The deductibility of capital losses is subject to limitations.

Exchange gain or loss upon sale, exchange or retirement of a new note will equal the difference between (i) the U.S. dollar value of (a) the U.S. Holder’s purchase price (in Brazilian *reais*) for the new note, reduced by (b) any previously amortized bond premium (in Brazilian *reais*), determined based on (A) in the case of a sale or exchange, the spot rate in effect on the date the new note is disposed of, or (B) in the case of retirement, the Settlement Rate on the applicable Rate Calculation Date and (ii) the U.S. dollar value of (x) the U.S. Holder’s purchase price (in Brazilian *reais*) for the new note reduced by (y) any previously amortized bond premium (in Brazilian *reais*), determined using the Settlement Rate applicable to the issuance of the new note. For purposes of the preceding sentence, the U.S. Holder’s purchase price does not include pre-issuance accrued interest. The exchange gain or loss (including the exchange gain or loss recognized with respect to accrued interest) will be recognized only to the extent of the total gain or loss realized by the U.S. Holder on the sale, exchange or retirement of the new note. Any exchange gain or loss generally will be U.S. source ordinary income or loss. A U.S. Holder who recognizes a loss upon a sale, exchange or retirement of a new note above certain thresholds may be required to file a disclosure statement with the IRS. U.S. Holders should consult their tax advisors regarding this reporting obligation.

*Information Reporting and Backup Withholding.* Payments of interest and proceeds from the sale of a new note 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. U.S. Holders should consult their tax advisors concerning the application of information reporting and backup withholding rules.

## PLAN OF DISTRIBUTION

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC are acting as joint bookrunners and initial purchasers for the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each initial purchaser has severally agreed to purchase, and we have agreed to sell to that initial purchaser, the principal amount of the notes offered hereby set forth opposite that initial purchaser's name.

Initial Purchasers	Principal Amount
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	R\$91,667,000
Citigroup Global Markets Inc.....	R\$91,666,000
Credit Suisse Securities (USA) LLC.....	R\$91,667,000
Total.....	<u>R\$275,000,000</u>

The purchase agreement provides that the obligations of the initial purchasers to purchase the notes are subject to approval of legal matters by counsel and to other conditions. The initial purchasers must purchase all the notes if they purchase any of the notes.

We have been advised that the initial purchasers propose to resell the notes offered hereby at the offering price set forth on the cover page of this offering memorandum inside the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States to non-U.S. persons in reliance on Regulation S. The price at which the notes are offered may be changed at any time without notice.

The notes have not been registered under the Securities Act, or the securities law of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of notes offered hereby within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

We have applied to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. We cannot assure you that the prices at which the notes offered hereby will sell in the market after this offering will not be lower than the offering price or that an active trading market for the notes will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the notes offered hereby. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you as to the liquidity of or the trading market for the notes offered hereby.

In connection with the offering, the initial purchasers may purchase and sell notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, and stabilizing purchases. Short sales involve secondary market sales by the initial purchasers of a greater number of notes than they are required to purchase in the offering. Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions involve bids to purchase notes. Any of these transactions may have the effect of preventing or retarding a decline in the market price of the notes. These transactions may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

Certain of the initial purchasers and/or their affiliates may enter into derivative transactions with clients, at their request, in connection with the notes and such initial purchasers and/or their affiliates may also purchase some of the notes to hedge their risk exposure in connection with such transactions. Also, such initial purchasers and/or their

affiliates may acquire the notes for their own proprietary account. Such acquisitions may have an effect on demand and the price of the offering.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates have a lending relationship with us, certain of such initial purchasers routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The initial purchasers have performed commercial banking, investment banking and advisory services for us and our affiliates from time to time for which they have received customary fees and reimbursement of expenses. The initial purchasers may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

#### **Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) no offer of notes may be made to the public in that Relevant Member State other than:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the initial purchasers; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require the Company or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

This offering memorandum has been prepared on the basis that any offer of notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of notes. Accordingly any person making or intending to make an offer in that Relevant Member State of notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Company or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for the Company or the initial purchasers to publish a prospectus for such offer.

For the purpose of the above provisions, the expression “an offer to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the

terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **Notice to Prospective Investors in France**

Neither this offering memorandum nor any other offering material relating to the notes described in this offering memorandum has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this offering memorandum nor any other offering material relating to the notes has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the notes to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code *monétaire et financier*;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1<sup>0</sup>-or-2<sup>0</sup>-or 3<sup>0</sup> of the French Code *monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The notes may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code *monétaire et financier*.

### **Notice to Prospective Investors in Italy**

The offering of the notes has not been cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa*, or the CONSOB) pursuant to Italian securities legislation and, accordingly, the notes may not and will not be offered, sold or delivered, nor may or will copies of this offering memorandum or any other documents relating to the notes or the offer be distributed in Italy other than to professional investors (*operatori qualificati*), as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of July 1, 1998, as amended, or Regulation No. 11522, or in other circumstances where an exemption from the rules governing solicitations to the public at large applies in accordance with Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended, or the Italian Financial Law, and Article 33 of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Any offer, sale or delivery of the notes or distribution of copies of this offering memorandum or any other document relating to the notes or the offer in Italy may and will be effected in accordance with all Italian securities, tax, exchange control, and other applicable laws and regulations, and in particular, will be:

- made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 385 of September 1, 1993, as amended, or the Italian Banking Law, the Italian Financial Law, Regulation No. 11522, and any other applicable laws and regulations;



- in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and
- in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing the notes in the offer is solely responsible for ensuring that any offer or resale of notes it purchased in the offer occurs in compliance with applicable laws and regulations. This offering memorandum and the information contained, or incorporated by reference, herein are intended only for the use of its recipient and are not to be distributed to any third party residing in or located in Italy for any reason. No person residing in or located in Italy other than the original recipients of this document may rely on it or its content.

In addition to the above (which shall continue to apply to the extent not inconsistent with the implementing measures of the Prospective Directive in Italy), after the implementation of the Prospectus Directive in Italy, the restrictions, warranties and representations set out under the heading “—Notice to Prospective Investors in the European Economic Area” above shall apply to Italy.

#### **Notice to Prospective Investors in the United Kingdom**

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

#### **Notice to Prospective Investors in Ireland**

The notes will not and may not be offered, sold, transferred or delivered, whether directly or indirectly, otherwise than in circumstances which do not constitute an offer to the public within the meaning of the Irish Companies Act, 1963-2006, and the notes will not and may not be the subject of an offer in Ireland which would require the publication of a prospectus pursuant to Article 3 of Directive 2003/71/EC.

#### **Notice to Prospective Investors in Switzerland**

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

#### **Notice to Prospective Investors in Chile**

The Company and the notes are not registered in the securities registry maintained by the Superintendencia de Valores y Seguros de Chile (Chilean Securities and Insurance Superintendency or “SVS”) pursuant to the Securities Market Law of Chile, as amended, nor subject to the oversight of the SVS.

#### **Notice to Prospective Investors in Hong Kong**

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (cap.32, laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (cap.571, laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a

“prospectus” within the meaning of the Companies Ordinance (cap.32, laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the securities and futures ordinance (cap. 571, laws of Hong Kong) and any rules made thereunder.

#### **Notice to Prospective Investors in Singapore**

This offering memorandum has not been registered as such or as a prospectus with the monetary authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the Securities and Futures Act, chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to section 275(1a), and in accordance with the conditions, specified in section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

#### **Notice to Prospective Investors in the British Virgin Islands**

The bonds may not be offered or sold in the British Virgin Islands, except in circumstances that do not constitute a public offering or distribution to the public under the laws and regulations of the British Virgin Islands.

#### **Notice to Prospective Investors in the Netherlands**

In the Netherlands, this offering memorandum may only be directed or distributed to, and the notes may only be offered or sold to, qualified investors (*gekwalificeerde beleggers*) within the meaning of article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

## 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 Mexico. As a result, it may not be possible for investors to effect service of process outside Argentina, Brazil and Mexico upon such directors or officers, or to enforce against us or such parties in courts outside Argentina, Brazil and Mexico judgments predicated solely upon the civil liability provisions of the federal securities laws of the United States or other non-Argentine, Brazilian or Mexican regulations, as applicable. In addition, local counsel to the Company have advised that there is doubt as to whether the courts of Brazil, Mexico or Argentina 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 Mexican court, an original action predicated solely upon the civil liability provisions of the U.S. federal securities laws or other non-Argentine, Brazilian or Mexican regulations, as applicable; and that the enforceability in Argentine, Brazilian or Mexican courts of judgments of U.S. courts or non-Argentine, Brazilian or Mexican courts predicated upon the civil liability provisions of the U.S. federal securities laws or other non-Argentine, Brazilian or Mexican regulations, as applicable, will be subject to compliance with certain requirements under Argentine, Brazilian or Mexican law, including the condition that any such judgment does not violate Argentine, Brazilian or Mexican 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.

