MCDONALDS CORP
Form DEF 14A
April 17, 2009

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# SCHEDULE 14A

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-12

**McDonald s Corporation**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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# Notice of 2009 Annual Shareholders Meeting

**TO McDONALD S CORPORATION SHAREHOLDERS:**

McDonald s Corporation will hold its 2009 Annual Shareholders Meeting on Wednesday, May 27, 2009, at 9:00 a.m. Central Time, in the Prairie Ballroom at The Lodge at McDonald s Office Campus, Oak Brook, Illinois. The registration desk will open at 7:30 a.m. At the meeting, shareholders will be asked to:

1. Elect four Directors, each for a three-year term expiring in 2012;

2. Approve the appointment of an independent registered public accounting firm to serve as independent auditors for 2009;

3. Approve the performance goals for certain qualified performance-based awards under the McDonald s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan;

4. Approve the McDonald s Corporation 2009 Cash Incentive Plan;

5. Act on two shareholder proposals, if presented; and

6. Transact other business properly presented at the meeting.

Your Board of Directors recommends that you vote **FOR** the Board s nominees for Director, **FOR** the approval of the independent auditors, **FOR** the approval of the performance goals for certain qualified performance-based awards under the McDonald s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, **FOR** the approval of McDonald s Corporation 2009 Cash Incentive Plan and **AGAINST** the shareholder proposals.

Your vote is important.

If you are unable to attend the meeting in person, you may watch a live webcast by going to www.investor.mcdonalds.com and selecting the appropriate link under Webcasts. A replay of the Annual Shareholders Meeting will be available for a limited time.

Please consider the issues presented in this Proxy Statement and vote your shares as promptly as possible.

Thank you.

By order of the Board of Directors,

Gloria Santona
Corporate Secretary

Oak Brook, Illinois
April 17, 2009

# Corporate governance principles and board matters

## CORPORATE GOVERNANCE

Corporate governance practices remain an important focus for all public companies, including McDonald s. Although our Proxy Statement responds to the requirements of the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE) in this area, we believe that good governance is more than a collection of regulations. It is the intersection of the relationships among our Board of Directors, our management and our shareholders and is informed by the values that have been the foundation of our business for more than 50 years integrity, fairness, diligence and ethical behavior.

We believe good governance starts with a Board whose independence ensures candid and constructive engagement with management about all aspects of our business. Our Director nomination process seeks persons with the initiative, time, skills and experience to be effective contributors.

Our governance processes address matters relating to Board operations that are fundamental to shareholder interests. For example, the Company has a majority voting standard for uncontested Director elections. In addition, Directors must also limit outside activities and abide by a specific code of conduct so that we can be confident about their commitment. To underscore their alignment with shareholders, Directors receive stock-equivalent compensation and must own a specified value of McDonald s common stock. Since early 2004, our Board has been led by an independent Chairman, Andrew McKenna. He and our other independent Directors meet regularly without management present to evaluate the Company s results, plans and challenges, as well as management s performance and the strength and development of our leadership bench. In 2008, the full Board met seven times. Our independent Directors also met in executive session six times. Directors are expected to attend the Company s Annual Shareholders Meeting, and all or substantially all Board meetings and meetings of the Committees of the Board on which they serve. In 2008, all of the Directors attended the Annual Shareholders Meeting.

Board oversight is also effected through six standing committees. They are the Audit, Compensation, Governance, Corporate Responsibility, Finance and Executive Committees. Each of them operates under a written charter to promote clarity in their responsibilities and accountability among their members. These Committees work in a coordinated way to address recurring matters and respond to unanticipated events. The Committees are discussed in greater detail beginning on page 3 of this Proxy Statement.

McDonald s is proud of its governance structure, but mindful that governance is a journey, not a destination. We welcome shareholder communications about our practices, which can be sent to the Company as described on page 6 of this Proxy Statement. Good governance is critical to fulfilling our obligations to shareholders. We are committed to continuously improving our governance practices to promote an effective collaboration of management and our Board that yields value for our shareholders.

## DIRECTOR INDEPENDENCE

Our Corporate Governance Principles require that all Directors except the Chief Executive Officer and the President be independent. The Board is responsible for determining the independence of our Directors, and the Board has adopted Standards on Director Independence for this purpose. The Board considers relationships involving Directors and their immediate family members that may implicate any of these Standards or other applicable law or the listing standards of the NYSE, and relies on information derived from Company records, questionnaires completed by Directors and inquiries of other relevant parties.

The relationships reviewed by the Board as part of its most recent independence determinations consisted of commercial relationships with companies:

- at which Board members then served as officers (including Mattel, Inc. and Inter-Con Security Systems, Inc.);

- in which Board members or their immediate family members then held an aggregate 10% or more direct or indirect interest (including Schwarz Supply Source and Inter-Con Security Systems, Inc.); and

- at which Board members then served as outside Directors (including Aon Corporation, Bank of America Corporation, Hewitt Associates, Inc., Jones Lang LaSalle Incorporated, The Walt Disney Company and Wells Fargo & Company).

The relationships with the companies noted above involved McDonald s purchase of products and services in the ordinary course of business that were made on arm s-length terms in amounts and under other circumstances that did not affect the relevant Directors independence under the Board s Standards on Director Independence or under applicable law and listing standards.

The Board also reviewed donations made by the Company to not-for-profit organizations, including educational institutions, with which Board members or their immediate family members were affiliated by membership or service as directors or trustees.

Based on its review of the above relationships, the Board determined that none of its non-management Directors has a material relationship with the Company and that all of them are independent within the meaning of the Board s Standards on Director Independence, as well as applicable law and listing standards. Currently, our non-management Directors are Susan E. Arnold, Robert A. Eckert, Enrique Hernandez, Jr., Jeanne P. Jackson, Richard H. Lenny, Walter E. Massey, Andrew J. McKenna, Cary D. McMillan, Sheila A. Penrose, John W. Rogers, Jr., Roger W. Stone and Miles D. White.

**BOARD COMMITTEES**

*Our Corporate Governance Principles provide for six standing committees: Audit, Compensation, Governance, Corporate Responsibility, Finance and Executive. Charters for each of the committees are available on the Company s website at www.governance.mcdonalds.com.*

The **Audit Committee** oversees financial reporting matters and is critical in setting the right tone at the top for accounting, control and compliance matters. The Audit Committee appoints the Company s independent auditors and evaluates their independence and performance. The Audit Committee reviews with the internal auditors and the independent auditors the overall scope and results of their respective audits, the internal accounting and financial controls, and the steps management has taken to monitor and control the Company s major risk exposures. The Audit Committee also reviews the Company s material financial disclosures and pre-approves all audit and permitted non-audit services. In addition, the Audit Committee annually reviews the adequacy and appropriateness of the Company s compliance programs, including the Company s disclosure controls and procedures, and receives regular reports about ethics and compliance programs. The Committee also reviews related person transactions and makes recommendations to the Board about those matters. Members of the Committee are Directors Hernandez (Chairperson), Massey, McMillan, Penrose and Stone. All members of the Audit Committee are independent within the meaning of the listing standards of the NYSE. The Board determined that Directors Hernandez, McMillan and Stone qualify as audit committee financial experts and that each member of the Audit Committee is financially literate, all within the meaning of applicable rules of the SEC and the listing standards of the NYSE. In 2008, the Audit Committee met nine times, including meetings to review the Company s annual and quarterly financial reports prior to filing with the SEC.

*The Audit Committee Report, a discussion of the Policy for Pre-Approval of Audit and Permitted Non-Audit Services and a summary of Auditor Fees and Services can be found on pages 39 and 40 of this Proxy Statement.*

The **Compensation Committee** approves the Chief Executive Officer s compensation based upon an evaluation of his performance by the independent Directors. Based on recommendations from management, the Committee also reviews and approves senior management s compensation and approves compensation guidelines for all other officers of the Company. The Committee administers the Company s incentive and equity compensation plans and, in consultation with senior management, reviews and approves compensation policies. The Compensation Committee has oversight for the detailed disclosure requirements regarding executive compensation. Members of the Committee are Directors Eckert (Chairperson), Arnold, Lenny and Rogers. All members of the Compensation Committee are independent within the meaning of the listing standards of the NYSE and are also outside directors within the meaning of Section 162(m) of the Internal Revenue Code and non-employee directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934. In 2008, the Compensation Committee met eight times.

*The Compensation Committee Report can be found on page 17 of this Proxy Statement and additional information about the Committee s processes and procedures for the consideration and determination of executive compensation can be found in the Compensation Discussion and Analysis, also beginning on page 17 of this Proxy Statement.*

The **Governance Committee** monitors our Board structure and operations. As part of its functions, the Governance Committee sets criteria for Board membership; searches for and screens candidates to fill Board vacancies; recommends appropriate candidates for election each year and, in this regard, evaluates individual Director performance; assesses overall Board performance; considers Board composition and size; recommends to the Board the compensation paid to non-management Directors and evaluates the Company s corporate governance process. The Committee also considers and makes recommendations to the Board regarding shareholder proposals for inclusion in the Company s annual Proxy Statement. In addition, under our majority voting standard for uncontested Director elections, if an incumbent Director fails to be re-elected, the Governance Committee is responsible for making a recommendation to the Board about whether to accept the Director s resignation. Members of the Committee are Directors McKenna (Chairperson), Eckert, Hernandez, Jackson and Stone. All members of the Governance Committee are independent within the meaning of the listing standards of the NYSE. In 2008, the Governance Committee met six times.

The **Corporate Responsibility Committee** acts in an advisory capacity to the Company s management with respect to policies and strategies that affect the Company s role as a socially responsible organization, including issues pertaining to product safety, workplace safety, employee opportunities and training, diversity, the environment and sustainable supply chain initiatives. These issues are important to our customers and to the McDonald s System, which includes franchisees and suppliers, as well as the Company, its subsidiaries, joint ventures and developmental licensees, and we acknowledge the benefits of dialogue about these issues. Members of the Committee are Directors Massey (Chairperson), Arnold, Penrose and Rogers. In 2008, the Corporate Responsibility Committee met twice.

The **Finance Committee** ensures that McDonald s significant financial policies and plans, such as its dividend policy and share repurchase program, are considered in appropriate detail in light of the Company s overall strategy and performance. The Finance Committee has principal oversight responsibility with respect to certain material financial matters, including the Company s treasury activities, as well as acquisitions and divestitures that are significant to the Company s business. This Committee annually reviews the Company s worldwide insurance program, banking and trading arrangements, and policies with respect to dividends and share repurchase. Members of the Committee are Directors

Jackson (Chairperson), Lenny, McKenna, McMillan and Stone. All members of the Finance Committee are independent within the meaning of the listing standards of the NYSE. In 2008, the Finance Committee met three times.

The **Executive Committee** may exercise most Board powers during the periods between Board meetings. Members of this Committee are Directors Skinner (Chairperson), Eckert, Hernandez and McKenna. In 2008, the Executive Committee did not meet.

**DIRECTOR COMPENSATION**

Under McDonald s Corporate Governance Principles, the Governance Committee recommends to the Board the form and amount of compensation for non-management Directors. Only non-management Directors are paid for their service on the Board. The compensation structure for the non-management Directors in 2008 was the same as in 2007 and will remain the same for 2009.

The following table summarizes the compensation received by the non-management Directors in 2008:

| *Name* <br> *(a )* | *Fees earned or paid in cash ($)(2)(3)* <br> *(b)* | *Stock awards ($)(4)(5)* <br> *(c)* | *Option awards ($)(6)(7)* <br> *(d )* | *All other compensation (8)* <br> *(g)* | *Total* <br> *(h)* |
|---|---|---|---|---|---|
| Hall Adams, Jr. (1) | $ 52,357 | $ 35,164 | $ 875 | $ 0 | $ 88,396 |
| Susan E. Arnold (1) | 68,143 | 54,836 | | 10,000 | 132,979 |
| Robert A. Eckert | 143,736 | 90,000 | 875 | 10,000 | 244,611 |
| Enrique Hernandez, Jr. | 146,500 | 90,000 | 875 | 10,000 | 247,375 |
| Jeanne P. Jackson | 124,000 | 90,000 | 875 | 5,000 | 219,875 |
| Richard H. Lenny | 120,500 | 90,000 | | 10,000 | 220,500 |
| Walter E. Massey | 130,500 | 90,000 | 875 | 10,000 | 231,375 |
| Andrew J. McKenna (9) | 137,500 | 841,626 | 875 | 10,000 | 990,001 |
| Cary D. McMillan | 120,500 | 90,000 | 875 | 0 | 211,375 |
| Sheila A. Penrose | 120,500 | 90,000 | | 5,000 | 215,500 |
| John W. Rogers, Jr. | 119,000 | 90,000 | 875 | 10,000 | 219,875 |
| Roger W. Stone | 128,000 | 90,000 | 875 | 10,000 | 228,875 |

(1) Director Adams retired from the Board and Director Arnold was elected to the Board on May 22, 2008.

(2) Non-management Directors who served throughout 2008 earned: an annual retainer of $90,000 (Directors Adams and Arnold, who both served for a portion of the year, received prorated retainers of $35,357 and $54,643, respectively); a $2,000 fee for each Board meeting attended; a $1,500 fee for each Committee meeting attended; and a $2,000 fee for each executive session not held in conjunction with a Board meeting. In addition, in 2008, the Chairperson of each of the Audit, Compensation and Governance Committees (Directors Hernandez, Eckert and McKenna, respectively) received an annual retainer fee of $20,000 (except that Director Eckert, who was appointed Compensation Committee Chairperson on January 24, 2008, received a prorated retainer of $18,736). The Chairperson of each of the Corporate Responsibility and Finance Committees (Directors Massey and Jackson, respectively) received an annual retainer fee of $10,000 for service in these capacities. The Company reimburses non-management Directors for expenses incurred in connection with attending Board, Committee and shareholder meetings, as well as attending McDonald s business meetings at management s invitation. On limited occasions, the Company may determine that it is appropriate for non-management Directors to be accompanied by their spouses in connection with these meetings and/or at other events related to their service on the Board. In these circumstances, the Company also reimburses the spouses travel expenses. In addition, in accordance with our Corporate Governance Principles, the Company reimburses reasonable expenses related to continuing education for our Directors.

