



October 5, 2021

John W. Rogers Jr.  
McDonald's Board Member – New York Times Board Member – Nike Board Member  
Founder – Chair – Co-CEO – CIO  
Ariel Investments LLC  
200 East Randolph Street, Suite 2900  
Chicago, IL 60601

Dear John,

As a recap and follow up to our zoom meetings on July 9, 2021, and on October 4, 2021; I would like to outline the DON'T BE McFOOLED programmatic changes that we developed based on our assessment of McDonald's corporation's systemwide culture of mistreatment and exploitation of Blacks internally and externally from now going back to 2014 when The Byrd Brothers, Darrell and James F. Byrd Jr., Black McDonald's franchisees – NBMOA members alerted us to their own inequitable treatment and introduced us to others with the same plight.

**DON'T BE McFOOLED Programmatic Changes:**

1. Minority (Black) Franchisee Fund (Three 7 Year Terms, Minimum \$500M – \$1B) Capitalized By Franchisor and National & Regional Lenders
  - A. Managed By Minority Owned Investment Firms/Banks (CDFIs/MDIs)
2. NBMOA (National Black McDonald's Operators Association) Growth
  - A. Restore the Black Operators from Today's Low of 186 to the 377 High of 1998
  - B. Minimum 10% Per Year Increases Based on Par with the Black Customers Representing 30% of McDonald's Gross Sales
3. Franchise Agreement & Policy Changes
  - A. To Be Drafted and Agreed By Franchisor and Current/Former Franchisee Committee
4. Black Executive Management
  - A. Restoration of the 42 Black Executive Possessions Lost Between CEOs Don Thompson and Steve Easterbrook
    1. EEOC Diversity Disclosure
    2. Diversity & Inclusion Executive Development Program
5. Increase Minority Supplier Diversity
  - A. To Be Decided and Agreed By Franchisor and Current/Former Franchisee Committee
6. Equitable Increases in Marketing & Advertising Budgets and Engagements with Black Owned Marketing & Advertising Firms Based on the 4% Advertising Fees (2% National & 2% Local Co-Ops) Paid to the Franchisor by the Franchisees Along with the Black Customers Representing 30% of McDonald's Gross Sales
  - A. To Be Decided and Agreed By Franchisor and Current/Former Franchisee Committee
7. Equitable Philanthropic Contributions to HBCUs, Minority (Black) Causes & Organizations Based on Black Customers Representing 30% of McDonald's Gross Sales
  - A. To Be Decided and Agreed By Franchisor and Current/Former Franchisee Committee

**608 Fifth Avenue, Suite 904  
New York, New York 10020**

**Tel: 212.752.0001**

**Fax: 212.421.8091**



The disparities in McDonald's rent gap, cash flow gap, sales gap, store mix, store locations, executive management, advertising, philanthropic and succession are all controlled by the McDonald's corporation, which acknowledges these problems in the NBMOA 2020 2nd Quarter Board Meeting June 11 2020 Presentation and NBMOA 49<sup>th</sup> Biennial Presentation (September 13 – 14, 2021) that we provided to you.

In addressing the rent gap, McDonald's corporation reduced the NBMOA rent by 1.07% from 10.85% (TTM 2019) to 9.87%, which still does not close the rent gap between the Black and White franchisees, who enjoy an average rent of 5%. In addressing the cash flow gap, McDonald's corporation improved the cash flow gap by \$26K per store, which still does not close the cash flow gap of \$134K per store in the McDonald's Nashville Field Office. In the NBMOA 49<sup>th</sup> Biennial Presentation, McDonald's did not address the sales gap, which is approximately \$1 million per store. The four (4) Black executives hired in the last year still do not replace the forty-two (42) Black executives terminated since 2015.

By McDonald's corporation joint venturing (50/50) with iHeartMedia (Clear Channel Communications) to establish the Black Information Network (BIN), McDonald's corporation repurposed those budgeted advertising dollars from Black Owned Radio Stations to the BIN, a wholly owned White company. McDonald's 2019 advertising budget was \$1.6 Billion, less than \$10 Million was spent with Black-Owned media companies; which McDonald's corporation's 2020 Advertising budget was increased by \$200 Million. With Black & Positively Golden, McDonald's corporation continues to personify the false equity narrative in the Black community because the reinvestment is not equitable to 30% of McDonald's gross sales coming from its Black customers. The HBCUs do not receive equitable philanthropic contributions nor do their human capital development programs reflect those of Non-HBCUs.

McDonald's corporation acknowledges that the NBMOA store mix requires more high volume – high cash flow stores and rent reductions; so in order to break this systemic cycle before the approximate fifty-three (53) Blacks in the Next Generation Program are lost due to the 25% equity requirements for McDonald's franchisees and McDonald's Business Facilities Lease (BFL) program is not the answer and nothing more than 21<sup>st</sup> century sharecropping, very close to predatory in nature and potentially usury subject to the deal metrics; which is why we proposed the Black Franchisee Fund and to identify 5-10 Black franchisees to scale up from five (5) stores to twenty-five (25) stores and to the same with the Black suppliers, who collectively do \$1 Billion while Martin Brower does \$32 Billion, to create some generational wealth.

Business Facilities Lease (BFL) Structure(\*):

NBMOA Rent (\*) 9.87%

Service Fee 4%

Advertising Fee 4%

BFL 4.75%

Total 22.62%

\*Current NBMOA Average Rent and exclusive of loans for reinvestment, payroll, etc.

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During the Bigger Bolder Vision (BBV) 2020, McDonald's corporation's reinvestment program that cost the franchisees approximately \$1 Million per store at a grand total of approximately \$15 Billion. With the Black franchisees already being impacted by the sales gap, cash flow gap, higher rent; BBV 2020 further acerbated their bottom line, laden them with debt with little to no ROI on Pre-COVID-19 Drive-Thru sales of ~70% (COVID-19 Drive-Thru Sales ~95%) and negatively impacting the stores equity. BBV 2020 turned out to be a bad deal for the franchisees, worse deal for the Black franchisees and a great deal for McDonald's corporation with the real estate improvements.

Today, Mike Retzer, based in Greenville, Mississippi, that is in the Mississippi Delta, where 1/3 of Mississippi's Black population lives and does not have a Black McDonald's franchisee. Mike Retzer is White and the largest McDonald's USA franchisee with 103 stores, which the NBMOA is at a low of 186 franchisees and 1,318 stores. When McDonald's corporation equitably addresses the store mix, store locations and rent gap of the NBMOA, McDonald's corporation will effectively, positively impact the sales and cash flow gaps; therefore, bringing parity into the McDonald's franchise system that the Black franchisees have been fighting for since 1968 and thought that they had achieved in 1998.

As discussed, we would like to continue to work with you to fix these systemic issues in the McDonald's corporation and Corporate America to close these racial equity and racial wealth gaps. We welcome the introduction to Mellody Hobson and Leslie Brun, Co-Founders Ariel Alternatives' "Project Black". We look forward to scheduling our next zoom or in person meeting. Thanks again for your time and consideration.

Sincerely,

Kahari S. Nash  
Co-Founder

Cc HRH Princess Noura bint Saad bin M. bin Abdulaziz Al Saud  
Massimiliano "Max" Pincione  
Wallace "Gator" Bradley  
Khoa Ho

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