## **TRANSFER RESTRICTIONS**

The notes have not been registered under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

### **Purchasers' Representations and Restrictions on Resale and Transfer**

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not resell or otherwise transfer any of such notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to the exemption from registration (if available) or (e) pursuant to an effective registration statement under the Securities Act;

(5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

(6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(7) it acknowledges that the trustee, registrar or transfer agent for the notes will not be required to accept for registration transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with;

(8) it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers; and

(9) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

## Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

**“This Note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws. The holder hereof, by purchasing this Note, agrees for the benefit of Arcos Dorados Holdings Inc. (the “Company”) that this Note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the Company, (2) so long as this Note is eligible for resale pursuant to Rule 144A under the Securities Act (“Rule 144A”), to a person who the seller reasonably believes is a “qualified institutional buyer” (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this Note, represents and agrees that it shall notify any purchaser of this Note from it of the resale restrictions referred to above.**

**The foregoing legend may be removed from this Note only at the option of the Company.”**

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

**“This Note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws. The holder hereof, by purchasing this Note, agrees that neither this Note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration and in accordance with any applicable securities laws of any other applicable jurisdiction.**

**The foregoing legend may be removed from this Note after 40 days beginning on and including the later of (a) the date on which the Notes are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the original issue date of the Notes.”**

## Other Jurisdictions

The distribution of this offering memorandum and the offer and sale or resale of the notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by us and the initial purchasers to inform themselves about and to observe any such restrictions.

## LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance and settlement through DTC, Euroclear and Clearstream. The notes offered hereby and the existing notes will share the same CUSIP and ISIN numbers and common codes and be fungible, except that the notes offered hereby that are offered and sold in offshore transactions under Regulation S shall be issued and maintained under a temporary CUSIP number during a 40 day distribution compliance period. The temporary CUSIP, CUSIP, temporary ISIN and ISIN numbers and the common code for the notes are as follows:

	<u>Restricted Global Note</u>	<u>Regulation S Global Note</u>
Temporary CUSIP .....	N/A	G0457F AB3
CUSIP .....	03965U AA8	G0457F AA5
Temporary ISIN.....	N/A	USG0457FAB34
ISIN .....	US03965UAA88	USG0457FAA50
Temporary Common Code .....	N/A	077676767
Common Code.....	064956639	064957139

2. Copies of our audited consolidated annual financial statements at and for the years ended December 31, 2011, 2010 and December 31, 2009, our future audited consolidated annual financial statements, and our future unaudited consolidated quarterly financial statements, if any, and copies of our memorandum and articles of association and of the bylaws of the subsidiary guarantors, as well as the indenture (including forms of notes and the guarantees), will be available free of charge at the offices of the principal paying agent and any other paying agent, including the Luxembourg listing agent.

3. Except as disclosed in this offering memorandum, or in our annual report on Form 20-F incorporated by reference herein, there has been no material adverse change in our financial position since December 31, 2011, the date of our latest financial statements incorporated by reference in this offering memorandum.

4. Except as disclosed in this offering memorandum, or in our annual report on Form 20-F incorporated by reference herein, we are not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as we are aware is any such litigation or arbitration threatened.

5. The current registered office of each of the subsidiary guarantors is as follows: (i) Arcos Dorados B.V.: Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands; (ii) Arcos Dorados Argentina S.A.: Santa Fe Avenue 1193, 3rd Floor, Buenos Aires, Argentina; (iii) Arcos Dourados Comércio de Alimentos Ltda.: Alameda Amazonas 253, Alphaville Industrial, Barueri, São Paulo, Brazil; (iv) Arcos Dourados Restaurantes Ltda.: Alameda Amazonas, 113, 1er piso, Alphaville Industrial, Barueri, São Paulo, Brazil; (v) Arcos SerCal Inmobiliaria, S. de R.L. de C.V.: Antonio Dovali Jaime 75, Piso 3, Col Lomas de Santa Fe, México D.F., México; (vi) Centro Especializado de Negocios Internacionales, S. de R.L. de C.V.: Carretera Cancún Aeropuerto KM 17, Bodega 77 SC, Cancún, Mexico; (vii) Arcos SerCal Servicios, S.A. de C.V.: Antonio Dovali Jaime 75, Piso 3, Col Lomas de Santa Fe, México D.F., México; (viii) Arcos Dorados Puerto Rico, Inc.: The Prentice Hall Corporation Systems of Puerto Rico, Inc., c/o FGR Corporate Services, Inc., BBV Tower, 8th Floor, 254 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918; and (ix) Golden Arch Development Corporation: 2711 Centerville Road, Suite 400, Wilmington, DE 19808, United States.

6. All of the guarantors are in the business of operating and franchising fast food restaurants.

7. All of the guarantors are indirectly controlled subsidiaries. We hold 99.999% of Arcos Dorados Cöoperatieve U.A., which directly or indirectly wholly owns the subsidiary guarantors except for Arcos Dorados Argentina S.A., of which Mr. Staton owns 0.003%. We own, directly or indirectly, at least 95% of all of the subsidiary guarantors. For a detailed description of our participations in each guarantor, see “Summary—Our Corporate Structure.”

8. We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trade the notes on the Euro MTF Market. We will comply with any undertakings assumed or undertaken by us from time to time to the Luxembourg Stock Exchange in connection with the notes, and we will furnish to them all such information as the rules of the Luxembourg Stock Exchange may require in connection with the listing of the notes.

9. The issuance of the notes was authorized by our Board of Directors on March 1, 2012. The guarantees were authorized (i) by Arcos Dorados B.V.'s Board of Directors and Shareholders' Meeting on July 8, 2011; (ii) by Arcos Dorados Argentina S.A.'s Board of Directors on June 20, 2011 and Shareholders' Meeting on July 7, 2011; (iii) by Arcos Dourados Comércio de Alimentos Ltda.'s Shareholders' Meeting on June 27, 2011; (iv) by Arcos Dourados Restaurantes Ltda.'s Shareholders Meeting on June 27, 2011; (v) by Arcos SerCal Inmobiliaria, S. de R.L. de C.V.'s Board of Directors on July 7, 2011; (vi) by Centro Especializado de Negocios Internacionales, S. de R.L. de C.V.'s Board of Directors and Shareholders' Meeting on July 7, 2011; (vii) by Arcos SerCal Servicios, S.A. de C.V.'s Board of Directors on July 7, 2011; (viii) by Arcos Dorados Puerto Rico, Inc.'s Board of Directors on July, 2011; and (ix) by Golden Arch Development Corporation's Board of Directors on July 5, 2011.

## **WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the informational requirements of 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](http://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 are not 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.

## **INCORPORATION BY REFERENCE**

We incorporate herein by reference our annual report on Form 20-F for the year ended December 31, 2011, which was filed with the SEC on April 18, 2012 and our quarterly report on 6-K for the fiscal quarter ended March 31, 2012, which was furnished with the SEC on May 4, 2012. See “Annex A.” The annual and quarterly reports are available on the SEC website (<http://www.sec.gov>) and on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>). All information contained in this offering memorandum is qualified in its entirety by the information, including the notes thereto, contained in the Form 20-F.

You may obtain a copy of the Form 20-F and Form 6-K at no cost by writing or calling us at the following address:

Arcos Dorados Holdings Inc.  
Roque Saenz Peña 432  
Olivos, Buenos Aires B1636FFB  
Argentina  
Telephone +54(11) 4711-2000



## **VALIDITY OF NOTES**

Certain legal matters will be passed upon for us by Davis Polk & Wardwell LLP, New York, New York and by Maples and Calder, Tortola, British Virgin Islands. Certain legal matters relating to the issuance of the notes will be passed upon for the initial purchasers by Milbank, Tweed, Hadley & McCloy LLP, New York, New York and by Walkers, Tortola, British Virgin Islands.

#### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The financial information from our annual report on Form 20-F incorporated by reference in this offering memorandum includes our consolidated financial statements at December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009, prepared in accordance with U.S. GAAP, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, independent registered public accounting firm, as stated in their report incorporated by reference in this offering memorandum.

**ANNEX A**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR**

**15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of May, 2012

---

Commission File Number: 001-35129

**Arcos Dorados Holdings Inc.**

**(Exact name of registrant as specified in its charter)**

**Roque Saenz Peña 432**

**B1636FFB Olivos, Buenos Aires, Argentina**

**(Address of principal executive office)**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes  No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes  No

**ARCOS DORADOS HOLDINGS INC.**

## **TABLE OF CONTENTS**

### **ITEM**

1. Press Release dated May 4, 2012 entitled “Arcos Dorados Reports First Quarter 2012 Financial Results”
2. Consolidated Financial Statements for the three-month period ended on March 31, 2012 and 2011 (unaudited) with the respective notes.

**FOR IMMEDIATE RELEASE**

**ARCOS DORADOS REPORTS FIRST QUARTER 2012**

**FINANCIAL RESULTS**

**Strong comparable sales growth and execution in dynamic environment**

Buenos Aires, Argentina, May 4, 2012 – Arcos Dorados Holdings Inc. (NYSE: ARCO) (“Arcos Dorados” or the “Company”), Latin America’s largest restaurant chain and the world’s largest McDonald’s franchisee, today reported unaudited results for the first quarter ended March 31, 2012.