(3) Non-management Directors may elect to defer all or a portion of their retainer and/or fees in the form of common stock equivalent units under the Company s Directors Deferred Compensation Plan. Such deferrals, as well as the common stock equivalent units described in note 4 below, are credited to an account that is periodically adjusted to reflect the gains, losses and dividends associated with a notional investment in McDonald s common stock. The number of common stock equivalent units credited to a non-management Director s account is based on a per-share price equal to the closing price of McDonald s stock on the NYSE on the date the credit is made. Amounts credited to the non-management Directors accounts are paid in cash, in a single lump sum after the non-management Director retires from the Board or dies or on the date specified by the non-management Director in a deferral election. If the non-management Director has made a valid prior written election in accordance with the terms of the plan, all or a portion of the amount in the non-management Director s account may be paid in equal annual installments over a period of up to 15 years beginning after retirement from the Board.

(4)

Represents the expense to the Company in 2008, as reported in our financial statements pursuant to Statement of Financial Accounting Standards No. 123 (revised 2004) (FAS 123R), of (i) common stock equivalent units granted under the Directors Deferred Compensation Plan on December 31, 2008 to each non-management Director who served on the Board during 2008; and (ii) in the case of Director McKenna, restricted stock units, including a special grant of 14,222 restricted stock units on June 10, 2008, awarded in recognition of Director McKenna s service as non-executive Chairman of the Board, as described in note 9 on the next page.

(5) The aggregate number of outstanding stock awards held by each of the non-management Directors as of December 31, 2008 is set forth in the table below. Stock awards include

common stock equivalent units under the Directors Deferred Compensation Plan and, in the case of Director McKenna, both common stock equivalent units and restricted stock units:

| *Name* | *Aggregate number of outstanding stock awards as of December 31, 2008* |
|---|---|
| Hall Adams, Jr. | 15,819 |
| Susan E. Arnold | 2,004 |
| Robert A. Eckert | 23,016 |
| Enrique Hernandez, Jr. | 46,053 |
| Jeanne P. Jackson | 33,429 |
| Richard H. Lenny | 12,802 |
| Walter E. Massey | 19,850 |
| Andrew J. McKenna | 141,258 |
| Cary D. McMillan | 18,912 |
| Sheila A. Penrose | 5,702 |
| John W. Rogers, Jr. | 22,039 |
| Roger W. Stone | 80,826 |

(6) Represents the expense to the Company in 2008 under FAS 123R, as reported in our financial statements, of stock options granted in prior years. The Company has not granted any stock options to non-management Directors since May 20, 2004.

(7) The aggregate number of outstanding stock options held by each of the non-management Directors as of December 31, 2008 is set forth in the table below:

| *Name* | *Aggregate number of outstanding stock options as of December 31, 2008* |
|---|---|
| Hall Adams, Jr. | 24,000 |
| Susan E. Arnold | |
| Robert A. Eckert | 15,000 |
| Enrique Hernandez, Jr. | |
| Jeanne P. Jackson | 24,000 |
| Richard H. Lenny | |
| Walter E. Massey | |
| Andrew J. McKenna | 10,998 |
| Cary D. McMillan | 15,000 |
| Sheila A. Penrose | |
| John W. Rogers, Jr. | 15,000 |
| Roger W. Stone | 23,000 |

(8) Represents Company matching gifts of charitable contributions to tax-exempt organizations for non-management Directors who participated in this program. This program is generally available to the Company s employees and for the non-management Directors matches up to $10,000 of charitable contributions made to certain categories of tax-exempt organizations. The total cost of matching contributions made on behalf of non-management Directors was $90,000 during 2008.

(9) The amount reported in the Stock Awards column for Director McKenna represents the sum of (i) the $90,000 credit to his account under the Directors Deferred Compensation Plan on December 31, 2008; and (ii) the 2008 expense to the Company of $751,626 under FAS 123R relating to the special awards of 10,000 restricted stock units granted on May 10, 2005, 17,000 restricted stock units granted on May 23, 2007, and 14,222 restricted stock units granted on June 10, 2008 in recognition of his service as non-executive Chairman of the Board. These restricted stock units will be paid out on the later of one year from the date of grant or Director McKenna s retirement date.

**BOARD AND COMMITTEE EVALUATIONS**

In accordance with our Corporate Governance Principles, the Governance Committee conducts an annual evaluation of the performance of the Board of Directors. Individual Directors are evaluated periodically, but no less often than each time they are slated for re-election. In addition, each of the Audit, Compensation and Governance Committees annually conducts self-evaluations and each of the Corporate Responsibility and Finance Committees conducts such evaluations at least every two years. Results of these evaluations are discussed at committee meetings and with the full Board.

### CODE OF CONDUCT FOR THE BOARD OF DIRECTORS

Each year, Directors confirm that they have read the Code of Conduct for the Board of Directors and will comply with its standards.

### DIRECTOR SELECTION PROCESS

The Company has a policy with regard to the consideration of Director candidates. Under the policy, the Governance Committee establishes criteria for Director nominees, screens candidates and recommends Director nominees who are approved by the full Board.

The Governance Committee considers candidates suggested by its members, other Directors, senior management and shareholders in anticipation of upcoming elections and actual or expected Board vacancies. The Committee may, at the Company s expense, retain search firms, consultants and other advisors to identify, screen and/or evaluate candidates.

All candidates, including those recommended by shareholders, are evaluated on the same basis in light of their credentials and the needs of the Board and the Company. Of particular importance are the candidate s integrity and judgment, professional achievements and experience relevant to the Company s business and strategic challenges, his/her potential contribution to the diversity and culture of the Board, and ability and willingness to devote sufficient time to Board duties. Candidates also are evaluated in light of Board policies, such as those relating to Director independence and service on other boards. Candidates with appropriate qualifications are interviewed in person, typically by the Chairman, the Chief Executive Officer, a majority of the members of the Governance Committee and other available Directors.

The Governance Committee also evaluates sitting Directors whose terms are nearing expiration and who are being considered for renomination in light of the above considerations and their past contributions to the Board. Shareholders who wish to suggest candidates for nomination by the Board or who wish to directly nominate Director candidates for election at the Company s 2010 Annual Shareholders Meeting should follow the procedures described in the section on Consideration of Director Nominations for the 2010 Annual Shareholders Meeting, which can be found on page 6 of this Proxy Statement.

# Communications

### SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS AND NON-MANAGEMENT DIRECTORS

Interested persons wishing to communicate directly with the Board or the non-management Directors, individually or as a group, may do so by sending written communications addressed to them at McDonald s Corporation, P.O. Box 4953, Oak Brook, IL 60522-4953. Under the Board s policy for shareholder communications addressed to the Board, the Corporate Secretary collects mail from the Directors post office box, forwards correspondence directed to an individual Director to that Director, and screens correspondence directed to multiple Directors or the full Board in order to forward it to the most appropriate Committee Chairperson, the Chairman or the full Board. Communications to the Board, the non-management Directors or to any individual Director that relate to the Company s accounting, internal accounting controls or auditing matters are referred to the Chairperson of the Audit Committee.

### CONSIDERATION OF DIRECTOR NOMINATIONS FOR THE 2010 ANNUAL SHAREHOLDERS MEETING

***Director candidates nominated by the Board***

Shareholders can suggest Director candidates for consideration for nomination by the Board by writing to the Governance Committee, c/o Gloria Santona, Corporate Secretary, McDonald s Corporation, One McDonald s Plaza, Oak Brook, IL 60523-1928. Shareholders should provide the candidate s name, biographical data, qualifications and the candidate s written consent to being named as a nominee in the Company s Proxy Statement and to serve as a Director, if elected.

***Director candidates nominated by a shareholder***

For Director nominations to be properly brought before the 2010 Annual Shareholders Meeting by a shareholder, timely notice must be given by the shareholder to the Corporate Secretary. With respect to the 2010 Annual Shareholders Meeting, notice will be timely if it is delivered to the Corporate Secretary at the above address on or after the close of business on January 27, 2010 and on or before the close of business on February 26, 2010. A shareholder presenting a nominee for Director must satisfy certain other requirements set forth in the Company s By-Laws, which are available on the Company s website at *www.governance.mcdonalds.com*.

***Qualifications for Directors***

Article II, Section 6 of the Company s By-Laws provide that, in order to be eligible for election as a Director, a candidate must deliver to the Corporate Secretary statements indicating whether the candidate: (a) will deliver a resignation effective upon (i) failure to receive the required vote for election after a re-election and (ii) Board acceptance of such resignation; (b) is a party to any voting commitment that could limit the nominee s ability to carry out his/her fiduciary duties; (c) intends to refrain from entering into certain voting commitments; (d) is a party to any arrangements for compensation, reimbursement or indemnification in connection with service as a Director, or intends to enter into any such arrangement; and (e) intends to comply with the Company s publicly disclosed policies and guidelines. The foregoing is a summary of the requirements of Article II, Section 6 of the Company s By-Laws and is qualified by reference to the actual provisions of Article II, Section 6.

In addition, a Director candidate nominated by a shareholder for election at the 2010 Annual Shareholders Meeting will not be eligible for election unless the shareholder proposing the nominee has provided timely notice of the nomination in accordance with the deadlines specified under the section entitled Director candidates nominated by a shareholder and has otherwise complied with the other applicable requirements set forth in the By-Laws.

### SHAREHOLDER PROPOSALS FOR INCLUSION IN NEXT YEAR S PROXY STATEMENT

To be considered for inclusion in the Company s Proxy Statement for the 2010 Annual Shareholders Meeting, shareholder proposals must be received by the Corporate Secretary no later than December 18, 2009. These proposals should be sent to Gloria Santona, Corporate Secretary, by fax at 1-630-623-0497 or by mail to Gloria Santona, Corporate Secretary, McDonald s Corporation, One McDonald s Plaza, Oak Brook, IL 60523-1928. This notice requirement is in addition to the SEC s requirements that a shareholder must meet in order to have a shareholder proposal included in the Company s Proxy Statement.

### OTHER SHAREHOLDER PROPOSALS FOR PRESENTATION AT THE 2010 ANNUAL SHAREHOLDERS MEETING

For any proposal that is not submitted for inclusion in the Company s Proxy Statement for the 2010 Annual Shareholders Meeting pursuant to the SEC s proxy rules, but is instead sought to be presented directly from the floor of the 2010 Annual Shareholders Meeting, the Company s By-Laws require that timely notice must be given to the Corporate Secretary. To be timely, the notice must be delivered to the Corporate

Secretary at the above address on or after the close of business on January 27, 2010 and on or before the close of business on February 26, 2010. The By-Laws also provide that the proposal, as determined by the Chairman of the meeting, must be a proper subject for shareholder action under Delaware corporation law.

# Proposals to be voted on

**Proposal No. 1.**

ELECTION OF DIRECTORS

The Board is divided into three classes, each having three-year terms that expire in successive years.

### *Nominees*

**The nominees for Director are: Robert A. Eckert, Enrique Hernandez, Jr., Jeanne P. Jackson and Andrew J. McKenna.**

All of the nominees are standing for election as Directors at the 2009 Annual Shareholders Meeting to hold office for three-year terms expiring in 2012. Four directorships are currently subject to election.

Your shares will be voted according to your instructions. If you return your signed proxy card but do not provide voting instructions, your shares will be voted **FOR** the election of the four nominees named above. The Company s By-Laws provide that nominees for Director are elected by majority vote, which means that a nominee is elected only if the votes cast for his/her election exceed the votes cast against his/her election (with abstentions having no effect on the outcome of the election), except that Directors will be elected by plurality vote if the Corporate Secretary receives notice of a shareholder nomination for Director election in accordance with the By-Laws and that nomination is not withdrawn within a specified time period set forth in the By-Laws. Shareholders are permitted to nominate candidates for Director election only if they provide timely notice of a nomination in accordance with the Company s By-Laws. Directors will be elected by majority vote at the 2009 Annual Shareholders Meeting.

Each of the incumbent Directors who is nominated for re-election at the 2009 Annual Shareholders Meeting has agreed to tender an irrevocable resignation that will be effective (i) if the nominee is not re-elected by the required vote for election at the Annual Shareholders Meeting; and (ii) if the Board accepts such resignation following the meeting. The Governance Committee will act on an expedited basis to determine whether or not to accept the nominee s resignation and will submit such recommendation for prompt consideration by the Board. The Governance Committee and the Board may consider any factors they deem appropriate and relevant in deciding whether or not to accept a nominee s resignation.

The Board of Directors expects all four nominees named above to be available for election. If any of them should become unavailable to serve as a Director for any reason prior to the Annual Shareholders Meeting, the Board may substitute another person as a nominee. In that case, your shares will be voted for that other person.

Biographical information for the Directors continuing in office and for the four nominees follows.

***The Board of Directors recommends that shareholders vote FOR all four nominees.***

### *Biographical information*

***Ralph Alvarez*** Mr. Alvarez is President and Chief Operating Officer of the Company, a position to which he was elected in August 2006, and also has served as a Director since January 2008. He served as President of McDonald s North America from January 2005 to August 2006 and as President, McDonald s USA from July 2004 to January 2005. From January 2003 to July 2004, Mr. Alvarez served as Chief Operations Officer for McDonald s USA. Mr. Alvarez, 53, was first employed by the Company in 1994 and is a member of the class of 2010. Mr. Alvarez is currently a director of KeyCorp, but is not standing for re-election, and will continue to serve as a director until the KeyCorp Annual Meeting of Shareholders in May 2009. Mr. Alvarez also serves on the board of Eli Lilly and Company.

***Susan E. Arnold*** Ms. Arnold is serving in a special assignment reporting to the Chief Executive Officer with The Procter & Gamble Company, a manufacturer and marketer of consumer goods, through September 1, 2009. Ms. Arnold was the President Global Business Units of The Procter & Gamble Company from 2007 until March 2009 when she retired from that post. Prior to that time she served as Vice Chair of P&G Beauty and Health since 2006 and Vice Chair of P&G Beauty since 2004. She is also a director of The Walt Disney Company. Ms. Arnold, 55, joined McDonald s Board in 2008 and is a member of the class of 2011.

***Robert A. Eckert*** *Nominee.* Mr. Eckert is Chairman of the Board and Chief Executive Officer of Mattel, Inc., a designer, manufacturer and marketer of family products, a post he has held since May 2000. Mr. Eckert, 54, joined McDonald s Board in 2003 and is a nominee for the class of 2012.

***Enrique Hernandez, Jr.*** *Nominee.* Mr. Hernandez has been Chairman and Chief Executive Officer of Inter-Con Security Systems, Inc., a provider of high-end security and facility support services to government, utilities and industrial customers, since 1986. He joined McDonald s Board in 1996 and is a nominee for the class of 2012. Mr. Hernandez, 53, also serves as the Chairman of the Board of Nordstrom, Inc., and as a director of Chevron Corporation and Wells Fargo & Company.

***Jeanne P. Jackson*** *Nominee.* Ms. Jackson became President of Direct to Consumer for NIKE, Inc., a designer, marketer and distributor of athletic footwear, equipment and accessories, in March 2009. Ms. Jackson was Chief Executive Officer of Walmart.com from March 2000 to January 2002. Ms. Jackson, 57, joined McDonald s Board in 1999 and is a nominee for the class of 2012. She also serves on the board of Harrah s Entertainment, Inc.

***Richard H. Lenny*** Mr. Lenny was Chairman, President and Chief Executive Officer of The Hershey Company, a manufacturer, distributor and marketer of chocolate and non-chocolate candy, snacks and candy-related grocery products, from January 2002 until his retirement in December 2007. He serves as a director of ConAgra Foods, Inc. Mr. Lenny, 57, joined McDonald s Board in 2005 and is a member of the class of 2011.

***Walter E. Massey*** Dr. Massey retired as President of Morehouse College in June 2007, a post to which he was named in 1995. He serves as a director of Bank of America Corporation. Dr. Massey, 71, joined McDonald s Board in 1998 and is a member of the class of 2010.

***Andrew J. McKenna*** *Nominee.* Mr. McKenna has been the non-executive Chairman of the Board since 2004 and is also the Chairman of Schwarz Supply Source, a printer, converter, producer and distributor of packaging and promotional materials. Mr. McKenna, 79, joined McDonald s Board in 1991 and is a nominee for the class of 2012. He is also a director of Aon Corporation and Skyline Corporation.

***Cary D. McMillan*** Mr. McMillan has been Chief Executive Officer of True Partners Consulting, LLC, a professional services firm providing tax and other financial services, since December 2005. From October 2001 to May 2004, he was the Chief Executive Officer of Sara Lee Branded Apparel, and Executive Vice President, from January 2000 to May 2004, of Sara Lee Corporation, a branded consumer packaged goods company. Mr. McMillan, 51, joined McDonald s Board in 2003 and is a member of the class of 2011. He also serves as a director of American Eagle Outfitters, Inc. and Hewitt Associates, Inc.

***Sheila A. Penrose*** Ms. Penrose is the non-executive Chairman of the Board of Jones Lang LaSalle Incorporated, a real estate services and money management firm, since her election to that post in January 2005. She has served on Jones Lang LaSalle s Board since 2002. From October 2000 to December 2007, Ms. Penrose was the President of the Penrose Group, a provider of strategic advisory services on financial and organizational strategies. Ms. Penrose, 63, joined McDonald s Board in 2006 and is a member of the class of 2011.

***John W. Rogers, Jr.*** Mr. Rogers is the Chairman and Chief Executive Officer of Ariel Investments, LLC, a privately held institutional money management firm that he founded in 1983. Mr. Rogers, 51, joined McDonald s Board in 2003 and is a member of the class of 2010. Mr. Rogers also serves as a director of Aon Corporation and Exelon Corporation, and as a trustee of Ariel Investment Trust.

***James A. Skinner*** Mr. Skinner is Vice Chairman and Chief Executive Officer, a post to which he was elected in November 2004, and also has served as a Director since that date. He served as Vice Chairman from January 2003 to November 2004. Mr. Skinner, 64, has been with the Company for 37 years and is a member of the class of 2011. He also serves as a director of Illinois Tool Works Inc. and Walgreen Co.

***Roger W. Stone*** Mr. Stone has been Chairman and Chief Executive Officer of KapStone Paper and Packaging Corporation, formerly Stone Arcade Acquisition Corporation, since April 2005. Mr. Stone was manager of Stone-Kaplan Investments, LLC from July 2004 to January 2007. He was Chairman and Chief Executive Officer of Box USA Group, Inc., a corrugated box manufacturer, from 2000 to 2004. Mr. Stone has also been the non-executive Chairman and director of Stone Tan China Acquisition Corp. since January 2007. Mr. Stone, 74, joined McDonald s Board in 1989 and is a member of the class of 2010.

***Miles D. White*** Mr. White has been Chairman of the Board and Chief Executive Officer of Abbott Laboratories, a pharmaceuticals and biotechnology company, since 1999. Mr. White joined Abbott in 1984. He is currently a director of Motorola, Inc., but is not standing for re-election, and will continue to serve as a director until the Motorola Annual Meeting of Stockholders in May 2009. Mr. White, 54, joined the McDonald s Board in April 2009 as a member of the class of 2010.

**PROPOSAL NO. 2.**

## APPROVAL OF THE APPOINTMENT OF AN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM TO SERVE AS INDEPENDENT AUDITORS FOR 2009

The Audit Committee is responsible for the appointment of the independent auditors engaged by the Company. The Audit Committee has appointed Ernst & Young LLP as independent auditors for 2009. The Board is asking shareholders to approve this appointment. Ernst & Young LLP audited the Company s financial statements and internal control over financial reporting for 2008. A representative of that firm will be present at the Annual Shareholders Meeting and will have an opportunity to make a statement and answer questions.

See page 40 of this Proxy Statement for additional information regarding the independent auditors, including a description of the Audit Committee s Policy for Pre-Approval of Audit and Permitted Non-Audit Services and a summary of Auditor Fees and Services.

***The Board of Directors recommends that shareholders vote FOR the appointment of Ernst & Young LLP, an independent registered public accounting firm, to serve as independent auditors for 2009.***

**Proposal No. 3.**

APPROVAL OF PERFORMANCE GOALS FOR CERTAIN QUALIFIED PERFORMANCE-BASED AWARDS UNDER THE MCDONALD S CORPORATION AMENDED AND RESTATED 2001 OMNIBUS STOCK OWNERSHIP PLAN.

**The Board of Directors recommends that shareholders vote FOR approval of the Performance Goals for certain Qualified Performance-Based Awards under the McDonald s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan.**

We are asking for your approval of the performance goals for  Qualified Performance-Based Awards  (as defined below), other than options and stock appreciation rights (SARs), under the McDonald s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan (Stock Ownership Plan). We are not amending or altering the Stock Ownership Plan.

***Background***

Section 162(m) of the Internal Revenue Code (Section 162(m)) limits the deductibility of certain executive compensation paid to the Company s Chief Executive Officer and the four highest compensated officers (other than the Chief Executive Officer), as determined pursuant to the executive compensation disclosure rules under the Securities Exchange Act of 1934. These officers are referred to below as covered employees. An exemption from this limitation (the Performance Exception) applies to  performance-based  compensation as defined in the regulations under Section 162(m).

The Stock Ownership Plan gives the Board s Compensation Committee or another committee of independent directors appointed by the Board (Committee) the ability to grant options, SARs, restricted stock, restricted stock units, dividend equivalents and other stock-based awards that are designed to qualify for the Performance Exception (Qualified Performance-Based Awards). Options and SARs meet the Performance Exception because their value is based solely on any increase in the value of the Company s stock after the date of grant. Other Qualified Performance-Based Awards are granted subject to performance goals specified in the Stock Ownership Plan.

One of the requirements under the Performance Exception is shareholder approval of the performance goals pursuant to which the compensation is paid. The regulations under Section 162(m) require that, in order for Qualified Performance-Based Awards other than options and SARs to continue to qualify for the Performance Exception, shareholders must approve the material terms of the applicable performance goals every five years. The material terms of the performance goals for Qualified Performance-Based Awards other than options and SARs under the Stock Ownership Plan were last approved on May 20, 2004 (at the same time that the Stock Ownership Plan was approved by our shareholders). Therefore, we are asking for your approval of the material terms of the performance goals again this year.

***Performance goals***

Qualified Performance-Based Awards other than options and SARs are subject to the achievement of performance goals based upon the attainment of specified levels of one or more of the following measures, applied to the Company as a whole or to any subsidiary, division or other unit of the Company: revenue, operating income, net income, basic or diluted earnings per share, return on revenue, return on assets, return on equity, return on total capital, or total shareholder return. These performance goals may be absolute or relative to the performance of one or more other companies comparable to the Company or of an index covering multiple companies. In establishing performance goals, the Committee may specify that there shall be excluded the effect of restructuring charges, discontinued operations, extraordinary items, cumulative effects of accounting changes, and other unusual or nonrecurring items, as well as asset impairment and the effects of foreign currency fluctuations, in each case as those terms are defined under generally accepted accounting principles and provided in each case that such excluded items are objectively determinable by reference to the Company s financial statements, notes to the Company s financial statements and/or management s discussion and analysis in the Company s financial statements.

***Eligible employees and maximum awards***

Awards under the Stock Ownership Plan may be granted to any employee (including officers) of the Company or any of its domestic subsidiaries, to any employee, officer or director of any of the Company s foreign subsidiaries, and to non-employee Directors of the Company. In 2009, awards were made to approximately 3,600 participants under the Stock Ownership Plan. Currently, there are more than 8,000 participants with outstanding awards granted under the Stock Ownership Plan. Each year from 2006 through 2009, restricted stock units designed to qualify for the Performance Exception were granted under the Stock Ownership Plan to 11 individuals. The Committee anticipates that a comparable number of individuals will be selected for Qualified Performance-Based Awards subject to the achievement of performance goals in the future. The maximum number of shares covered by Qualified Performance-Based Awards other than options and SARs that may be granted to any single participant during any one-year period is 500,000, subject to adjustments in the case of changes in capitalization and corporate transactions pursuant to adjustment provisions set forth in the Stock Ownership Plan.

If the Committee grants Qualified Performance-Based Awards subject to the achievement of performance goals, and complies with the other procedures required by the Performance Exception, those awards should qualify for the Performance Exception. However, it is possible that in some cases, awards under the Stock Ownership Plan that are intended to qualify for the Performance Exception may not so qualify, or the Committee may exercise its discretion to make awards that do not qualify for the Performance Exception.

***Amendment***

The Stock Ownership Plan and awards thereunder may be amended by our Board of Directors or the Committee, subject to shareholder approval if required by the listing requirements of the New York Stock Exchange or any other national securities exchange on which McDonald s equity securities are listed. The Stock Ownership Plan provides that shareholder approval would be required for any amendment that would result in the reduction of the exercise price of any option or stock appreciation right, except for adjustments for changes in capitalization and corporate transactions as provided in the Stock Ownership Plan. Amendments may not adversely affect outstanding awards without the consent of the affected grantee, unless the amendment does not materially decrease the value of the award or is made to comply with applicable law, stock exchange rules or accounting rules. No amendment may be made that would cause the loss of the exemption from the limitation under Section 162(m) for any then-outstanding Qualified Performance-Based Awards. In addition, awards may not be amended in a way that is inconsistent with the requirements of the Stock Ownership Plan. For example, an award that is subject to the minimum vesting schedule for service-vesting restricted stock, restricted stock units and other full-value stock-based awards under the Stock Ownership Plan may not be amended to eliminate that minimum vesting schedule.

***Equity compensation plan information***

The following table summarizes information about the Company s equity compensation plans as of December 31, 2008. All outstanding awards relate to the Company s common stock. Shares issued under all of the following plans may be from the Company s treasury, newly issued or both.

| | *Number of securities to be issued upon exercise of outstanding options, warrants and rights* | *Weighted-average exercise price of outstanding options, warrants and rights* | *Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))* |
|---|---|---|---|
| *Plan category* | *(a)* | *(b)* | *(c)* |
| Equity compensation plans approved by security holders | 39,490,575*(1)* | $ 35.10 | 40,870,134 |
| Equity compensation plans not approved by security holders | 16,936,105*(2)* | 35.45 | 0 |
| Total | 56,426,680 | $ 35.21 | 40,870,134 |

(1) Includes stock options outstanding under the following plans: Stock Ownership Plan 36,325,896 shares; 1992 Stock Ownership Incentive Plan (1992 Plan) 104,700 shares; and Non-Employee Director Stock Option Plan 25,500 shares. Also includes 3,034,479 restricted stock units granted under the Stock Ownership Plan.

(2) Includes stock options outstanding under the following plans: 1992 Plan 16,304,089; 1975 Stock Ownership Option Plan 617,766; and 1999 Non-Employee Director Stock Option Plan 14,250.

The foregoing description addresses limited aspects of the Stock Ownership Plan, primarily the material terms of the performance goals that apply to Qualified Performance-Based Awards other than options and SARs under the Plans, and is qualified in its entirety by the full text of the Stock Ownership Plan. The Stock Ownership Plan is not part of this Proxy Statement. *A copy of the Stock Ownership Plan is available on the Company s website at www.investor.mcdonalds.com, by clicking on 2009 Proxy Statement. In addition, the Stock Ownership Plan is available at the Securities and Exchange Commission s website at www.sec.gov, where it is an exhibit to the electronic version of this Proxy Statement. We will provide you with a copy of the Stock Ownership Plan without charge if you call the Investor Relations Service Center at 630-623-7428, or write to us at McDonald s Corporation, Investor Relations Service Center, One McDonald s Plaza, Oak Brook, IL 60523-1928. Copies of the Stock Ownership Plan will also be available at the Annual Shareholders Meeting.*

***The Board s recommendation***

The Board believes that the approval of the performance goals for Qualified Performance-Based Awards other than options and SARs under the Stock Ownership Plan will permit the Committee to continue to grant Qualified Performance-Based Awards that meet the Performance Exception. The Board believes that this is in the best interest of the Company.

If shareholders do not approve the performance goals, management and the Compensation Committee will examine available alternatives, including granting compensation to covered employees that does not qualify for the Performance Exception.