**First Quarter 2012 Highlights**

- Revenues increased by 11.5% year-over-year, or by 16.6% on a constant currency basis, to US\$ 921.6 million, with continued strong contribution from Company-operated and franchised locations across the region
- Systemwide comparable sales increased by 11.6% year-over-year
- 86 net additions of restaurants during the last 12 months, with an accelerated year-over-year pace in openings
- Adjusted EBITDA<sup>1</sup> increased by 8.0% year-over-year, or by 12.2% on a constant currency basis, to US\$ 78.1 million
- Net income amounted to US\$ 25.4 million, a 28.4% decrease compared to one year ago

“Arcos Dorados’ first quarter performance was in line with our expectations and is emblematic of our ability to consistently grow sales and produce solid operating profits,” said Woods Staton, Chairman and CEO of Arcos Dorados. “Our unique positioning as one of the world’s most dominant brands in relatively underserved markets provides us with significant growth opportunities, as well as important resilience to country-specific fluctuations in consumption.”

“We continue to strategically build out our regional footprint in order to take full advantage of rapid population growth and an emerging middle class in our targeted markets, while working to increase profitability through additional operating efficiencies. As a result, we are confident in our ability to continue to grow our business and expect second half 2012 performance to outpace that of the first.”

**First Quarter of 2012 Results**

Arcos Dorados’ first quarter revenues increased by 11.5% to US\$ 921.6 million. On a constant currency basis, revenue growth was 16.6%. The increase was driven by systemwide comparable sales growth of 11.6% and the net addition of 86 restaurants during the last 12-month period.

Systemwide comparable sales growth of 11.6% was primarily a reflection of average check growth when compared to one year ago.

Brazil revenue growth of 4.6% was in line with the Company’s expectations and reflected slower overall consumption levels across the country in the early part of the year, with systemwide comparable sales growth of 5.5% in the quarter. NOLAD’s (Mexico, Panama and Costa Rica) revenues gained by 8.8% year-over-year, with a systemwide comparable sales increase of 6.8%, due primarily to increased traffic. SLAD’s (Argentina, Venezuela, Colombia, Chile, Perú, Ecuador, and Uruguay) revenues grew by 26.4% compared to the first quarter of 2011, mainly driven by a 27.9% increase in systemwide comparable sales. This increase in comparable sales reflected

strong average ticket and guest count growth in most countries in the division. The Caribbean division (Puerto Rico, Martinique, Guadeloupe, Aruba, Curaçao, French Guiana, Trinidad & Tobago, US Virgin Islands of St. Thomas and St. Croix) reported revenue growth of 3.2% compared to the first quarter of 2011. This included a strong contribution from the newly added territory of Trinidad & Tobago, combined with an increase in systemwide comparable sales of 2.3%, despite weak economic growth in this region.

Adjusted EBITDA1 for the first quarter of 2012 was US\$ 78.1 million, an 8.0% increase over the same period of 2011 (or 12.2% on a constant currency basis). The increase in Adjusted EBITDA1 was mainly driven by revenue growth and reductions in Food & Paper costs as a percentage of sales. These improvements were partially offset by (i) higher payroll expenses mainly related to the mandatory yearly increase in minimum wages in Brazil, which exceeded increases in average check over the same period; (ii) higher royalty expenses in Brazil related to the recognition of tax on royalty payments (CIDE), as explained in last quarter's release, which was not recorded in first quarter 2011, and which was partially offset by lower royalty fees in the SLAD division due to temporary royalty relief agreed with McDonald's Corporation for Venezuela; and (iii) higher G&A expenses, including increased payroll resulting mainly from the impact of inflation significantly above currency devaluation in Argentina (where the majority of corporate headcount is located) as well as headcount increases consistent with regional growth opportunities; and (iv) increased professional services related primarily to information system upgrades, reflecting the expanded regional needs and intended to strengthen the systems for expansion. Additionally, share-based compensation related to ongoing CAD and EIP grant, which is included within G&A expenses, amounted to a benefit of US\$ 1.3 million in 2012 compared to a charge of US\$ 3.3 million in 2011. The benefit recognized in 2012 includes the effect of remeasuring the liability of the CAD program as a result of the decrease in the quoted market price of the Company's shares, generating a gain in 1Q12 of US\$6.0 million.

The Adjusted EBITDA1 margin as a percentage of total revenues was 8.5% for the quarter, down less than 30 basis points from the first quarter of 2011. The result demonstrates the Company's profitability in spite of modest economic expansion in the Caribbean and a delayed pick-up in overall consumption in Brazil

Despite the increase in Adjusted EBITDA1, operating income decreased mainly due to higher depreciation expense, as the Company has increased its capital expenditures, and lower gains from the sale of property and equipment.

During the quarter, the Company strengthened its brand position in all markets by providing attractive menu offerings that include core McDonald's products, as well as customized options that reflect local tastes and customer needs. The Company also maintained the highest customer service levels in the worldwide McDonald's system and is executing its ambitious restaurant opening and reimagining program to take advantage of favorable demographic trends.

Net income attributable to the Company was US\$ 25.4 million in the first quarter of 2012, in comparison to US\$ 35.5 million in the same period of 2011, and this decrease is mainly explained by lower operating results, higher foreign exchange losses, along with higher tax charges, which were partly offset by lower cost of funding.

Non-operating results deteriorated mainly as a result of a net charge of US\$ 3.9 million in the first quarter of 2012 from a loss in foreign currency exchange results, mainly relating to cash remittances from the Venezuela operation at a weighted average exchange rate above the official exchange rate resulting in a charge of US\$ 6.6 million, which was partly offset by the positive impact of currency movements on intercompany loans.

Non-operating charges were partially offset by lower overall financing costs (including derivatives) mainly due to a "debt restructuring" in July, 2011. This restructuring included the settlement of the majority of the Company's derivative instruments and the issuance of a BRL bond, resulting in an increase in interest expenses that was more than offset by reduction in losses from derivative instruments in the quarter.

Income tax expense for the period totaled US\$ 12.1 million, resulting in an effective tax rate of 32.3% for the quarter.

The Company reported basic earnings per share (EPS) of US\$ 0.12 in the first quarter of 2012, compared to US\$ 0.15 in the previous corresponding period. The variation was a result of lower net income partly offset by a

lower weighted-average number of outstanding shares (please refer to Axis Split-off and IPO explanations in previous releases for more detail).

### **Balance Sheet & Cash Flow Highlights**

Cash and cash equivalents were US\$ 144.3 million at March 31, 2012. The Company's total financial debt (including derivative instruments) was US\$ 540.1 million, which included US\$ 306.6 million corresponding to the accounting balance of the 2019 USD Notes and R\$ 400 million (equivalent to US\$ 219.6 million) related to the BRL 2016 Notes issued in July, 2011. Net debt (total financial debt less cash and cash equivalents) was US\$ 395.9 million and the Net Debt/Adjusted EBITDA1 ratio was 1.1 at March 31, 2012. Cash generated from operating activities was US\$ 7.5 million in the first quarter of 2012. During the quarter, capital expenditures amounted to US\$ 40.6 million.

### **Quarter Highlights & Recent Developments**

#### *Annual General Shareholders' Meeting*

On April 9, 2012, the Company held its Annual Shareholders' Meeting, where all matters were approved.

#### *Dividend*

On April 20, 2012, the Company's Board determined a cash payment of US\$ 50.0 million for 2012, through four equal installments. The first of which amounts to a cash dividend of US\$ 12.5 million or US\$ 0.0597 per share on outstanding Class A and Class B shares to be paid on May 4, 2012, to shareholders of record at May 2, 2012. Subsequent payment dates are to be determined by the Board of Directors.

#### *Debt Restructuring*

On April 19, 2012, the Company re-opened its existing 10.25% Brazilian-real denominated notes issue due 2016 for a notional amount of R\$275 million (equivalent to approximately US\$ 146 million). The notes sold in the offering were issued at a price to the public of 102.529% plus accrued interest for the period from and including January 13, 2012 up to but excluding April 24, 2012. The notes were offered in a private placement to qualified institutional buyers in accordance with Rule 144A. (For additional information please refer to related 6k filing).

On April 24, 2012, the Company settled the coupon-only cross-currency interest rate swap agreements (bond swaps) before its maturity paying \$3.0 million. On the same date, the Company entered into a reverse cross-currency swap for R\$ 70 million agreement to hedge the cash flows of a portion of the 2016 notes issued. With this, the Company has significantly reduced the impact of Real currency volatility over its capital structure (including intercompany loans) in the income statement.

### **Investor Relations Contact**

Sofia Chellew  
Arcos Dorados - Director, Investor Relations  
sofia.chellew@ar.mcd.com  
(+5411) 4711-2515  
www.arcosdorados.com

### **Definitions:**

Systemwide comparable sales growth refers to the change, measured in constant currency, in our Company-operated and franchised restaurant sales in one period from a comparable period for restaurants that have been open for thirteen months or longer. 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.



Constant currency basis refers to amounts calculated using the same exchange rate over the periods under comparison to remove the effects of currency fluctuations from this trend analysis.