***Therefore, your Board of Directors recommends that you vote FOR the approval of the performance goals for certain Qualified Performance-Based Awards under the McDonald s Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan.***

## Proposal No. 4.

APPROVAL OF MCDONALD S CORPORATION 2009 CASH INCENTIVE PLAN

**The Board of Directors recommends that shareholders vote FOR approval of the 2009 Cash Incentive Plan.**

The McDonald s Corporation 2009 Cash Incentive Plan, referred to below as the Cash Incentive Plan, was adopted by the Compensation Committee of our Board of Directors on March 18, 2009, subject to approval by our shareholders. The 2009 Cash Incentive Plan is substantially identical to the McDonald s Corporation 2004 Cash Incentive Plan (2004 Cash Incentive Plan), which was approved by our shareholders on May 20, 2004 and by its terms expires immediately prior to the Company s 2009 Annual Shareholders Meeting.

The purpose of seeking this approval is to obtain the benefits of the Performance Exception from the limits on our tax deductions for cash incentive compensation under Section 162(m), as more fully described on page 9 under Background.

The material features of the Cash Incentive Plan are summarized below.

***Purpose***

The primary purpose of the Cash Incentive Plan is to enable the Company to continue to pay performance-based short-term and long-term incentive cash compensation designed to qualify for the Performance Exception on substantially the same terms as under the 2004 Cash Incentive Plan, which by its terms expires immediately prior to the Company s 2009 Annual Shareholders Meeting.

The Cash Incentive Plan provides a means to advance the Company s interests by paying performance-based short-term and long-term incentive cash compensation designed to qualify for the Performance Exception to those employees upon whose judgment and efforts the Company is largely dependent for the successful conduct of its operations. It is anticipated that the opportunity to earn such cash compensation will stimulate the efforts of such employees on behalf of the Company, strengthen their desire to continue in the service of the Company, and assist the Company in attracting promising new employees.

***General information***

The Cash Incentive Plan provides for the granting of the opportunity to earn cash incentive awards based upon the achievement of performance goals during specified periods, known as performance periods.

If approved, the Cash Incentive Plan will become the Company s primary vehicle for annual and long-term cash incentive compensation of its executives, replacing the 2004 Cash Incentive Plan upon its expiration. The Company currently grants awards under the 2004 Cash Incentive Plan through TIP (annual cash incentive awards) and CPUP (long-term cash incentive awards), and we expect to use TIP and CPUP to grant awards under the Cash Incentive Plan, although the Company may use different or additional methods for granting Cash Incentive Plan awards in our discretion.

***Plan administration***

The Cash Incentive Plan will be administered by the Board s Compensation Committee or another committee of Directors appointed by the Board (Committee). The Committee members must all qualify as outside directors (as defined under Section 162(m) of the Internal Revenue Code) for purposes of the Performance Exception. The Committee has the power to delegate certain of its administrative responsibilities to appropriate individuals or committees, to the extent permitted under the Performance Exception.

***Eligible employees***

The Cash Incentive Plan may be used to grant performance-based awards to any employee of McDonald s and its domestic subsidiaries and any employee or director of McDonald s foreign subsidiaries. While the Committee considers cash incentives for approximately 4,600 employees, awards under the Cash Incentive Plan have historically been granted to a limited number of individuals. Each year from 2006 through 2009, the Committee granted awards under the 2004 Cash Incentive Plan to 11 individuals (generally, our executive officer group). See Estimate of benefits below. The Committee anticipates that a comparable number of individuals will be selected for awards in the future.

***Awards under the Cash Incentive Plan***

When the Committee makes an award under the Cash Incentive Plan, it must establish the terms and conditions of the award within the time period required by the Performance Exception (generally, within 90 days after the beginning of the applicable performance period), including the following:

- The applicable performance goal or goals (see Performance goals below) and the performance period during which they must be achieved;
- The formula by which the amounts payable will be determined, based upon the achievement of the performance goal or goals;
- The consequences of a termination of employment during the applicable performance period; and
-

The consequences of a change in control during the applicable performance period, if they are to differ from the general rules explained below under change in control.

A cash payment generally may be made pursuant to an award only upon the achievement of the applicable performance goal or goals. The Committee may provide that achievement of the goals will be waived in whole or in part upon the death or disability of the participant, in the event of a change in control, or such other event as the Committee may deem appropriate. However, the Committee may not exercise any discretionary authority it may otherwise have under the Cash Incentive Plan in a manner that would cause the award to cease to qualify for the Performance Exception. The Performance Exception permits such waivers only upon a change in control or the participant s death or disability.

Awards under the Cash Incentive Plan are not transferable, except upon death.

***Maximum awards***

In order to meet the requirements of the Performance Exception, the Cash Incentive Plan imposes the following limitations. The maximum number of performance periods that end in any single calendar year for which any one participant will be eligible to earn awards is three. In addition, the maximum amount of cash that may be paid pursuant to any one award under the plan is $8 million times the number of years and fractions thereof in the applicable performance period.

***Performance goals***

The performance goals for awards under the Cash Incentive Plan may be based upon the attainment of specified levels of one or more of the following measures, applied to the Company as a whole or to any subsidiary, division or other unit of the Company: revenue, operating income, net income, basic or diluted earnings per share, return on revenue, return on assets, return on equity, return on total capital, or total shareholder return. These performance goals may be absolute or relative to the performance of one or more other companies comparable to the Company or of an index covering multiple companies. In establishing performance goals, the Committee may specify that there shall be excluded the effect of restructuring charges, discontinued operations, extraordinary items, cumulative effects of accounting changes, and other unusual or nonrecurring items, and asset impairment and the effect of foreign currency fluctuations, in each case as those terms are defined under generally accepted accounting principles and provided in each case that such excluded items are objectively determinable by reference to the Company s financial statements, notes to the Company s financial statements and/or management s discussion and analysis in the Company s Annual Report.

***Amendment and termination***

The Cash Incentive Plan and awards under it may be amended and the Cash Incentive Plan may be terminated by our Board of Directors, and awards may be amended by the Committee, without shareholder approval. However, no amendment or termination may adversely affect outstanding awards without the consent of the affected grantee, unless the amendment does not materially decrease the value of the award or is made to comply with applicable law, stock exchange rules or accounting rules. Moreover, in no event may any award be amended in any manner that would cause it to cease to qualify for the Performance Exception. The Cash Incentive Plan requires that the material terms of performance goals be submitted to the Company s shareholders for reapproval as required to meet the Performance Exception.

***Estimate of benefits***

Because the grant of awards pursuant to the Cash Incentive Plan will be within the discretion of the Committee, it is not possible to determine the awards that will be made under the Cash Incentive Plan. The following table shows the dollar value of the annual incentive awards granted by the Committee in January 2008 under the 2004 Cash Incentive Plan for the performance period ending December 31, 2008, and the potential dollar value of the long-term incentive awards granted by the Committee in January 2007 under the 2004 Cash Incentive Plan for the performance period ending on December 31, 2009.

| | | *Long-term incentive* | |
|---|---|---|---|
| | *Annual incentive* | *Target* | *Maximum* |
| James A. Skinner<br>*Vice Chairman and*<br>*Chief Executive Officer* | $ 4,600,000 | $ 3,600,000 | $ 8,280,000 |
| Peter J. Bensen<br>*Corporate Executive*<br>*Vice President and*<br>*Chief Financial Officer* | 938,000 | 1,135,417 | 2,611,459 |
| Ralph Alvarez<br>*President and Chief*<br>*Operating Officer* | 2,800,000 | 2,000,000 | 4,600,000 |
| Denis Hennequin<br>*President, McDonald s*<br>*Europe* | 1,208,940 | 1,200,000 | 2,760,000 |
| Timothy J. Fenton<br>*President, McDonald s*<br>*Asia/Pacific, Middle East*<br>*and Africa* | 930,000 | 1,200,000 | 2,760,000 |

| | | | |
|---|---|---|---|
| Executive Officer Group (11 persons) | 15,127,950 | 13,485,417 | 31,016,459 |
| Non-Executive Director Group (n/a) | 0 | 0 | 0 |
| Non-Executive Officer Employee Group (0 persons) | 0 | 0 | 0 |

***Change in control***

Unless the Committee determines otherwise in connection with the grant of a particular award, upon a change in control of the Company (as defined in the Cash Incentive Plan) during the performance period for an award, the participant will become entitled to a pro rata payment for the portion of the applicable performance period that precedes the change in control, computed by assuming that the applicable performance goals were achieved at the level achieved during the pre-change portion of the performance period. However, no such payments will be made to participants whose employment terminates for cause before the payment is made. Any payment made for an award at the time of a change in control will offset the amount (if any) that becomes payable under the award following completion of the performance period. It is the Company s intention that the timing of payment of amounts that vest in connection with a change in control will comply with Section 409A of the Internal Revenue Code (Section 409A), including by delaying such payments until after completion of the performance period.

A change in control is generally defined under the Cash Incentive Plan as either (i) the acquisition of 20% or more of our common stock or voting securities by a single purchaser or a group of purchasers acting together; (ii) the incumbent members of the Board of Directors (and certain new directors approved in a specified manner by those members) cease to constitute at least a majority of the Board as a result of an actual or threatened election contest; (iii) a significant merger or other business combination involving the Company; or (iv) a complete liquidation or dissolution of the Company.

***Performance exception***

Shareholder approval of the material terms of awards under the Cash Incentive Plan is required for the awards to satisfy the requirements of the Performance Exception from the limitation on deductibility of certain executive compensation under Section 162(m) (see Proposal No. 3). Approval of the Cash Incentive Plan at the Annual Shareholders Meeting will satisfy this shareholder approval requirement.

The foregoing summary is qualified in its entirety by the full text of the Cash Incentive Plan. The Cash Incentive Plan is not part of this Proxy Statement. *A copy of the Cash Incentive Plan is available on the Company s website at www.investor.mcdonalds.com, by clicking on 2009 Proxy Statement and the Securities and Exchange Commission s website at www.sec.gov, where it is an exhibit to an electronic version of this Proxy Statement. We will provide you with a copy without charge if you call the Investor Relations Service Center at 630-623-7428, or write to us at McDonald s Corporation, Investor Relations Service Center, One McDonald s Plaza, Oak Brook, IL 60523-1928. Copies of the Cash Incentive Plan will also be available at the Annual Shareholders Meeting.*

***The Board s recommendation***

The Board believes that the approval of the Cash Incentive Plan will permit the Committee to continue to grant performance-based short-term and long-term incentive cash compensation designed to qualify for the Performance Exception to those employees upon whose judgment and efforts the Company is largely dependent for the successful conduct of its operations. The Board believes that this is in the best interest of the Company.

If shareholders do not approve the Cash Incentive Plan, management and the Compensation Committee will examine all of the available alternatives, including but not limited to paying cash incentive compensation under other arrangements that do not qualify for the Performance Exception.

***Therefore, your Board of Directors recommends that you vote FOR the approval of the 2009 Cash Incentive Plan.***

**P ROPOSAL NO. 5.**

SHAREHOLDER PROPOSAL RELATING TO SHAREHOLDER VOTE ON EXECUTIVE COMPENSATION

The Needmor Fund, CHRISTUS Health, Congregation of Sisters of St. Agnes, Congregation of the Sisters of Charity of the Incarnate Word, Emerald Assurance, Friends Fiduciary Corporation, Missionary Oblates of Mary Immaculate, United States Province, Neva R. Goodwin, Providence Trust and St. Scholastica Monastery advised the Company that they intend to present the following shareholder proposal at the Annual Shareholders Meeting. The lead proponent, The Needmor Fund, owns 1,300 shares of the Company s common stock. The addresses of the proponents are available upon request by calling 1-630-623-2553 or by sending a request to McDonald s Corporation, Investor Relations Service Center, Department 300, One McDonald s Plaza, Oak Brook, IL 60523-1928.

***Shareholder proposal***

RESOLVED, that shareholders of McDonald s Corporation request the board of directors to adopt a policy that provides shareholders the opportunity at each annual shareholder meeting to vote on an advisory resolution, proposed by management, to ratify the compensation of the named executive officers ( NEOs ) set forth in the proxy statement s Summary Compensation Table (the SCT ) and the accompanying narrative disclosure of material factors provided to understand the SCT (but not the Compensation Discussion and Analysis). The proposal submitted to shareholders should make clear that the vote is non-binding and would not affect any compensation paid or awarded to any NEO.

***Supporting statement***

Investors are increasingly concerned about mushrooming executive compensation especially when insufficiently linked to performance. In 2008, shareholders filed close to 100 Say on Pay resolutions. Votes on these resolutions have averaged 43% in favor, with ten votes over 50%, demonstrating strong shareholder support for this reform.

An Advisory Vote establishes an annual referendum process for shareholders about senior executive compensation. We believe the results of this vote would provide the board and management useful information about shareholder views on the company s senior executive compensation.

In its 2008 proxy Aflac submitted an Advisory Vote resulting in a 93% vote in favor, indicating strong investor support for good disclosure and a reasonable compensation package. Daniel Amos, Chairman and CEO said, An advisory vote on our compensation report is a helpful avenue for our shareholders to provide feedback on our pay-for-performance compensation philosophy and pay package.

To date eight other companies have also agreed to an Advisory Vote, including Verizon, MBIA, H&R Block, Ingersoll Rand, Blockbuster, and Tech Data. TIAA-CREF, the country s largest pension fund, has successfully utilized the Advisory Vote twice.

Influential proxy voting service RiskMetrics Group, recommends votes in favor, noting: RiskMetrics encourages companies to allow shareholders to express their opinions of executive compensation practices by establishing an annual referendum process. An advisory vote on executive compensation is another step forward in enhancing board accountability.

The Council of Institutional Investors endorsed advisory votes and a bill to allow annual advisory votes passed the House of Representatives by a 2-to-1 margin. We believe the statesman like approach for company leaders is to adopt an Advisory Vote voluntarily before required by law.

We believe that existing U.S. Securities and Exchange Commission rules and stock exchange listing standards do not provide shareholders with sufficient mechanisms for providing input to boards on senior executive compensation. In contrast, in the United Kingdom, public companies allow shareholders to cast a vote on the directors remuneration report, which discloses executive compensation. Such a vote isn t binding, but gives shareholders a clear voice that could help shape senior executive compensation.