### About Arcos Dorados

Arcos Dorados is the world's largest McDonald's franchisee in terms of systemwide sales and number of restaurants, operating the largest quick service restaurant ("QSR") chain in Latin America and the Caribbean. It has the exclusive right to own, operate and grant franchises of McDonald's restaurants in 20 Latin American and Caribbean countries and territories, including Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curaçao, Ecuador, French Guyana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, St. Croix, St. Thomas, Trinidad & Tobago, Uruguay and Venezuela. The Company operates or franchises 1,840 McDonald's-branded restaurants with over 90,000 employees serving approximately 4.3 million customers a day, as of December 2011. Recognized as one of the best companies to work for in Latin America, Arcos Dorados is traded on the New York Stock Exchange (NYSE: ARCO). To learn more about the Company, please visit the Investors section of our website: [www.arcosdorados.com](http://www.arcosdorados.com)

### Cautionary Statement on Forward-Looking Statements

This press release contains forward-looking statements. The forward-looking statements contained herein include statements about the Company's business prospects, its ability to attract customers, its affordable platform, its expectation for revenue generation and its outlook for 2012. These statements are subject to the general risks inherent in Arcos Dorados' business. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. In addition, Arcos Dorados' business and operations involve numerous risks and uncertainties, many of which are beyond the control of Arcos Dorados, which could result in Arcos Dorados' expectations not being realized or otherwise materially affect the financial condition, results of operations and cash flows of Arcos Dorados. Additional information relating to the uncertainties affecting Arcos Dorados' business is contained in its filings with the Securities and Exchange Commission. The forward-looking statements are made only as of the date hereof, and Arcos Dorados does not undertake any obligation to (and expressly disclaims any obligation to) update any forward-looking statements to reflect events or circumstances after the date such statements were made, or to reflect the occurrence of unanticipated events.

### Use of Non-GAAP Financial Measures(1)

In addition to financial measures prepared in accordance with the general accepted accounting principles (GAAP), within this press release and the accompanying tables, we use 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 chief executive officer, 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, and impairment of long-lived assets and goodwill, and stock-based compensation and bonuses incurred in connection with the Company's initial public listing.

	<b>For Three Months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Revenues		
Sales by Company-operated restaurants .....	882,839	791,352
Revenues from franchised restaurants .....	38,759	35,305
<b>Total Revenues</b> .....	<b>921,598</b>	<b>826,657</b>
Operating Costs And Expenses		
Company-operated restaurant expenses:		
Food and paper .....	(304,660)	(277,834)
Payroll and employee benefits .....	(187,303)	(159,915)

	<b>For Three Months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Occupancy and other operating expenses.....	(236,999)	(211,352)
Royalty fees.....	(43,993)	(38,471)
Franchised restaurants - occupancy expenses.....	(14,104)	(12,420)
General and administrative expenses.....	(77,629)	(68,747)
Other operating (expenses) income, net.....	(1,694)	2,663
<b>Total operating costs and expenses</b> .....	<b>(866,382)</b>	<b>(766,076)</b>
<b>Operating income</b> .....	<b>55,216</b>	<b>60,581</b>
Net interest expense.....	(11,979)	(9,784)
Loss from derivative instruments.....	(1,163)	(4,327)
Foreign currency exchange results.....	(3,887)	(241)
Other non-operating expenses, net.....	(553)	(438)
Income before income taxes.....	<b>37,634</b>	<b>45,791</b>
Income tax expense.....	(12,146)	(10,192)
<b>Net income</b> .....	<b>25,488</b>	<b>35,599</b>
Less: Net income attributable to non-controlling interests.....	(93)	(109)
<b>Net income attributable to Arcos Dorados Holdings Inc.</b> .....	<b>25,395</b>	<b>35,490</b>
Earnings per share information (\$ per share):		
Basic net income per common share attributable to Arcos Dorados Holdings Inc. ....	\$ 0.12	\$ 0.15
Weighted-average number of common shares outstanding-Basic.....	209,529,412	234,902,472
<b>Adjusted EBITDA Reconciliation</b>		
Operating income.....	55,216	60,581
Depreciation and amortization.....	20,129	15,125
Other operating items excluded from EBITDA computation.....	2,735	(3,381)
<b>Adjusted EBITDA</b> .....	<b>78,080</b>	<b>72,325</b>
<b>Adjusted EBITDA Margin as % of total revenues</b> .....	<b>8.5%</b>	<b>8.7%</b>

### First Quarter 2012 Consolidated Results (Unaudited)

(In thousands of U.S. dollars, except per share data)

	<b>Three Months ended</b>		<b>% Incr./</b>	<b>Constant</b>
	<b>March 31,</b>			<b>Curr.</b>
	<b>2012</b>	<b>2011</b>		<b>Incr/(Decr.)</b>
				<b>%</b>
<b>Revenues</b>				
Brazil.....	449,969	430,127	5%	11%
Caribbean.....	66,625	64,573	3%	5%
NOLAD.....	89,443	82,233	9%	14%
SLAD.....	315,561	249,724	26%	30%
<b>TOTAL</b> .....	<b>921,598</b>	<b>826,657</b>	<b>11%</b>	<b>17%</b>
<b>Operating Income</b>				
Brazil.....	50,496	59,795	-16%	-10%
Caribbean.....	(3,125)	354	-983%	-971%
NOLAD.....	(3,560)	(3,774)	6%	-6%
SLAD.....	26,131	16,327	60%	66%
Corporate and Other.....	(14,726)	(12,121)	-21%	-37%
<b>TOTAL</b> .....	<b>55,216</b>	<b>60,581</b>	<b>-9%</b>	<b>-6%</b>
<b>Adjusted EBITDA</b>				

	Three Months ended		% Incr./	Constant
	March 31,			Curr.
	2012	2011	%	Incr/(Decr.)
Brazil .....	62,310	66,492	-6%	-1%
Caribbean.....	1,079	3,208	-66%	-64%
NOLAD .....	3,069	2,985	3%	1%
SLAD.....	32,372	19,365	67%	73%
Corporate and Other .....	(20,750)	(19,725)	-5%	-14%
<b>TOTAL</b>	<b>78,080</b>	<b>72,325</b>	<b>8%</b>	<b>12%</b>

Total Restaurants (eop) & Systemwide Comparable Sales Growth

	Total Restaurants *	Comp. Sales
		1Q12 vs. 1Q11 (%)
Brazil .....	666	5.5%
Caribbean.....	139	2.3%
NOLAD .....	490	6.8%
SLAD.....	548	27.9%
<b>TOTAL</b> .....	<b>1,843</b>	<b>11.6%</b>

\* Considers company-operated and franchised restaurants at period-end

Foreign Exchange rate (eop)	Brazil	Mexico	Argentina
Local \$ per 1 US\$			
1Q12 .....	R\$1.82	\$12.9	A\$4.38
1Q11 .....	R\$1.63	\$12.0	A\$4.1

**Summarized Consolidated Balance Sheet**

(In thousands of U.S. dollars)

	As of March 31, 2012 (Unaudited)	As of, December 31, 2011
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents .....	144,252	176,301
Accounts and notes receivable, net.....	83,665	93,862
Other current assets (1).....	321,178	318,451
<b>Total current assets</b> .....	<b>549,095</b>	<b>588,614</b>
<b>Non-current assets</b>		
Property and equipment, net.....	1,069,903	1,023,180
Net intangible assets and goodwill .....	58,733	58,419
Deferred income taxes .....	146,232	142,848
Other non-current assets (2).....	66,261	62,345
<b>Total non-current assets</b> .....	<b>1,341,129</b>	<b>1,286,792</b>

	As of March 31, 2012 (Unaudited)	As of, December 31, 2011
Total assets .....	<b>1,890,224</b>	<b>1,875,406</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable.....	147,712	184,113
Taxes payable (3).....	137,009	138,989
Accrued payroll and other liabilities.....	191,747	183,549
Other current liabilities (4) .....	32,178	35,030
Provision for contingencies .....	43,011	41,959
Financial debt (5).....	6,713	5,652
<b>Total current liabilities</b>	<b>558,370</b>	<b>589,292</b>
<b>Non-current liabilities</b>		
Accrued payroll and other liabilities.....	44,846	52,065
Provision for contingencies .....	18,100	23,077
Financial debt (5).....	533,403	526,693
Deferred income taxes .....	5,611	4,650
Total non-current liabilities .....	<b>601,960</b>	<b>606,485</b>
Total liabilities .....	<b>1,160,330</b>	<b>1,195,777</b>
<b>Equity</b>		
Class A shares of common stock .....	351,654	351,654
Class B shares of common stock .....	132,915	132,915
Additional paid-in capital .....	8,594	5,734
Retained earnings .....	362,102	336,707
Accumulated other comprehensive loss .....	(126,520)	(148,389)
<b>Total Arcos Dorados Holdings Inc shareholders' equity</b>	<b>728,745</b>	<b>678,621</b>
Non-controlling interest in subsidiaries .....	1,149	1,008
<b>Total Equity</b> .....	<b>729,894</b>	<b>679,629</b>
<b>Total liabilities and Equity</b> .....	<b>1,890,224</b>	<b>1,875,406</b>