We believe that a company that has a clearly explained compensation philosophy and metrics, reasonably links pay to performance, and communicates effectively to investors would find a management sponsored Advisory Vote a helpful tool.

We urge our board to allow shareholders to express their opinion about senior executive compensation through an Advisory Vote.

***The Board s recommendation***

The Board of Directors has carefully considered the proposal and believes that it is not in the best interest of our shareholders. We recognize the importance of establishing and maintaining appropriate executive compensation practices, and appreciate the importance that our shareholders place on these practices. We welcome the input of our shareholders on our executive compensation programs, as well as on all other aspects of corporate governance. For the following reasons, however, we believe that an advisory vote of the type called for by the proposal offers too little opportunity for informative shareholder input and would be of little value to either shareholders or the Board of Directors.

**Our compensation program for executives already links pay to performance.** As detailed in the Compensation Discussion and Analysis section of this Proxy Statement, we believe that our Company s existing and historical compensation practices clearly establish a strong link between executive compensation and corporate performance. Many say on pay proposals arise from perceived or actual executive compensation practices that do not reflect the relative success or failures of a company, which is not the case at McDonald s. In fact, the proponents of this proposal do not allege any poor executive pay practices with respect to our Company. We believe that the proposal seeks to fix a problem that does not exist at McDonald s.

**The proposed advisory vote would not allow shareholders to express meaningful opinions or provide useful information to the Board of Directors or its Compensation Committee.** The proposal calls for an advisory vote on the Summary Compensation Table and the accompanying explanatory disclosures included in our annual proxy statement. The table and related disclosures provide extensive, detailed information regarding each element of compensation paid to each of our named executive officers. A simple for or against advisory vote on this information would not allow shareholders to express their views in any meaningful way on the components or amounts of compensation identified in the Summary Compensation Table or discussed in the related disclosures. For this reason, the Board of Directors and the Compensation Committee would neither be able to determine the meaning of a negative vote or discern any shareholder opinions that might be useful in setting future compensation. A vote against ratification, for example, could mean that shareholders (or some shareholders) do not approve of the amount of compensation paid to a particular executive officer, or believe that bonuses were too high (or too low), or prefer that executives receive more (or less) of their compensation in the form of equity awards as opposed to cash. The proposed advisory vote would leave our Directors to guess at the particular concerns of the shareholders and how to improve the compensation program.

**The proposed advisory vote could be in conflict with expected federal legislation.** The matter of shareholder ratification of executive compensation previously has been the subject of proposed federal legislation, and it is widely expected that similar legislation will be introduced in Congress in 2009. If Congress enacts legislation requiring an advisory vote on executive compensation, the proposal may be superseded before it could be implemented. In addition, the elements of the proposed advisory vote could be inconsistent with the federal legislation or the Company may have implemented the proposal in a way that is inconsistent with the federal legislation. In any case, approval of the proposal at this time would be premature in light of the potential for legislative action in the near future.

***Therefore, your Board of Directors recommends that you vote AGAINST this proposal.***

## PROPOSAL NO. 6.

## SHAREHOLDER PROPOSAL RELATING TO THE USE OF CAGE-FREE EGGS

The Humane Society of the United States advised the Company that it intends to present the following shareholder proposal at the Annual Shareholders Meeting. The proponent owns 101 shares of the Company s common stock. The address of the proponent is available upon request by calling 1-630-623-2553 or by sending a request to McDonald s Corporation, Investor Relations Service Center, Department 300, One McDonald s Plaza, Oak Brook, IL 60523-1928.

***Shareholder proposal***

Whereas, in our 2008 Corporate Responsibility Report, McDonald s Corporation (the Corporation) commits to ensure industry-leading animal husbandry practices and our Animal Welfare Guiding Principles express our commitment to ensuring animals are free from cruelty, abuse and neglect.

McDonald s has implemented cage-free egg purchasing policies in other countries: we have committed to phase out all caged whole eggs in our EU restaurants by the end of 2010 and <u>**100%**</u> of the Corporation s UK egg sales are already cage-free. Conversely, **no** eggs sold by McDonald s-US are cage-free. McDonald s-US not only lags behind McDonald s-UK, but also behind domestic competitors. Burger King, Denny s, Carl s Jr., and Hardee s all use cage-free eggs in the US. As a result, industry-leading best practices increasingly mean shunning battery cage confinement. In addition to these competitors, other major players in the restaurant and food-service industries and scores of universities are already moving in that direction.

Typically, caged egg-laying hens are confined in wire battery cages so small the birds cannot even spread their wings. Under McDonald s current guidelines, our US suppliers need only provide hens a mere 72 square inches of cage space less than a letter-sized sheet of paper on which to spend nearly their whole lives.

The prestigious Pew Commission on Industrial Farm Animal Production an independent panel including former US Secretary of Agriculture Dan Glickman concluded after an extensive two-year study that battery cages for laying hens should be phased out on animal welfare and food safety grounds.

In October 2008, *The New York Times* editorial board noted: [Industrial farming] means endless rows of laying hens kept in battery cages so small that the birds cannot even stretch their wings. <u>**No philosophy can justify this kind of cruelty, not even the philosophy of cheapness.**</u> [emphasis added]

In November, Californians overwhelmingly passed the Prevention of Farm Animal Cruelty Act, criminalizing the confinement of laying hens in battery cages (with a phase-out period), punishable by jail time and fines. California, in addition to being our nation s most populous state, is the birthplace of McDonald s, and home to more than 600 McDonald s restaurants.

The Corporation s own US Animal Welfare Council member Diane Halverson states: The standard industry practice of confining laying hens in battery cages is an institutionalized cruelty that must be abolished.

**RESOLVED,** shareholders request that the Board of Directors adopt a policy to phase-in the use of cage-free eggs at our United States locations, in keeping with our company s stated commitment to be an industry leader on animal welfare issues.

***Supporting statement***

In the proponents opinion, our company risks loss of business and reputation by not switching to cage-free eggs; our lack of progress on this issue in the US belies our animal welfare policy. By phasing in cage-free eggs, McDonald s can keep pace with competitors and better meet public expectations and our own commitments to animal welfare.

We urge you to vote FOR the resolution.

***The Board s recommendation***

The Board of Directors has carefully considered the proposal and, for the reasons described below, believes that the proposal would not enhance our existing policies and practices regarding the welfare of egg-laying hens.

Our Company has long been a strong advocate of good animal welfare practices, including the handling and welfare of egg-laying hens. For example, in 2000, McDonald s U.S. issued industry-leading welfare guidelines for egg-laying hens, which continue to exceed industry standards. In addition, we have adopted and implemented global Animal Welfare Guiding Principles, which advocate and support practices that provide animals, including egg-laying hens, with an environment free from cruelty, abuse and neglect.

Based on the latest available scientific research, McDonald s supports the use by our suppliers of both cage and cage-free housing for egg-laying hens. We continue to engage with our suppliers and the scientific community in further research on this very important issue to ensure that our position reflects the latest scientific information and sustainability best practices related to all relevant factors, such as animal welfare, safety, quality, cost and the environment.

***Therefore, your Board of Directors recommends that you vote AGAINST this proposal.***

# Stock ownership

## STOCK OWNERSHIP GUIDELINES

The Company imposes minimum stock ownership guidelines for Directors and senior officers. These guidelines are available on the Company s website at *www.governance.mcdonalds.com*.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table shows all beneficial owners of more than five percent of the Company s common stock outstanding as of December 31, 2008:

| *Name and address of beneficial owner* | *Amount and nature of beneficial ownership* | *Percent of class (3)* |
|---|---|---|
| FMR LLC *(1)*<br>82 Devonshire Street<br>Boston, MA 02109 | 55,935,462 | 5.0% |
| Marsico Capital Management, LLC *(2)*<br>1200 17th Street,<br>Suite 1600<br>Denver, CO 80202 | 57,520,572 | 5.2% |

(1) Reflects shares beneficially owned by FMR LLC (FMR) and Edward C. Johnson, 3d, Chairman of FMR, as of December 31, 2008, according to a statement on Schedule 13G filed with the SEC, which indicates that: (A) FMR has sole dispositive power over all of these shares and sole voting power with respect to 3,994,826 shares, (B) Mr. Johnson and FMR, through its control of Fidelity Management & Research Company (Fidelity), a wholly owned subsidiary of FMR, each has sole dispositive power over 51,700,856 shares, and (C) these shares represented (i) 51,700,856 shares beneficially owned by Fidelity, as a result of acting as investment adviser to various investment companies; (ii) 210,552 shares beneficially owned through Strategic Advisors, Inc., a wholly owned subsidiary of FMR; (iii) 229,420 shares beneficially owned by Pyramis Global Advisors, LLC ( PGALLC ), as a result of serving as investment adviser to institutional

accounts, non-U.S. mutual funds, or investment companies; Mr. Johnson and FMR, through its control of PGALLC, each has sole dispositive power over 229,420 shares and sole power to vote or to direct the voting of 229,420 shares; and (iv) Pyramis Global Advisors Trust Company ( PGATC ) is the beneficial owner of 2,432,734 shares, as a result of serving as investment manager of institutional accounts; Mr. Johnson and FMR, through its control of PGATC, each has sole dispositive power over 2,432,734 shares and sole power to vote or to direct the vote of 2,069,254 shares. FIL Limited (FIL) is the beneficial owner of 1,361,900 shares. Partnerships controlled predominantly by Mr. Johnson s family members control approximately 47% of FIL. FIL has sole dispositive power over 1,361,900 shares owned by the International Funds. FIL has sole power to vote or direct the vote of 1,336,600 shares and no power to vote or direct the vote of 25,300 shares held by the International Funds. The voting power with respect to the shares beneficially owned by Fidelity Funds is held by the Boards of Trustees of the investment companies of which Fidelity is the investment adviser. FIL and FMR indicate in the Schedule 13G that they are not acting as a group and are not otherwise required to attribute to each other the beneficial ownership of shares owned by the other. The Schedule 13G certifies that the securities were acquired in the ordinary course and not with the purpose nor with the effect of changing or influencing the control of McDonald s.

(2) Reflects shares beneficially owned by Marsico Capital Management, LLC as of December 31, 2008, according to a statement on Schedule 13G/A filed with the SEC, which indicates that the company, an investment adviser, has sole voting power with respect to 48,818,638 shares and sole dispositive power with respect to 57,520,572 shares. The company holds shared voting power with respect to none of the shares. The Schedule 13G/A certifies that the securities were acquired in the ordinary course and not with the purpose or with the effect of changing or influencing the control of McDonald s.

(3) Based on the number of outstanding shares of common stock on December 31, 2008.

## SECURITY OWNERSHIP OF MANAGEMENT

The following table shows the ownership of the common stock and common stock equivalent units for the named individuals and the group as of March 1, 2009. Directors and executive officers as a group owned (directly, indirectly and through benefit plans) less than 1.0% of the Company s common stock:

| *Name* | *Common stock (1)(2)(3)(4)(5)* | *Stock equivalents (6)* | *Total* |
|---|---|---|---|
| Ralph Alvarez | 445,227 | 31,156 | 476,383 |
| Susan E. Arnold | | 2,004 | 2,004 |
| Peter J. Bensen | 130,392 | 5,330 | 135,722 |
| Robert A. Eckert | 25,000 | 23,016 | 48,016 |
| Timothy J. Fenton | 129,039 | 18,529 | 147,568 |
| Denis Hennequin | 282,666 | 3,267 | 285,933 |
| Enrique Hernandez, Jr. | 11,108 | 46,053 | 57,161 |
| Jeanne P. Jackson | 26,250 | 33,429 | 59,679 |
| Richard H. Lenny | 2,000 | 12,802 | 14,802 |
| Walter E. Massey | 5,750 | 19,850 | 25,600 |
| Andrew J. McKenna | 53,519 | 75,036 | 128,555 |
| Cary D. McMillan | 25,500 | 18,912 | 44,412 |
| Sheila A. Penrose | 3,000 | 5,702 | 8,702 |
| John W. Rogers, Jr. | 92,100 | 22,039 | 114,139 |
| James A. Skinner | 1,520,273 | 36,768 | 1,557,041 |
| Roger W. Stone | 41,000 | 80,826 | 121,826 |
| Miles D. White | | | |
| Directors and executive officers as a group (the Group) (24 persons) | 3,862,484 | 487,773 | 4,350,257 |

(1) Beneficial ownership of shares that are owned by members of their immediate families directly or through trusts is disclaimed as follows: Directors McKenna, 640; and Rogers, 100.

(2) Includes unallocated shares held in the Company s Profit Sharing and Savings Plan as follows: Directors Alvarez, 2,882; and Skinner, 11,200; Mr. Bensen, 53; and the Group, 24,240.

(3) Includes shares that could be purchased by exercise of stock options on or within 60 days after March 1, 2009 under the Company s option plans as follows: Directors Alvarez, 411,756; Eckert, 15,000; Jackson, 24,000; McKenna, 10,998; McMillan, 15,000; Rogers, 15,000; Skinner, 1,271,114; and Stone, 23,000; Messrs. Bensen, 126,976; Fenton, 71,730; and Hennequin, 274,733; and the Group, 3,169,085.

(4) Directors and executive officers as a group have sole voting and investment power over shares of common stock listed in the prior table except as follows: (i) shared voting and investment powers for shares held by Directors Eckert, 10,000; Hernandez, 11,108; Jackson, 2,250; Lenny, 2,000; and Skinner, 46,388; Mr. Fenton, 18,980; and the Group, 127,784; (ii) for the benefit of children, shares held by Mr. Fenton, 1,564; and the Group, 1,638; (iii) for Director Alvarez and Mr. Bensen, 8,664 shares and 1,572 shares, respectively, are held in trusts for which each of their respective spouses is grantor and trustee; and (iv) 18,000 shares held by a family foundation as to which Director Stone maintains voting and/or transfer rights.

(5) For Mr. Rogers, includes 77,000 shares of common stock held in a margin account.

(6) Includes common stock equivalent units credited under the Company s retirement plans and the Directors Deferred Compensation Plan, which are payable in cash. In addition, for Mr. Hennequin, includes shares credited to his Plan d Épargne Entreprise account.

# Executive compensation

## COMPENSATION COMMITTEE REPORT

***Dear Fellow Shareholders:***

The Compensation Committee reviewed and discussed the Company s Compensation Discussion and Analysis with McDonald s management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

Respectfully submitted,

***The Compensation Committee***

Robert A. Eckert, *Chairman*

Susan E. Arnold

Richard H. Lenny

John W. Rogers, Jr.

## COMPENSATION DISCUSSION AND ANALYSIS

### EXECUTIVE SUMMARY

Our executive compensation program supports our long-term business plan, the Plan to Win. Our Plan to Win focuses on five key drivers of exceptional restaurant experiences people, products, place, price and promotion which in turn drive sales and profitability and support our growth strategy of being better, not just bigger. We are also committed to controlling costs and managing capital in a disciplined manner.

The key objectives of our executive compensation program promote our execution of the Plan to Win. Those key objectives are: to motivate our executives to increase profitability and shareholder returns; to pay compensation that varies based on performance; and to compete effectively for and retain managerial talent.

A significant proportion of our executive compensation is performance-based. We use a mix of different performance-based elements of compensation that reward different aspects of both Company and individual performance. Our annual bonus plan, TIP, pays out awards based primarily on annual increases in operating income. Our long-term cash incentive plan, CPUP, rewards a combination of long-term operating income growth, disciplined capital allocation and total returns to McDonald s shareholders. Stock options and RSUs connect the amount of compensation our executives earn to the performance of McDonald s stock. RSUs for our executives also include a performance-based vesting condition that rewards growth in EPS.

Our executive compensation program has been successful in focusing the named executive officers on the Plan to Win and helping us achieve positive business results for the last five years. In 2008, despite a difficult economy, McDonald s delivered strong performance and positive returns for shareholders. For 2008, the Company s global comparable sales increased 6.9%. Our operating income increased to $6.4 billion. We returned $5.8 billion to our shareholders through share repurchases and dividends paid, and our total shareholder return in 2008 was 8.55%. Our

2008 TSR ranked 15th among the companies in the S&P 500. Our executives compensation in 2008 reflects the Company s strong performance. Our business performance exceeded expectations, and, accordingly, payouts to the executives under our performance-based compensation plans were above target levels.

**KEY TERMS**

We use the following terms in describing our compensation plans, measures of Company performance and other aspects of our executive compensation program.

COMPANY COMPENSATION PLANS

*TIP.* Target Incentive Plan. Our annual cash incentive plan.

*CPUP.* Cash Performance Unit Plan. Our three-year cash incentive plan.

*RSUs.* Restricted stock units. An RSU provides the right to receive a share of McDonald s stock (or, at the Company s discretion, the equivalent cash value) upon vesting of the award. RSUs granted to executives generally have both service- and performance-based vesting requirements.

QUANTITATIVE MEASURES OF COMPANY PERFORMANCE

*Financial measures.* The financial measures listed below are based on the corresponding measures reported in our financial statements as adjusted for purposes of our compensation program. For information about adjustments in measuring performance, see page 23 of this Proxy Statement.

> *Operating income.*

> *ROTA.* Return on total assets (operating income as reported in our financial statements, divided by average assets).

> *EPS.* Earnings per share (net income as reported in our financial statements, divided by diluted weighted-average shares). Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of share-based compensation.

> *TSR.* Total shareholder return. The total return on our shares over a specified period, expressed as a percentage (calculated based on the change in our stock price over the relevant measurement period and assuming reinvestment of dividends).

*Note: Operating income and EPS are expressed in constant currencies (i.e., excluding the effects of foreign currency translation) to more accurately reflect underlying business trends.*

GROUPS OF COMPANY EMPLOYEES

*Senior management.* Employees at the level of senior vice president and above; about 50 employees.

*Executives.* The 11 most senior executives of the Company.

*Named executive officers.* The following five executives compensation is described in this Proxy Statement, pursuant to SEC requirements.

James A. Skinner, *Vice Chairman and Chief Executive Officer or CEO*

Peter J. Bensen, *Chief Financial Officer or CFO*

Ralph Alvarez, *President and Chief Operating Officer or President /COO*

Denis Hennequin, *President of McDonald s Europe (based in Europe)*

Timothy J. Fenton, *President of McDonald s Asia /Pacific, Middle East and Africa, or APMEA (based in Asia)*

Mr. Bensen became the Company s CFO effective January 1, 2008. Mr. Bensen was promoted from his former position as Senior Vice President and Corporate Controller.

*OTHER*

*Total direct compensation.* Base salary, TIP, CPUP, stock options and RSUs. Total direct compensation does not include potential severance payments, retirement plans, perquisites or other fringe benefits.

*Systemwide sales.* Sales at all McDonald s restaurants, including those operated by the Company, franchisees and affiliates.

*Committee.* The Compensation Committee of the Company s Board of Directors.

*AOWs.* The Company s geographic business units, namely the U.S., Europe and APMEA.

## McDONALD S EXECUTIVE COMPENSATION PROGRAM

OUR KEY OBJECTIVES

Our executive compensation program aims to achieve the following key objectives:

\> Profitable growth and increasing shareholder returns.
We reward our executives for supporting the Plan to Win by focusing on profitable growth, shareholder returns and financial discipline.

\> Differentiation of compensation based on performance.
We reward executives well for above-target performance and hold them accountable for poor performance. (For example, annual cash incentives under our TIP can range from no payout if there is no growth in operating income to a maximum of 250% of the target award if performance is outstanding.) This provides strong incentives for executives to execute the Plan to Win.

\> Effective competition for and retention of managerial talent.
We need excellent managerial talent to design and execute the Company s strategies. Our executive compensation program is designed to attract and retain managerial talent in a highly competitive global market, while reflecting our specific circumstances and culture. Our compensation decisions take into account levels of compensation at companies in our peer group and other market data.

INTERNAL PAY EQUITY

Overall compensation opportunities reflect our executives positions and responsibilities and are generally similar for executives who have comparable levels of responsibility (although actual payouts may differ depending on relative performance).

Our CEO, Mr. Skinner, has the ultimate responsibility for the strategic direction of the Company and a more visible role than other executives, and therefore is the most highly paid. Mr. Skinner s compensation also reflects the importance of his leadership to the successful design and execution of our business strategy and his tenure as CEO.

In general, total compensation for an executive at a given level of responsibility also varies with his/her level of experience. For example, total 2008 compensation for Mr. Bensen is notably lower than the total compensation awarded to other named executive officers, which reflects Mr. Bensen s length of tenure as CFO.

OUR PEER GROUP

Consistent with our goal of providing competitive compensation, we compare our executives compensation to executive compensation at a peer group of 26 companies. The Committee reviews the peer group annually to ensure that the companies in the group are appropriate. The companies in the peer group are generally companies of similar size to McDonald s (ranging from about half to about twice our size, measured by revenues and market capitalization) that are our direct competitors or companies with which we compete for talent, and include major retailers, producers of consumer branded goods and companies with a significant global presence. A list of the companies in our peer group in 2008 appears on page 25 of this Proxy Statement. Our peer group did not change in 2008.

## ELEMENTS OF McDONALD S EXECUTIVE COMPENSATION

Our executive compensation program in 2008 consisted of the following elements:

- Base salary
- Annual cash incentive (TIP)
- Long-term cash incentive (CPUP)
- Stock options
- RSUs
- Retirement plans; post-employment and change in control arrangements
- Perquisites and other fringe benefits

## PERFORMANCE-BASED COMPENSATION

TIP, CPUP, stock options and RSUs reward different aspects of Company performance. The table below presents each of the quantitative measures of Company performance used under these performance-based elements of compensation, the reasons why we selected them, and the elements of compensation in which each measure is used. Performance-based targets are approved by the Committee. We set these targets based on specific business objectives. For example, TIP targets are based on target performance levels under the annual business plans of the Company and its AOWs, which themselves are set by senior management through a collaborative process and are reviewed by the Board.

| *Performance measure* | *Why the measure was selected* | *TIP* | *CPUP* | *Stock options* | *RSUs* |
|---|---|---|---|---|---|
| Growth in operating income | TIP awards are determined primarily based on annual growth in operating income. Under CPUP, growth in operating income measures the Company s achievement of a sustained increase in operating profitability over three years. | | | | |
| ROTA | ROTA targets are designed to measure returns on capital spending and overall asset base through strategic decisions, such as reinvestment in existing restaurants and in new restaurant development and divestitures of underperforming assets. | | | | |
| EPS | Compounded annual growth in EPS is an important indicator of the effectiveness of strategic growth. | | | | |
| Share price | Tying awards to the price of our stock directly aligns the incentives for our executives with our shareholders interest in increasing the value of their investment. | | | | |
| TSR | The TSR multiplier ties payouts to the overall return (including dividends) an investor would have received from investment in our stock over the CPUP period as compared to the S&P 500 Index. The multiplier rewards above-market performance and holds senior management accountable for below-market performance. | | | | |

## QUALITATIVE PERFORMANCE FACTORS

Determinations of base salary, TIP payouts and annual equity compensation grants all take into account qualitative aspects of individual performance, as well as potential for future performance. For example, in 2008, our CEO s performance was evaluated taking into account long-term sustainable growth, talent management and leadership development and initiatives surrounding the Company s balanced, active lifestyle platform.

## DETAILED INFORMATION ABOUT ELEMENTS OF COMPENSATION

### Annual base salary

We review base salary annually. In setting base salary levels, we take into account competitive considerations (including local market conditions), individual performance, tenure in position, internal pay equity, and the effect of salary expenses on our general and administrative expenses. In 2008, the Company targeted the 50th percentile of salaries paid to executives in comparable positions at companies in our peer group.

In 2008, base salary was increased for each of the named executive officers, based primarily on performance ratings and our annual salary budget (which was determined based in part on market compensation data). Increases were as follows:

| *Named executive officer* | *Salary increase* | *New salary* |
|---|---|---|
| James A. Skinner | 5.9% | $ 1,350,000 |
| Peter J. Bensen | 63.6* | 450,000 |
| Ralph Alvarez | 4.8 | 975,000 |
| Denis Hennequin | 4.4 | 691,530 |
| Timothy J. Fenton | 5.8 | 550,000 |

* Mr. Bensen s salary increase reflects his promotion, effective January 1, 2008, to the position of CFO.

**TIP**

Our TIP is designed to reward growth in operating income. This is measured on a consolidated (referred to as Corporate ) basis or an AOW basis, or a combination of the two, depending on the participant s responsibilities.

Each year, an individual target award is established for each participant, which is expressed as a percentage of base salary. Target awards for our executives are set at approximately the 60th percentile of target awards granted to individuals in comparable positions at companies in our peer group. The Committee approves individual TIP targets and the formula to be used for determining final awards by January of each year.

Final payouts are determined as follows:

> First, the TIP team factor is determined based on growth in operating income. It can then be adjusted up or down, within specified limits, based on pre-established modifiers reflecting other measures of Corporate and/or AOW performance. The target amount is multiplied by the team factor, which includes the modifiers. The product is the adjusted target award.

> Second, the participant s individual performance factor is determined based on a combination of both subjective and objective factors. The adjusted target award is multiplied by the individual performance factor. The product is the final payout.

The flowchart below illustrates this process:

The team factor (prior to adjustment based on the modifiers) is determined entirely by growth in operating income over the performance period. The team factor increases with growth in operating income to 100% at the target level of growth and to higher percentages at higher levels of growth, up to the maximum (175% in 2008). If there is no growth in operating income, the TIP formula results in no payouts. Although the Committee has the authority to exercise discretion in special circumstances to pay out TIP awards when there is no growth in operating income, we expect this discretion would rarely be exercised.

The table to the right shows how increases in operating income determined the team factor for the named executive officers in 2008, prior to adjustment based on the applicable modifiers. The table shows the target and maximum levels of growth in operating income. Operating income at the Corporate level was included in the TIP team factor calculation for all of our executives. In addition, the results for Europe were included in the calculation for Mr. Hennequin, and the results for APMEA were included for Mr. Fenton.

**TIP team factor and growth in operating income for 2008**

| *Team factor as % of target:* | *0%* | *100% (target)* | *175% (maximum)* |
|---|---|---|---|
| Growth in operating income over 2007: | | | |
| Corporate factor | 0% | 7.2% | 12.7% |
| Europe factor | 0 | 9.0 | 15.0 |
| APMEA factor | 0 | 18.1 | 29.9 |

If operating income growth is above zero but below target, or above target but below the maximum threshold, the team factors are determined in proportion to the level of operating income growth achieved. Operating income growth in 2008 was 12.8% (Corporate), 16.8% (Europe) and 28.0% (APMEA). The resulting Corporate, Europe and APMEA team factors were 175%, 175% and 165.4%, respectively (before application of modifiers).

The target TIP awards, the team factors, including the modifiers, and the final payouts as a percentage of target awards for the named executive officers in 2008 are summarized in the table below:

| | | | *Team factors (corporate factor /AOW factor /blend)* | | | |
|---|---|---|---|---|---|---|
| *Named executive officer* | *Target TIP award (% of base salary)* | *Applicable team factor(s)* | *Team factor(s) before application of modifiers (% of target award)* | *Impact of modifiers (percentage points added or subtracted)* | *Final team factor applied to determine TIP payout (% of target award)(a)* | *Final TIP payout (% of target award)* |
| James A. Skinner | 150.0% | Corporate | 175.0% | +14.3 | 189.3% | 227.2% |
| Peter J. Bensen | 100.0 | Corporate | 175.0 | +14.3 | 189.3 | 208.4 |
| Ralph Alvarez | 125.0 | Corporate | 175.0 | +14.3 | 189.3 | 229.7 |
| Denis Hennequin | 75.0 | Corporate (weighted 25%) | 175.0 | +14.3 | 194.3 | 233.2 |
| | | Europe (weighted 75%) | 175.0 | +21.0 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Timothy J. Fenton | 75.0 | Corporate (weighted 25%) | 175.0 | +14.3 | 187.9 | 225.5 |
| | | APMEA (weighted 75%) | 165.4 | +21.9 | | |

(a) For Messrs. Hennequin and Fenton, the final team factor represents a blend of Corporate and AOW team factors.