- (1) Includes "Other receivables", "Inventories", "Prepaid expenses and other current assets", "Deferred income taxes" and "McDonald's Corporation's indemnification for contingencies"
- (2) Includes "Miscellaneous", "Collateral deposits" and "McDonald's Corporation' indemnification for contingencies"
- (3) Includes "Income taxes payable" and "Other taxes payable".
- (4) Includes "Royalties payable to McDonald's Corporation" and "Interest payable".
- (5) Includes "Short-term debt", "Long-term debt" and "Derivative instruments"

### Consolidated Financial Ratios

(In thousands of U.S. dollars, except ratios)

	As of March 31, 2012 (Unaudited)	As of December 31, 2011
Cash & cash equivalents.....	144,252	176,301
Total Financial Debt (i) .....	540,116	532,345
Net Financial Debt (ii).....	395,864	356,044

	<b>As of March 31, 2012 (Unaudited)</b>	<b>As of December 31, 2011</b>
Total Financial Debt / LTM Adjusted EBITDA ratio.....	1.6	1.6
Net Financial Debt / LTM Adjusted EBITDA ratio .....	1.1	1.0

- 
- (i) Total financial debt includes short-term debt, long-term debt and derivative instruments
  - (ii) Total financial debt less cash and cash equivalents

**Arcos Dorados Holdings Inc.**

**Condensed Consolidated Financial Statements**

As of and for the three-month periods ended  
March 31, 2012 and 2011 (Unaudited)

**Arcos Dorados Holdings Inc.**

**Consolidated Statements of Income**

For the three-month periods ended March 31, 2012 and 2011 (Unaudited)

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

	2012	2011
Revenues		
Sales by Company-operated restaurants .....	882,839	\$791,352
Revenues from franchised restaurants .....	38,759	35,305
<b>Total revenues</b> .....	<b>921,598</b>	<b>826,657</b>
Operating Costs And Expenses		
Company-operated restaurant expenses		
Food and paper .....	(304,660)	(277,834)
Payroll and employee benefits .....	(187,303)	(159,915)
Occupancy and other operating expenses .....	(236,999)	(211,352)
Royalty fees .....	(43,993)	(38,471)
Franchised restaurants – occupancy expenses .....	(14,104)	(12,420)
General and administrative expenses .....	(77,629)	(68,747)
Other operating (expenses) income, net .....	(1,694)	2,663
<b>Total operating costs and expenses</b> .....	<b>(866,382)</b>	<b>(766,076)</b>
<b>Operating income</b> .....	<b>55,216</b>	<b>0,581</b>
Net interest expense .....	(11,979)	9,784
Loss from derivative instruments .....	(1,163)	(4,327)
Foreign currency exchange results .....	(3,887)	(241)
Other non-operating expenses, net .....	(553)	(438)
Income before income taxes .....	<b>37,634</b>	<b>45,791</b>
Income tax expense .....	(12,146)	(10,192)
Net income .....	<b>25,488</b>	<b>35,599</b>
Less: Net income attributable to non-controlling interests .....	(93)	(109)
<b>Net income attributable to Arcos Dorados Holdings Inc.</b> .....	<b>\$25,395</b>	<b>\$35,490</b>
<b>Earnings per share information:</b>		
Basic net income per common share attributable to Arcos Dorados Holdings Inc. ....	\$0.12	\$0.15
Diluted net income per common share attributable to Arcos Dorados Holdings Inc. ....	\$0.12	\$0.15

See Notes to the Condensed Consolidated Financial Statements.

**Arcos Dorados Holdings Inc.**

**Consolidated Statements of Comprehensive Income**

For the three-month periods ended March 31, 2012 and 2011 (Unaudited)

Amounts in thousands of US dollars

	2012	2011
<b>Net income</b>	<b>\$ 25,488</b>	<b>\$ 35,599</b>
<b>Other comprehensive income, net of tax:</b>		
Foreign currency translation (net of \$nil of income taxes) .....	22,291	11,382
Unrealized results on cash flow hedges:		
Unrealized net (losses) gains on cash flow hedges (net of \$nil of income taxes) .....	(622)	202
Plus: reclassification adjustment for net losses included in net income (net of \$nil of income taxes) .....	248	164
Unrealized results on cash flow hedges .....	(374)	366
<b>Total other comprehensive income</b> .....	<b>21,917</b>	<b>11,748</b>
<b>Comprehensive income</b> .....	<b>47,405</b>	<b>47,347</b>
Less: Comprehensive income attributable to non-controlling interests .....	(141)	(83)
<b>Comprehensive income attributable to Arcos Dorados Holdings Inc.</b> .....	<b>\$ 47,264</b>	<b>\$ 47,264</b>

See Notes to the Condensed Consolidated Financial Statements.



**Arcos Dorados Holdings Inc.**

**Consolidated Balance Sheets**

As of March 31, 2012 and December 31, 2011

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

	As of March 31, 2012 (Unaudited)	As of December 31, 2011
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents .....	\$144,252	\$176,301
Accounts and notes receivable, net.....	83,665	93,862
Other receivables .....	78,933	66,605
Inventories .....	57,735	50,729
Prepaid expenses and other current assets .....	148,173	140,654
Deferred income taxes .....	36,337	36,713
McDonald's Corporation's indemnification for contingencies.....	—	23,750
<b>Total current assets</b> .....	<b>549,095</b>	<b>588,614</b>
<b>Non-current assets</b>		
Miscellaneous .....	48,490	44,879
Collateral deposits .....	5,325	5,325
Property and equipment, net.....	1,069,903	1,023,180
Net intangible assets and goodwill .....	58,733	58,419
Deferred income taxes .....	146,232	142,848
McDonald's Corporation's indemnification for contingencies.....	12,446	12,141
<b>Total non-current assets</b> .....	<b>1,341,129</b>	<b>1,286,792</b>
<b>Total assets</b> .....	<b>\$1,890,224</b>	<b>\$1,875,406</b>
<b>Liabilities And Equity</b>		
<b>Current liabilities</b>		
Accounts payable.....	\$147,712	\$184,113
Royalties payable to McDonald's Corporation.....	15,735	19,002
Income taxes payable.....	57,308	50,379
Other taxes payable .....	79,701	88,610
Accrued payroll and other liabilities.....	191,747	183,549
Provision for contingencies .....	43,011	41,959
Interest payable.....	16,443	16,028
Short-term debt.....	1,744	840
Current portion of long-term debt.....	2,533	2,971
Derivative instruments.....	2,436	1,841
<b>Total current liabilities</b> .....	<b>558,370</b>	<b>589,292</b>
<b>Non-current liabilities</b>		
Accrued payroll and other liabilities.....	44,846	52,065
Provision for contingencies .....	18,100	23,077
Long-term debt, excluding current portion.....	531,505	525,951
Derivative instruments.....	1,898	742
Deferred income taxes .....	5,611	4,650
<b>Total non-current liabilities</b> .....	<b>601,960</b>	<b>606,485</b>
<b>Total liabilities</b> .....	<b>1,160,330</b>	<b>1,195,777</b>

	As of March 31, 2012 (Unaudited)	As of December 31, 2011
<b>Equity</b>		
Class A shares - no par value common stock; 420,000,000 shares authorized; 129,529,412 shares issued and outstanding at March 31, 2012 and December 31, 2011 .....	351,654	351,654
Class B shares - no par value common stock; 80,000,000 shares authorized, issued and outstanding at March 31, 2012 and December 31, 2011 .....	132,915	132,915
Additional paid-in capital .....	8,594	5,734
Retained earnings .....	362,102	336,707
Accumulated other comprehensive loss .....	(126,520)	(148,389)
Total Arcos Dorados Holdings Inc. shareholders' equity .....	<b>728,745</b>	<b>678,621</b>
Non-controlling interests in subsidiaries .....	1,149	1,008
<b>Total equity</b> .....	<b>729,894</b>	<b>679,629</b>
<b>Total liabilities and equity</b> .....	<b>\$1,890,224</b>	<b>\$1,875,406</b>

See Notes to the Condensed Consolidated Financial Statements.

**Arcos Dorados Holdings Inc.**

**Condensed Consolidated Statements of Cash Flows**

For the three-month periods ended March 31, 2012 and 2011 (Unaudited)

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

	<b>2012</b>	<b>2011</b>
Operating activities		
Net income attributable to Arcos Dorados Holdings Inc. ....	\$25,395	\$35,490
Adjustments to reconcile net income attributable to Arcos Dorados Holdings Inc. to cash (used in) provided by operations:		
Non-cash charges and credits:		
Depreciation and amortization.....	20,129	15,125
Others, net.....	5,311	10,653
Changes in assets and liabilities .....	(43,301)	(50,514)
Net cash provided by operating activities.....	<b>7,534</b>	<b>10,754</b>
<b>Investing activities</b>		
Property and equipment expenditures.....	(40,553)	(32,857)
Purchases of restaurant businesses .....	-	(1,988)
Proceeds from sale of property and equipment.....	1,308	5,374
Other investment activities .....	(1,176)	(838)
Net cash used in investing activities .....	(40,421)	(30,309)
<b>Financing activities</b>		
Dividend payments to Arcos Dorados Holdings Inc.'s shareholders .....	-	(6,600)
Cash and cash equivalents of split-off Axis Business.....	-	(35,425)
Net payments of derivative instruments .....	-	(6,506)
Net short-term borrowings.....	910	2,407
Other financing activities.....	(1,622)	(2,613)
<b>Net cash used in financing activities</b> .....	(712)	(48,737)
Effect of exchange rate changes on cash and cash equivalents .....	1,550	1,421
Decrease in cash and cash equivalents .....	(32,049)	(66,871)
Cash and cash equivalents at the beginning of the year.....	176,301	208,099
Cash and cash equivalents at the end of the period.....	<u>\$144,252</u>	<u>\$141,228</u>
<b>Supplemental cash flow information:</b>		
Non-cash transactions:		
Split-off Axis Business – non-cash portion .....	-	9,833
Dividend declared pending of payment .....	-	12,500

See Notes to the Condensed Consolidated Financial Statements.

**Arcos Dorados Holdings Inc.**

**Statement of Changes in Equity**

For the three-month period ended March 31, 2012 (Unaudited)

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

Arcos Dorados Holdings Inc.' Shareholders										
	Class A shares of common stock		Class B shares of common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total	Non- controlling interests	Total
	Number	Amount	Number	Amount						
Balances at beginning of fiscal year	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 period (unaudited)	-	-	-	-	-	25,395	-	25,395	93	25,488
Other comprehensive income (unaudited)	-	-	-	21,869	21,869	48	21,917			
Stock-based compensation related to the 2011 Equity Incentive Plan (unaudited)	-	-	-	2,860	-	-	2,860	-	2,860	
Balances at end of period (unaudited)	129,529,412	351,654	80,000,000	132,915	8,594	362,102	(126,520)	728,745	1,149	729,894

See Notes to the Condensed Consolidated Financial Statements.

**Arcos Dorados Holdings Inc.**

**Statement of Changes in Equity**

For the three-month period ended March 31, 2011 (Unaudited)

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

	Arcos Dorados Holdings Inc.' Shareholders									
	Class A shares of common stock		Class B shares of common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total	Non- controlling interests	Total
	Number	Amount	Number	Amount						
<b>Balances at beginning of fiscal year</b>	<b>145,129,780</b>	<b>226,528</b>	<b>96,753,186</b>	<b>151,011</b>	<b>(2,468)</b>	<b>271,387</b>	<b>(98,664)</b>	<b>547,801</b>	<b>1,394</b>	<b>549,195</b>
Net income for the period (unaudited)	-	-	-	-	-	35,490	-	35,490	109	35,599
Other comprehensive income (unaudited)	-	-	-	-	-	-	11,774	11,774	(26)	11,748
Dividends to Arcos Dorados Holdings Inc.'s shareholders (unaudited)	-	-	-	-	-	(12,500)	-	(12,500)	-	(12,500)
Split-off of Axis Business (unaudited)	(25,129,780)	(27,155)	(16,753,186)	(18,103)	-	-	-	(45,258)	-	(45,258)
<b>Balances at end of period (unaudited)</b>	<b><u>120,000,000</u></b>	<b><u>199,373</u></b>	<b><u>80,000,000</u></b>	<b><u>132,911</u></b>	<b><u>(2,468)</u></b>	<b><u>294,377</u></b>	<b><u>(86,890)</u></b>	<b><u>537,307</u></b>	<b><u>1,477</u></b>	<b><u>538,784</u></b>

See Notes to the Condensed Consolidated Financial Statements.

## **Arcos Dorados Holdings Inc.**

### **Notes to the Condensed Consolidated Financial Statements**

For the three-month periods ended March 31, 2012 and 2011 (Unaudited)

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”). 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”).

The accompanying consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted for purposes of this presentation. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated annual financial statements of the Company as of December 31, 2011.

The accompanying condensed consolidated financial statements are unaudited and include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, which are considered necessary for the fair presentation of the information in the consolidated financial statements. Operating results for the three-month period ended March 31, 2012 are not necessarily indicative of results that may be expected for any future periods.

### 3. Summary of significant accounting policies

The following is a summary of significant accounting policies followed by the Company in the preparation of the consolidated financial statements.

#### *Use of estimates*

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

#### *Foreign currency 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 15 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.

#### *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 9 for details.

### 4. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	As of March 31, 2012 (Unaudited)	As of December 31, 2011
Prepaid expenses and taxes.....	\$136,697	\$129,554
Promotion items.....	11,476	11,100
	<b><u>\$148,173</u></b>	<b><u>\$140,654</u></b>

## 5. Short-term debt

Short-term debt consists of the following:

	As of March 31, 2012 (Unaudited)	As of December 31, 2011
Bank overdrafts .....	\$1,656	\$751
Short-term loans .....	88	89
	<u>\$1,744</u>	<u>\$840</u>

### *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. 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.

## 6. Long-term debt

Long-term debt consists of the following:

	As of March 31, 2012 (Unaudited)	As of December 31, 2011
2019 Notes .....	\$306,598	\$306,532
2016 Notes .....	219,623	214,248
Other long-term borrowings .....	2,318	2,971
Capital lease obligations .....	5,499	5,171
<b>Total</b> .....	<u>534,038</u>	<u>528,922</u>
Current portion of long-term debt .....	2,533	2,971
<b>Long-term debt, excluding current portion</b> .....	<u><b>\$531,505</b></u>	<u><b>\$525,951</b></u>

### *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 semiannually. The gross proceeds from this issuance totaling \$446,112 were partially used to repay the Credit Agreement and certain of the Company's short-term debt. 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.

Interest expense related to the 2019 Notes during the three-month periods ended March 31, 2012 and 2011 amounted to \$5,786 and \$8,438, respectively. Amortization of deferred financing costs related to the 2019 Notes amounted to \$153 and \$221 for the three-month periods ended March 31, 2012 and 2011, respectively. Accretion of the original discount related to the 2019 Notes totaled \$66 and \$97 for the three-month periods ended March 31, 2012 and 2011, respectively.

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-real 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 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 proceeds from the offering were used by the Company to satisfy its capital expenditure program, including opening and reimagining restaurants, and for general corporate purposes. The Company incurred \$2,683 of financing costs related to this issuance, which were capitalized as deferred financing costs and are being amortized over the life of the notes.

Interest expense related to the Brazilian notes amounted to \$5,801 during the three-month period ended March 31, 2012. Amortization of deferred financing costs related to the Brazilian notes amounted to \$134 during the three-month period ended March 31, 2012. These charges are included within "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.

#### ***Other long-term borrowings***

Other long-term borrowings primarily include seller financings related to the purchase of restaurants in Mexico and non-controlling interests in Argentina totaling \$1,344 at March 31, 2012 (\$1,923 at December 31, 2011). Seller financings are payable in quarterly equal-installments maturing in April and July 2012, and accrue interest at an annual weighted-average interest rate of 6.4%.

## 7. Derivative instruments

### *Derivatives not designated as hedging instruments*

#### *Cross-currency interest rate swaps and mirror swaps*

At December 31, 2010 the Company had certain derivative instruments outstanding pursuant to which the Company converted a portion of its long-term debt (\$180 million) to Brazilian reais-denominated debt (R\$419.6 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 the three-month period ended March 31, 2011, the Company made net payments to the counterparties totaling \$6,506, in connection with these agreements. During the three-month period ended March 31, 2011, the Company recorded net losses for \$1,853, within "Loss from derivative instruments" in the Company's consolidated statement of income.

#### *Forward contracts*

At December 31, 2010 the Company had forward contracts 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. The Company entered into these derivatives as a result of the amortization of 10% of the notional amounts of the cross-currency interest rate swaps in order to maintain a 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. During the three-month period ended March 31, 2011, the Company recognized a loss of \$848 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 agreements mature on October 1, 2014 without exchange of principal.

These swap agreements do not qualify for hedge accounting under ASC Topic 815. Therefore, the agreements are carried at fair market value in the consolidated balance sheets with changes reported in earnings. At March 31, 2012, the fair market values of the swap agreements outstanding totaled \$4,334 payable (\$2,583 payable at December 31, 2011). During the three-month periods ended March 31, 2012 and 2011, the Company recognized a net loss of \$1,751 and \$1,626, respectively, in connection with these agreements that are included within "Loss from derivative instruments" in the Company's consolidated statements of income.

See Note 16 for details of payments made in April 2012, including the settlement of these derivatives before their maturity.

### *Derivatives designated as hedging instruments*

#### *Forward contracts*

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, the Company will purchase a total amount of \$3,600 at a weighted-average forward rate of 2.76 Peruvian soles per U.S. dollar.