The Corporate-level and AOW modifiers applied in determining the final TIP payouts for the executives are described in the following table:

| *Team factor* | *Modifiers* | *Potential weight of each modifier (range)* | *Potential overall adjustment of team factor by modifiers (range)* |
|---|---|---|---|
| Corporate factor | Increases in comparable-restaurant guest counts | | |
| | Customer service improvements | Up to +/-5 percentage points | Up to +/-15 percentage points |
| | Control of growth in Corporate general and administrative expenses | | |
| AOW factor | Increases in comparable-restaurant guest counts | | |
| | Customer service improvements | Up to +/-10 percentage points | Up to +/-25 percentage points |
| | Improvements in employee commitment / leadership marketing | | |

**CPUP**

The CPUP is our long-term cash incentive plan. No CPUP awards were granted or paid out in 2008, because the CPUP operates on non-overlapping three-year cycles with a cumulative payout at the end of the cycle. The most recently granted CPUP awards were granted in 2007 and are scheduled to be paid (if performance targets are met) following completion of the three-year performance cycle ending on December 31, 2009. Final payouts will be determined based on a combination of three quantitative measures of Company performance over the three-year performance period: consolidated compounded annual growth in operating income, average ROTA over the performance period and TSR relative to the S&P 500 over the performance period. More detailed information about the calculation of CPUP payouts is included in our 2008 proxy statement because the awards were granted in 2007.

**Stock options**

Stock options have an exercise price equal to the closing price of our common stock on the grant date and typically have a term of ten years and vest ratably over four years. The Company s policies and practices regarding stock option grants, including the timing of grants and the determination of exercise prices, are described on page 25 of this Proxy Statement.

**RSUs**

The RSUs granted to executives in 2008 are scheduled to cliff vest at the end of a three-year service period, subject to the Company s achievement of increased EPS over that period. The target performance level for the RSUs is 7% compounded annual growth in EPS over baseline EPS of $2.97. If that target is achieved, 100% of the RSUs will vest. If less than 2% compounded growth is achieved, none of the RSUs will vest. If EPS growth is at or above the 2% threshold, but below the 7% target, the awards will vest in proportion to the level of EPS growth achieved.

All of the RSUs granted to the named executive officers in 2005 vested in 2008, based on the achievement of 15.7% compounded annual EPS growth over the performance period, which exceeded the target of 7% EPS growth.

**Special 2008 equity awards to CEO and CFO**

In February 2008, the Committee approved a special equity award to Mr. Skinner in addition to his regular annual equity grant. This award was intended to bring Mr. Skinner s total equity compensation during his tenure as CEO to a level that appropriately reflects the magnitude of his responsibilities, his level of experience and his superior performance over the last three years, taking into account compensation levels for our other executives and CEOs of companies in our peer group. Mr. Skinner s special equity award consisted of 185,381 stock options and 26,483 RSUs.

The Committee also approved a special award of 4,414 RSUs to Mr. Bensen in connection with his promotion.

Both Mr. Skinner s and Mr. Bensen s RSU awards are subject to the same three-year service and performance vesting conditions applicable to the RSUs generally awarded to executives in February 2008.

**Retirement savings plans**

McDonald s does not maintain any defined benefit plans for our executives. The executives participate in our broad-based tax-efficient retirement savings plans.

**Severance and change-in-control arrangements**

***Severance plan***

Messrs. Alvarez, Bensen and Fenton are eligible under covered circumstances to receive severance payments and other benefits under our severance plan, a broad-based plan that provides severance benefits to U.S. employees based on their years of service. The severance plan is described on page 35 of this Proxy Statement. Benefits under the severance plan are not available to Mr. Skinner because he participates in the Executive Retention Replacement Plan, described below. Mr. Hennequin is not eligible for benefits under the severance plan because he is not a U.S. employee, but is eligible for severance benefits under the collective bargaining agreement that applies to our employees in France.

***Change in control employment agreements***

The Company has entered into change in control employment agreements with some of its senior management, including all of the executives other than Mr. Hennequin.

Under these agreements, each named executive officer would be entitled, on termination of employment in covered circumstances following a change in control, to cash severance payments equal to three times base salary and target bonus and the

Company s contribution to the Profit Sharing and Savings Plan and the Excess Benefit and Deferred Bonus Plan, as well as other benefits. The payments and benefits that the named executive officers would receive under the agreements would potentially be subject to Section 280G of the Internal Revenue Code, which disallows deductions for excess parachute payments made in connection with a change in control, and to Section 4999 of the Internal Revenue Code, which imposes an additional excise tax, payable by the executive, on such amounts. Under the agreements, the Company would compensate or gross up an executive for the Section 4999 excise tax and any additional taxes on the gross-up payment. However, the Company would cut back the payments and benefits by as much as 10% if doing so would result in the total amount not being subject to these tax provisions. See also Potential Payments on Termination of Employment or Change in Control beginning on page 32 of this Proxy Statement.

The agreements are intended to avoid a situation in which the career and financial interests of our senior management may be contrary to the interests of our shareholders, which could arise in the event of a potential takeover of McDonald s. The levels of payments and benefits and the gross-up provisions were based primarily on competitive considerations. The gross-up provisions are also intended to ensure that the payments and benefits actually received by executives, net of tax, are consistent with our decisions as a matter of compensation policy and do not vary arbitrarily due to the operation of the tax rules. Since the Section 4999 excise tax is assessed in part based on Form W-2 income, the amount of tax imposed varies depending on factors such as whether the named executive officer elected to defer compensation or to exercise stock options. By compensating the named executive officers for any Section 4999 excise tax (and any associated taxes on the payment), subject to the 10% cutback rule, the Company seeks to prevent the named executive officers from experiencing unintended disparate treatment as a result of the Section 4999 tax. The Committee periodically considers the change in control agreements in light of evolving market practices, and did so in 2008.

***Executive Retention Replacement Plan***

Mr. Skinner participates in the Executive Retention Replacement Plan or ERRP. Since Mr. Skinner fulfilled the retention period and satisfies the retirement age requirement under the ERRP, he is entitled to retire at any time and receive certain cash benefits, as well as the vesting of all of his outstanding equity awards (stock options and RSUs would vest, and RSUs would be paid out on the originally scheduled payment dates based on the Company s achievement of the applicable performance goals). In addition, Mr. Skinner would receive substantially similar economic benefits if the Company terminates his employment for any reason other than death, disability or cause. Mr. Skinner s receipt of benefits under the ERRP is subject to the execution of an agreement that includes a covenant not to compete, a covenant not to solicit employees, a nondisparagement covenant, a nondisclosure covenant and a release of claims. No other named executive officer participates in the ERRP. In 2003, the Committee determined to cease offering these benefits to any additional employees.

**Perquisites and other fringe benefits**

McDonald s provides limited categories of perquisites to executives. These perquisites include Company-provided cars, financial planning, annual physical examinations (which are also available for the executives spouses), matching charitable donations and, generally in the case of the CEO only, personal use of the Company s aircraft. When the CEO uses the Company s aircraft for personal use he is required to reimburse to the Company the maximum amount permitted under applicable aviation regulations. On certain occasions, at the discretion of the CEO, executives may be accompanied by their spouses when traveling to business events on the Company s aircraft. The CEO also has the discretion to permit other executives to use the aircraft for personal reasons in certain circumstances. Executives must reimburse McDonald s for personal use of Company-owned cars according to pre-established payment schedules.

Other benefits reflected in the Summary Compensation Table include, in the case of named executive officers based overseas, certain housing, travel and other expenses that are paid by the Company and that can be a significant component of an executive s total compensation package.

Executives also participate in all of the broad-based benefit and welfare plans available to McDonald s employees in general.

ALLOCATION OF TOTAL DIRECT COMPENSATION AMONG THE ELEMENTS

In 2008, we allocated approximately 80% of the named executive officers total direct compensation opportunity to variable compensation that is at risk based on performance.

The Company generally allocates long-term incentive compensation for senior management approximately as follows: 30% CPUP, 50% stock options and 20% RSUs. The equity-based portion of long-term incentive compensation (i.e., stock options and RSUs) is allocated 70% as stock options and 30% as RSUs, based on the value assigned at the time of grant. For this purpose, we assign stock options a value of one third of the closing price on the NYSE of McDonald s shares on the grant date (for 2008, $18.86). The Committee believes that a significant proportion of our executives equity-based compensation should be based on an increase in our stock price, as options are. Occasionally, we grant special, one-time equity awards to individual executives, in which case allocations may vary.

Total direct compensation opportunities means the targeted value of the compensation that the named executive officers had an opportunity to earn in 2008. Specifically, the charts on the next page reflect the following:

> Actual base salary earned in 2008

> Target TIP award for 2008
*Actual payouts for 2008 were significantly above target, based on our outstanding results in 2008.*

> An annualized portion of target CPUP award opportunity for the 2007-2009 performance period
*Actual payouts are scheduled to be paid after the end of the performance period and may be higher or lower than target, depending on our results over the three-year period.*

> The target opportunity of RSUs granted in 2008

*The named executive officers have the opportunity to earn all of the RSUs awarded if the performance targets are satisfied. If actual performance is lower than the targeted level, the named executive officers will earn a reduced number of RSUs or will forfeit the award, depending on the level of performance achieved.*

> The estimated grant date value of stock options granted in 2008

The following charts illustrate the allocation of compensation between fixed and variable elements, as well as between short- and long-term elements.

CONSIDERATION OF RETIREMENT SAVINGS IN SETTING COMPENSATION

It is not our practice to take into account wealth accumulated by our executives under our retirement savings plans (which is comprised mostly of the executives contributions under the plans) when determining how much compensation to award our executives or how to allocate their compensation among the elements of our program. We believe that it would be inconsistent with the purpose of our executive compensation program, which is to motivate and reward ongoing performance, to make decisions about current awards taking into account the executives accumulated savings and investment returns, whether or not under Company plans.

CERTAIN ADJUSTMENTS IN MEASURING PERFORMANCE

As noted above, operating income and EPS are expressed in constant currencies (i.e., excluding the effects of foreign currency translation) to more accurately reflect underlying business trends.

In determining adjusted financial measures for compensation purposes, certain income and/or expense items that are not indicative of ongoing results may be excluded in the discretion of the Committee. In the case of operating income, exclusions are subject to pre-established guidelines approved by the Committee. Items that may be excluded include: strategic items (charges or credits related to the high-level strategic direction of the Company, such as restructurings, acquisitions and divestitures); regulatory items (charges or credits due to changes in tax or accounting rules); and external items (charges or credits due to external events such as natural disasters). Similar principles apply to exclusions from EPS.

The following were the significant exclusions used in calculating adjusted financial measures for compensation awarded or paid out in 2008. No significant items were excluded from operating income for purposes of calculating TIP in 2008.

> Items excluded from base EPS (2007 EPS) for the RSUs granted to the executives in 2008 include:

*the net tax benefit from an IRS audit settlement;*

*impairment charges, net of taxes; and*

*income from discontinued operations.*

> Items excluded from base EPS (2004 EPS) for the RSUs granted in 2005 include:

*pro-forma share-based accounting changes;*

*charges incurred in 2004 related to impairment and lease accounting; and*

*a gain related to the sale of the Company s interest in a U.S. real estate partnership.*

>

Items excluded from EPS measured over the 2005-2007 performance period for RSUs that were granted to the executives in 2005 and vested in 2008 include:

*impairment charges resulting primarily from the sale of our Latin American and Caribbean operations, net of taxes;*

*the net tax benefit from an IRS audit settlement;*

*accounting changes (changes in the application of GAAP) not included in base period EPS; and*

*income from discontinued operations.*

**THE PROCESS FOR SETTING COMPENSATION**

The Committee is responsible for reviewing and approving senior management s compensation. The Chairmen of the Governance and Compensation Committees lead the Board s independent Directors in the evaluation of the CEO s performance. Based upon the results of this performance evaluation, the Committee determines the CEO s compensation.

THE ROLE OF MANAGEMENT

Management recommends compensation packages for the named executive officers other than the CEO for consideration and approval by the Committee. The CEO recommends compensation packages for the named executive officers who report directly to him: Messrs. Alvarez and Bensen. The President/COO does the same for the named executive officers who report directly to him: Messrs. Fenton and Hennequin. The head of human resources also provides input on compensation packages for each of the named executive officers. In 2008, prior to each Committee meeting, the CEO and the CFO provided input on the materials presented to the Committee (except with respect to their own compensation).

THE ROLE OF COMPENSATION CONSULTANTS

In February 2008, the Committee adopted a policy regarding its independent compensation consultant. Under the policy, the Committee has the sole authority to select, retain and dismiss the consultant and approve the terms of the consultant s retention. Management may not engage the consultant without the prior approval of the Committee s Chairman. The policy also establishes guidelines to limit potential conflicts of interest.

Frederic W. Cook & Co., Inc. is the Committee s independent compensation consultant. In 2008, the Cook firm provided analysis and advice on the compensation of the CEO, the CFO and the President/COO, on security ownership requirements for management and on the Company s change in control severance policies and practices in light of market trends. The Cook firm also reviewed our Compensation Discussion and Analysis included in the 2008 proxy statement.

Other than its consulting services to the Committee and assistance provided to the Board in carrying out certain routine functions (compiling and summarizing the results of certain Board and Director evaluations), and providing advice on Director fees, the Cook firm does not provide any services to the Company.

The Company also considers survey data and similar information about compensation programs that it obtains from various sources, including Hewitt Associates LLC, which also provides significant benefit plan administration services to McDonald s, and Towers Perrin, Inc. From time to time, data obtained from these other sources is provided to the Committee.

THE COMMITTEE S CONSIDERATION OF RISK IN RELATION TO EXECUTIVE COMPENSATION

In 2009, the Committee formally considered the nature, extent and acceptability of risks that our executives may be encouraged to take by our compensation programs. Taking carefully considered risks is an integral part of any business strategy, and our executive compensation program is not intended to eliminate management decisions that involve risk. Rather, the combination of various elements in our program is designed to mitigate the potential to reward risk-taking that may produce short-term results that appear in isolation to be favorable, but that may undermine the successful execution of our long-term business strategy and destroy shareholder value. Together with the Company s processes for strategic planning, its internal control over financial reporting and other financial and compliance policies and practices, the design of our compensation program helps to mitigate the potential for management actions that involve an unreasonable level of risk.