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, the Company will purchase 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 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 payables resulting from the forecasted purchases (hedge over 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 are 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 March 31, 2012, the fair market value of the outstanding derivatives represented a \$422 net payable (\$48 at December 31, 2011). The Company made net payments totaling \$248 and \$164 as a result of the net settlements of these derivatives during the three-month periods ended March 31, 2012 and 2011, respectively. In addition, the Company recorded unrealized net losses amounting to \$622 and unrealized net gains amounting to \$202 within the "Accumulated other comprehensive loss" component of shareholders' equity during the three-month periods ended March 31, 2012 and 2011, respectively.

*Additional disclosures*

The following table presents the fair values of derivative instruments included in the consolidated balance sheets as of March 31, 2012 and December 31, 2011:

Type of Derivative	Balance Sheets Location	Asset (Liability) Derivatives	
		Fair Value	
		As of March 31, 2012 (Unaudited)	As of December 31, 2011
<b>Derivatives designated as hedging instruments under ASC Topic 815 Derivatives and Hedging</b>			
Forward contracts	Accrued payroll and other liabilities	(422)	(48)
		<u>\$(422)</u>	<u>\$(48)</u>
<b>Derivatives not designated as hedging instruments under ASC Topic 815 Derivatives and Hedging</b>			
Bond swaps	Derivative instruments	\$ (4,334)	\$ (2,583)
		<u><b>\$(4,334)</b></u>	<u><b>\$(2,583)</b></u>
<b>Total derivative instruments</b>		<u><b>\$(4,756)</b></u>	<u><b>\$(2,631)</b></u>

The following tables present the pretax amounts affecting income and other comprehensive income for the three-month period ended March 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)	Gain (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing and Ineffective Portion)
Forward contracts .....	(622)	248	-
<b>Total</b> .....	<b>(622)</b>	<b>248</b>	<b>-</b>

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
Bond swaps .....	(1,751)
Others .....	588
<b>Total</b> .....	<b>(1,163)</b>

The following tables present the pretax amounts affecting income and other comprehensive income for the three-month period ended March 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 .....	202	164	-
<b>Total</b> .....	<b>202</b>	<b>164</b>	<b>-</b>

The gain 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
Cross-currency interest rate swaps and mirror swaps .....	(1,853)
Bond swaps .....	(1,626)
Forwards .....	(848)
<b>Total</b> .....	<b>(4,327)</b>

## 8. 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. The maximum amount authorized under this plan equaled 4% of the Company's fair market value.

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 March 31, 2012 and December 31, 2011:

	At March 31, 2012 (unaudited)	At December 31, 2011
Current price(1) .....	18.09	20.53
Weighted-average base value of outstanding units(2) .....	5.79	5.82
Expected volatility(3) .....	31.1%	38.0%
Dividend yield .....	1.3%	1.2%
Risk-free interest rate.....	0.5%	0.8%
Expected term .....	last vesting date	last vesting date

- (1) Equal to the quoted market price per share at period-end.  
(2) As adjusted as a result of the stock split discussed in Note 11.  
(3) Based on implied volatility of the Company's class A shares.

The following table provides a summary of the plan at March 31, 2012:

	Vested(1)	Non-vested(2)	Total
Number of units outstanding(3).....	1,461,302	1,373,687	2,834,989
Weighted-average fair market value per unit.....	12.10	11.84	11.97
Total fair value of the plan.....	17,680	16,266	33,946
Weighted-average accumulated percentage of service .....	100.00	64.58	83.03
Accrued liability .....	17,680	10,505	28,185
Compensation expense not yet recognized(4) .....	-	5,761	5,761

- (1) Related to exercisable awards.  
(2) Related to awards that will vest between fiscal years 2012 and 2015.  
(3) As adjusted as a result of the stock split discussed in Note 11.  
(4) Expected to be recognized in a weighted-average period of 2.6 years.

During the three-month period ended March 31, 2012, the Company made payments totaling \$1,041 in connection with the exercise of 88,593 units.

Compensation (benefit) expense for the three-month periods ended March 31, 2012 and 2011 amounted to \$(4,143) and \$3,339, respectively. Compensation (benefit) expense is included within "General and administrative expenses" in the consolidated statement of income. The Company recognized \$921, and \$(911) of related income tax expense (benefits) during the three-month periods ended March 31, 2012 and 2011, respectively.

#### ***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 the three-month period ended March 31, 2011 amounted to \$1,487. 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.

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 during the fiscal year 2011 was \$10,435 and \$21,488, respectively. The Company recognized stock-based compensation expense in the amount of \$2,860 during the three-month period ended March 31, 2012, of which \$1,988 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 March 31, 2012, the remaining unrecognized compensation expense amounted to \$20,860, which will be amortized over the remaining requisite service period (weighted-average of 3.4 years). The Company recognized \$589 of related income tax benefits during the three-month period ended March 31, 2012.

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.

## 9. 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 March 31, 2012 the Company maintains a provision for contingencies amounting to \$69,043 (\$71,888 at December 31, 2011), which is disclosed net of judicial deposits amounting to \$7,932 (\$6,852 at December 31, 2011) that the Company was required to make in connection with the proceedings. As of March 31, 2012, the net amount of \$61,111 is disclosed as follows: \$43,011 as a current liability and \$18,100 as a non-current liability.

Breakdown of the provision for contingencies is as follows:

	As of March 31, 2011 (Unaudited)	As of December 31, 2011
Tax contingencies in Brazil(1).....	43,306	42,011
Labor contingencies in Brazil(2) .....	15,209	19,646
Other .....	10,528	10,231
Subtotal.....	69,043	71,888

	As of March 31, 2011 (Unaudited)	As of December 31, 2011
Judicial deposits.....	(7,932)	(6,852)
<b>Provision for contingencies .....</b>	<b>\$61,111</b>	<b>\$65,036</b>

- (i) Mainly related to VAT special treatment for restaurants in Rio de Janeiro and taxes over the royalty payments.
- (ii) Mainly related to dismissals in the normal course of business.

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. On August 26, 2011, the Company appealed the decision of the Court of First Instance by means of a certiorari to the Court of Appeals. The Company is still in the discovery phase with respect to the evidentiary part of this litigation. If the Company does not prevail on the non-applicability of Law 75 to the franchise 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. In October and November of 2010, two bills were introduced in Puerto Rico Legislature that seek to regulate franchise agreements. Among other goals, these bills (like Law 75 in the case of distribution agreements) limit the grounds under which a franchisor may terminate or refuse to renew a franchise agreement. The bills are in the early stages of consideration by the Legislature and no hearings or votes have been scheduled. The Legislature is in the last session to consider this bill which at this time has no hearings or votes scheduled.

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.

Regarding contingencies in Brazil, at the end of fiscal year 2010 the Company decided to take advantage of law No. 11941 that amended the federal tax legislation to permit the entering into amnesty plans to settle existing contingencies in installments with benefits derived from the waiver of fines and a portion of accrued interests. The law also allows the use of tax loss carryforwards to settle the portion of interest not waived. 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 the interests and receive a cash payment equal to the principal plus 50% of the interests. At December 31, 2011, the current asset in respect of McDonald's Corporation's indemnity represented the amount of cash to be received as a result of the abovementioned agreement. This amount was collected in January 2012.

At March 31, 2012, the non-current portion of the provision for contingencies includes \$12,446 related to Brazilian claims that are covered by the indemnification agreement. As a result, the Company has recorded a non-current asset in respect of McDonald's Corporation's indemnity in the consolidated balance sheet.



## 10. 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 three-month periods ended March 31,	
	2012 (Unaudited)	2011 (Unaudited)
<b>Revenues:</b>		
Brazil .....	\$449,969	\$430,127
Caribbean division .....	66,625	64,573
NOLAD .....	89,443	82,233
SLAD .....	315,561	249,724
<b>Total revenues</b> .....	<b>\$921,598</b>	<b>\$826,657</b>
<b>Adjusted EBITDA:</b>		
Brazil .....	\$62,310	\$66,492
Caribbean division .....	1,079	3,208
NOLAD .....	3,069	2,985
SLAD .....	32,372	19,365
Total reportable segments .....	<b>98,830</b>	<b>92,050</b>
Corporate and others(1) .....	(20,750)	(19,725)
<b>Total adjusted EBITDA</b> .....	<b>\$78,080</b>	<b>\$72,325</b>
<b>Adjusted EBITDA reconciliation:</b>		
Total adjusted EBITDA .....	\$78,080	\$72,325
(Less) Plus items excluded from computation that affect operating income:		
Depreciation and amortization .....	(20,129)	(15,125)
Compensation expense related to the award right granted to our CEO .....	(1,487)	
Gains from sale of property and equipment .....	206	5,186
Write-offs of property and equipment .....	(953)	(318)
Stock-based compensation related to the special awards in connection with the initial public offering under the 2011 Plan .....	(1,988)	-

	For the three-month periods ended March 31,	
<b>Operating income</b>	<b>55,216</b>	<b>60,581</b>
Less:		
Net interest expense.....	(11,979)	(9,784)
Loss from derivative instruments.....	(1,163)	(4,327)
Foreign currency exchange results.....	(3,887)	(241)
Other non-operating expenses, net.....	(553)	(438)
Income tax expense.....	(12,146)	(10,192)
Net income attributable to non-controlling interests.....	(93)	(109)
<b>Net income attributable to Arcos Dorados Holdings Inc.</b> .....	<b>\$25,395</b>	<b>\$35,490</b>
<b>Depreciation and amortization:</b>		
Brazil.....	\$11,284	\$9,194
Caribbean division.....	3,266	2,854
NOLAD.....	6,625	6,331
SLAD.....	6,966	5,838
<b>Total reportable segments</b> .....	<b>28,141</b>	<b>24,217</b>
Corporate and others(1).....	1,696	1,813
Purchase price allocation(2).....	(9,708)	(10,905)
<b>Total depreciation and amortization</b> .....	<b>\$20,129</b>	<b>\$15,125</b>
Property and equipment expenditures:		
Brazil.....	\$20,112	\$15,028
Caribbean division.....	3,515	2,664
NOLAD.....	4,412	2,039
SLAD.....	11,948	11,663
<b>Total reportable segments</b> .....	<b>39,987</b>	<b>31,394</b>
Others.....	566	1,463
<b>Total property and equipment expenditures</b> .....	<b>\$40,553</b>	<b>\$32,857</b>

	As of	
	March 31, 2012 (Unaudited)	December 31, 2011
<b>Total assets:</b>		
Brazil.....	\$980,387	\$992,832
Caribbean division.....	255,988	259,633
NOLAD.....	412,577	381,840
SLAD.....	542,811	513,909
<b>Total reportable segments</b> .....	<b>2,191,763</b>	<b>2,148,214</b>
Corporate and others(1).....	79,126	98,451
Purchase price allocation(2).....	(380,665)	(371,259)
<b>Total assets</b> .....	<b>\$1,890,224</b>	<b>\$1,875,406</b>

- (1) Primarily relates to corporate general and administrative expenses and assets as well as the results of the Company's operating distribution centers until March 16, 2011 (see Note 12 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 and collateral deposits.
- (2) 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. All of the Company's revenues are derived from foreign operations.

Long-lived assets consisting of property and equipment totaled \$1,069,903 and \$1,023,180 at March 31, 2012 and December 31, 2011, respectively. All of the Company's long-lived assets are related to foreign operations.

## **11. 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 \$337,546.

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 12.

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 March 31, 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 6.

## 12. 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:

	<b>2011</b>
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)
<b>Net book value</b> .....	<b><u>\$45,258</u></b>

## 13. 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 11:

	<b>For the three-month periods ended March 31,</b>	
	<b>2012 (Unaudited)</b>	<b>2011 (Unaudited)</b>
Net income attributable to Arcos Dorados Holdings Inc. available to common shareholders .....	\$25,395	\$35,490
Weighted-average number of common shares outstanding – Basic .....	209,529,412	234,902,472
Incremental shares from assumed exercise of stock options(1).....	–	–
Incremental shares from vesting of restricted stock units.....	265,811	–
Weighted-average number of common shares outstanding – Diluted .....	209,795,223	234,902,472
Basic net income per common share attributable to Arcos Dorados Holdings Inc.....	<u>\$0.12</u>	<u>\$0.15</u>
Diluted net income per common share attributable to Arcos Dorados Holdings Inc.....	<u>\$0.12</u>	<u>\$0.15</u>

- (1) Options to purchase 1,879,847 shares of common stock at \$21.20 per share were outstanding during the three-month period ended March 31, 2012 but were not included in the computation of diluted earnings per share because their inclusion would have been anti-dilutive.

#### 14. Related party transactions

As discussed in Note 9, 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 12, 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. At March 31, 2012, no amounts have been borrowed from the Company.

The following table summarizes the outstanding balances with the Axis Business as of March 31, 2012 and December 31, 2011:

	As of	
	March 31, 2012 (Unaudited)	December 31, 2011
Inventories .....	\$3,748	\$1,436
Prepaid expenses and other current assets .....	7,150	-
Accounts and notes receivables .....	3,273	2,497
Other receivables .....	17,747	5,538
Account payable .....	9,264	15,311

The following table summarizes the transactions between the Company and the Axis Business for the three-month period ended March 31, 2012:

	Period ended March 31, 2012 (Unaudited)
Food and paper(1).....	\$93,835
Occupancy and other operating expenses .....	2,538

- (1) Includes \$9,156 of logistics service fees and \$84,679 of suppliers purchases managed through Axis.

In addition, at March 31, 2012 the Company maintained guarantee deposits for the benefit of certain of Axis' suppliers in the amount of \$17,366 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 March 31, 2012 the Company had notes receivable, other receivables, accounts payable and other liabilities with Lacoop, A.C. and Lacoop II, S.C. totaling \$5,538, \$63, \$9 and \$405, respectively.

## **15. Venezuelan operations**

The Company conducts business in Venezuela where currency restrictions exist, limiting the Company's ability to immediately access cash through repatriations at the government's official exchange rate. The Company's access to 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.

In June, 2010, the Central Bank introduced a newly regulated foreign currency exchange system (SITME), pursuant to which companies can acquire, with certain limits, U.S. dollars at an exchange rate to be established by the Central Bank. Most of the exchanges in SITME have been executed at the exchange rate of 5.30 Venezuelan bolívares fuertes per U.S. dollar.

The Company uses the new regulated rate of 5.30 Venezuelan bolívares fuertes per U.S. dollar to remeasure transactions and balances denominated in local currency.

During the three-month period ended March 31, 2012, the Company performed several transactions in the secondary exchange market of Venezuela pursuant to which it acquired \$3,902 at a weighted-average exchange rate of \$8.94 Bolívares Fuertes per U.S. dollar. As a result of these transactions, the Company recognized an exchange loss amounting to \$6,582.

Revenues, operating income and net income of the Venezuelan operations were \$78,688, \$9,782 and \$7,891, respectively, for the three-month period ended March 31, 2012 and \$57,989, \$2,761 and \$2,781, respectively, for the three-month period ended March 31, 2011.

## **16. Subsequent events**

On April 1, 2012 the Company paid interest to the counterparties of the coupon-only cross-currency interest rate swap agreements (bond swaps) totaling \$1,362. In addition, on April 24, 2012 the Company settled these derivatives before its maturity paying \$2,960.

On April 1, 2012 the Company paid interests related to the 2019 Notes amounting to \$11,572.

On April 3, 2012 the Company borrowed \$10,000 under the revolving credit facility discussed in Note 5. This borrowing was settled on April 26, 2012 with the proceeds of the issuance of the 2016 notes discussed below.

On April 20, 2012, the Company's Board of Directors approved a total dividend cash payment of \$50,036 for 2012 to be paid in four equal installments of \$12,509 each. The first cash dividend payment will be paid on May 4, 2012 to shareholders of record at the close of business on May 2, 2012.

On April 24, 2012, the Company issued an additional R\$275 million aggregate principal amount of the 2016 notes. The net proceeds from this issuance will be used to satisfy the Company's capital expenditure program and for other general corporate purposes.

On April 24, 2012, the Company entered into a cross-currency swap agreement to hedge the cash flows of a portion of the 2016 notes issued. Pursuant to this agreement, the Company will receive interests at a fixed rate of 10.25% over a notional amount of 70 million of Brazilian Reais and will pay 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.

## **SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Arcos Dorados Holdings Inc.

By: /s/ Juan David Bastidas

Name: Juan David Bastidas

Title: Chief Legal Counsel

Date: May 4, 2012





---

---

**PRINCIPAL EXECUTIVE OFFICES**

Arcos Dorados Holdings Inc.  
Roque Saenz Peña 432  
Olivos, Buenos Aires B1636FFB  
Argentina

**TRUSTEE, REGISTRAR, PAYING AGENT AND TRANSFER AGENT**

Citibank N.A.  
388 Greenwich Street  
New York, New York 10013

**PRINCIPAL PAYING AGENT**

Citibank N.A.  
388 Greenwich Street  
New York, New York 10013

**LUXEMBOURG LISTING, PAYING AND TRANSFER AGENT**

Banque Internationale à Luxembourg, société anonyme  
69 route d'Esch  
L-1470 Luxembourg

**LEGAL ADVISORS TO ARCOS DORADOS HOLDINGS INC.**

**As to U.S. Law**  
Davis Polk & Wardwell LLP  
450 Lexington Avenue  
New York, New York 10017  
Unites States of America

**As to BVI Law**  
Maples and Calder  
Sea Meadow House  
PO Box 173, Road Town  
Tortola VG 1110  
British Virgin Islands

**LEGAL ADVISORS TO THE INITIAL PURCHASERS**

**As to U.S. Law**  
Milbank, Tweed, Hadley & McCloy LLP  
One Chase Manhattan Plaza  
New York, New York 10005  
United States of America

**As to BVI Law**  
Walkers  
171 Main Street  
PO Box 92, Road Town  
Tortola VG1110  
British Virgin Islands

**INDEPENDENT AUDITORS**

Pistrelli, Henry Martin y Asociados S.R.L.  
Member firm of Ernst & Young Global  
25 de Mayo 487, Planta Baja  
Buenos Aires C1002ABI  
Argentina

---

---



**Arcos Dorados Holdings Inc.**

**Offering Memorandum**

June 20, 2012