Specifically, our compensation program is designed to balance the following elements:

> compensation plans that reward performance measured over a single year and long-term compensation plans that measure cumulative performance over several years;

> compensation plans based on various objective measures of the Company s performance (which can be adjusted for compensation purposes only for limited reasons), so as to reward executives for furthering sustainable, profitable growth of the Company;

> compensation paid in cash with compensation paid in shares of our common stock; and

> base salary levels that are consistent with our executives responsibilities, so that our executives are not motivated to take excessive risks to achieve a reasonable level of financial security.

THE COMMITTEE S CONSIDERATION OF TALLY SHEETS

The Committee annually reviews tally sheets to understand how each element of compensation relates to other elements and to the compensation package as a whole. The tally sheets summarize our executives total compensation, including direct compensation; cumulative benefits and savings under retirement plans and equity compensation programs; perquisites; fringe benefits; and potential payments on termination of employment, whether on a change in control of McDonald s or otherwise.

COMPANIES IN OUR PEER GROUP IN 2008

The following table lists the companies in our peer group in 2008. The table also shows reported revenue data for each company s most recently completed fiscal year and market capitalization (except for Anheuser-Busch, Nestlé and Unilever, which are U.S. divisions of non-U.S. companies for which such information is not available). McDonald s market capitalization as of the end of 2008 was $69.4 billion. In 2008, McDonald s had revenue of $23.5 billion and Systemwide sales of $70.7 billion. Because we are primarily a franchisor, we analyze our results in light of the performance of all restaurants in the McDonald s System, including those operated under franchise and similar arrangements. One measure that we use for this purpose is Systemwide sales, which includes sales at all restaurants, whether operated by the Company or by franchisees. While sales by franchisees are not recorded as revenues by the Company, these sales are the basis on which the Company calculates and records franchised revenues. Since the complexities of our business are driven not only by the size of our revenues, but also by the nature of our business as a franchisor, we believe that Systemwide sales is an appropriate measure to consider in understanding the Company s financial performance and in order to compare McDonald s to companies in our peer group.

| *Company* | *Revenue data (a)* | *Market capitalization (b)* |
|---|---|---|
| | | *(Dollars in billions)* |
| 3M Company | $ 25.3 | 39.9 |
| Anheuser-Busch InBev *(c)(d)* | | |
| Best Buy Co., Inc. | 40.0 | 11.6 |
| Burger King Holdings, Inc. (formerly Burger King) | 2.5 | 3.2 |
| The Coca-Cola Company | 31.9 | 104.7 |
| Costco Wholesale Corporation | 72.5 | 22.7 |
| General Mills, Inc. | 13.7 | 19.9 |
| The Home Depot, Inc. | 77.3 | 39.0 |
| Johnson & Johnson | 63.7 | 166.0 |
| Kellogg Company | 12.8 | 16.7 |
| Kraft Foods Inc. | 42.2 | 39.4 |
| Lowe s Companies Inc. | 48.3 | 31.6 |
| Nestlé (United States) *(d)* | | |
| NIKE, Inc. | 18.6 | 24.7 |
| PepsiCo, Inc. | 43.3 | 85.1 |
| The Procter & Gamble Company | 83.5 | 184.6 |
| Sara Lee Corporation | 13.2 | 6.9 |
| Sears Holdings Corporation | 46.8 | 4.8 |
| Starbucks Corporation | 10.4 | 7.0 |
| Target Corporation | 64.9 | 26.0 |
| Unilever (United States) *(d)* | | |
| Walgreen Co. | 59.0 | 24.4 |
| The Walt Disney Company | 37.8 | 42.0 |
| Wal-Mart Stores, Inc. | 374.5 | 219.9 |
| Wendy s/Arby s Group, Inc. *(e)* | 1.8 | 2.3 |
| Yum! Brands, Inc. | 11.3 | 14.6 |

(a) Reflects revenues, sales or comparable data as publicly disclosed by the applicable company in its annual report filed with the SEC for its most recently completed fiscal year.

(b) Source: Bloomberg.com. Data as of December 31, 2008.

(c) In November 2008, Anheuser-Busch merged with InBev to form Anheuser-Busch InBev, and separately reported results for Anheuser-Busch are no longer publicly available.

(d) U.S. division of non-U.S. company for which separately reported results are not publicly available.

(e) In September 2008, Wendy s International, Inc. merged with Triarc Companies, Inc. to form Wendy s/Arby s Group, Inc.

**COMPENSATION POLICIES AND PRACTICES**

SECTION 409A OF THE INTERNAL REVENUE CODE

Section 409A imposes certain requirements on nonqualified deferred compensation plans and potentially applies to a number of our compensation plans and programs. All of the Company s compensation programs are designed to comply with Section 409A.

POLICY WITH RESPECT TO DEDUCTIBILITY OF COMPENSATION

Section 162(m) generally limits to $1 million the tax deductibility of annual compensation paid to certain officers. Performance-based compensation may, however, be excluded from the limit so long as it meets certain requirements. While the Committee retains flexibility, we generally design our compensation plans and programs so as to allow the Company to deduct compensation expense.

POLICY REGARDING SECURITY OWNERSHIP OF MANAGEMENT

The Company has adopted minimum share ownership requirements because we believe that senior management will more effectively pursue the long-term interests of shareholders if they are shareholders themselves. The Committee reviews share ownership requirements annually and receives input from its consultant regarding market practices in this regard. In 2008, the Committee adopted a minor change to the calculation of the ownership requirements (expressing the requirement as a multiple of base salary) and increased the share ownership requirement for our CEO from 5x to 6x his base salary, in line with market practices.

POLICIES AND PRACTICES REGARDING EQUITY AWARDS

In accordance with Company policy, equity awards cannot be granted when the Company has any material nonpublic information. Stock options may be granted only with an exercise price at or above the closing market price of the Company s stock on the date of grant.

The Company makes broad-based equity grants at a scheduled meeting of the Committee at approximately the same time each year following the Company s release of financial information and when we are not otherwise in possession of material nonpublic information.

The Committee may choose to make grants of equity awards outside the annual broad-based grant, including in the case of newly hired employees and in connection with promotions. An Interim Grant Committee of the Board has been delegated authority to make such grants between regularly scheduled meetings of the Committee, but only to employees who rank below the level of senior vice president and within certain limitations prescribed by the Committee. The current members of the Interim Grant Committee are Messrs. McKenna and Skinner.

In 2008, our annual broad-based grant of equity awards, including grants to all the named executive officers other than Mr. Hennequin, was made at the Committee s scheduled meeting in February. 2008 awards to employees in France, including Mr. Hennequin, were granted on March 13, 2008, following the issuance of the Company s 2008 Annual Report on Form 10-K and the release of financial information, in accordance with certain French regulations applicable to our plan in France.

POLICY REGARDING FUTURE SEVERANCE PAYMENTS

The Committee has adopted a policy under which the Company will seek shareholder approval for future severance payments to a named executive officer if such payments would exceed 2.99 times the sum of (i) the named executive officer s annual base salary as in effect immediately prior to termination of employment; and (ii) the highest annual bonus awarded to the named executive officer by the Company in any of the Company s three full fiscal years immediately preceding the fiscal year in which termination of employment occurs. Certain types of payments are excluded from this policy, such as amounts payable under arrangements that apply to classes of employees other than the named executive officers or that predate the implementation of the policy, as well as any payment that the Committee determines is a reasonable settlement of a claim that could be made by the named executive officer.

RECOUPMENT AND FORFEITURE OF COMPENSATION

Executives may be required to repay previously awarded compensation to the Company in certain circumstances. Awards under the 2007-2009 CPUP, and TIP awards to senior management, are subject to forfeiture and recoupment if the participant engages in willful fraud that causes harm to the Company or is intended to manipulate the performance measures that determine payout of the award. The CPUP awards are also subject to forfeiture and recoupment if the recipient violates restrictive covenants. Payments under the ERRP, including some stock option gains and RSU payouts, are subject to forfeiture and recoupment if the recipient violates a restrictive covenant or is discovered to have committed conduct while employed that would have entitled the Company to terminate him/her for cause if the conduct had been discovered prior to termination of his/her employment.

Under our severance plan, if an employee commits any act or omission that would constitute cause while employed, the Company may cease payment of any future benefits and require repayment of any previously paid amounts.

Stock options and RSUs are subject to forfeiture if the recipient commits any act or acts involving dishonesty, fraud, illegality or moral turpitude.

These provisions apply to a larger group of employees than the statutory recoupment provisions under Section 302 of the Sarbanes-Oxley Act. The TIP and CPUP recoupment provisions generally apply to all of our senior management, the severance plan provisions apply to all employees on the U.S. payroll who have been designated as having a covered termination as defined in the severance plan and the rules governing stock options and RSUs apply to all outstanding equity grants.

**COMPENSATION TABLES**

**SUMMARY COMPENSATION TABLE**

The table below summarizes the total compensation earned by or paid to our named executive officers in 2006, 2007 and 2008.

| Name and principal position (a) | Year (b) | Salary ($)(1) (c) | Stock awards ($)(2)(4) (e) | Option awards ($)(3)(4) (f) | | Non-equity incentive plan compensation ($)(5) (g) | All other compensation ($)(6) (i) | Total ($) (j) |
|---|---|---|---|---|---|---|---|---|
| James A. Skinner | 2008 | $ 1,337,500 | $ 2,708,203 | $ 4,393,542 | | $ 4,600,000 | $ 557,674 | $ 13,596,919 |
| Vice Chairman and | 2007 | 1,262,500 | 3,185,835 | 1,351,267 | | 3,060,000 | 583,884 | 9,443,486 |
| Chief Executive Officer | 2006 | 1,177,692 | 918,376 | 1,402,129 | *Annual:* | 3,500,000 | 378,100 | 12,709,492 |
| | | | | | *Long-term:* | 5,333,195 | | |
| | | | | | *Total:* | 8,833,195 | | |
| Peter J. Bensen Corporate Executive Vice President and Chief Financial Officer (7) | 2008 | 450,000 | 180,216 | 188,105 | | 938,000 | 98,178 | 1,854,499 |
| Ralph Alvarez | 2008 | 967,500 | 2,093,770 | 839,649 | | 2,800,000 | 342,335 | 7,043,254 |
| President and Chief | 2007 | 925,000 | 2,051,481 | 741,745 | | 1,800,000 | 296,575 | 5,814,801 |
| Operating Officer | 2006 | 703,077 | 959,565 | 546,585 | *Annual:* | 1,500,000 | 168,563 | 6,046,901 |
| | | | | | *Long-term:* | 2,169,111 | | |
| | | | | | *Total:* | 3,669,111 | | |
| Denis Hennequin | 2008 | 686,341 | 504,087 | 344,969 | | 1,208,940 | 344,450 | 3,088,787 |
| President, McDonald s | 2007 | 611,922 | 407,415 | 291,074 | | 1,098,478 | 350,427 | 2,759,316 |
| Europe (8) | 2006 | 534,427 | 153,974 | 297,902 | *Annual:* | 919,754 | 298,914 | 3,815,147 |
| | | | | | *Long-term:* | 1,610,176 | | |
| | | | | | *Total:* | 2,529,930 | | |
| Timothy J. Fenton | 2008 | 545,000 | 482,483 | 634,377 | | 930,000 | 1,729,824 | 4,321,684 |
| President, McDonald s | 2007 | 516,667 | 438,152 | 538,052 | | 940,000 | 905,124 | 3,337,995 |
| Asia /Pacific, Middle East | 2006 | 462,500 | 182,554 | 296,668 | *Annual:* | 765,000 | 865,151 | 3,568,936 |
| and Africa (9) | | | | | *Long-term:* | 997,063 | | |
| | | | | | *Total:* | 1,762,063 | | |

(1) The base salary earned in 2008 by the named executive officers other than Mr. Bensen reflects regular annual increases in base salary that took effect March 1, 2008. Mr. Bensen was promoted to the position of Corporate Executive Vice President and Chief Financial Officer effective January 1, 2008 and his base salary was increased on his promotion.

The named executive officers annualized rates of base salary as of December 31, 2008 were as follows:

| | |
|---|---|
| James A. Skinner | $ 1,350,000 |
| Peter J. Bensen | 450,000 |
| Ralph Alvarez | 975,000 |
| Denis Hennequin | 691,530 |
| Timothy J. Fenton | 550,000 |

(2)

Represents the expense to the Company in each of 2006, 2007 and 2008, as computed in accordance with FAS 123R and reported in our financial statements, of RSUs granted to the named executive officers under the Stock Ownership Plan. The values in this column are based on the closing market price of the Company s common stock on the date of the award, less the present value of expected dividends over the vesting period. Generally, RSUs vest on the third anniversary of the grant date and are subject to performance-based vesting conditions linked to the Company s achievement of target levels of diluted earnings per share growth. Information with respect to the RSUs granted to the named executive officers in 2008 is disclosed in the Grants of Plan-Based Awards table on page 29 of this Proxy Statement and the accompanying notes. Information with respect to RSUs reflected in this column that were granted in years before 2008 is disclosed in the Outstanding Equity Awards at 2008 Fiscal Year-End table on pages 30 and 31 of this Proxy Statement and the accompanying notes.

(3) Represents the expense to the Company in each of 2006, 2007 and 2008, as computed in accordance with FAS 123R and reported in our financial statements, of stock options granted to the named executive officers. Options have an exercise price equal to the closing price of the Company s common stock on the date of grant, generally vest in equal annual installments over a four-year period, and are subject to the provisions of the Stock Ownership Plan. The values in this column for stock options granted in 2008 are determined using a closed-form pricing model based on the following assumptions, as described in the footnotes to financial statements: expected volatility based on historical experience of 24.9%; an expected annual dividend yield of 2.55%; a risk-free return of 2.96%; and expected option life based on historical experience of 6.18 years. Information with respect to the options granted to the named executive o