
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended **June 30, 2008**

OR

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

Commission File Number **1-5231**

McDONALD'S CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

36-2361282
(I.R.S. Employer
Identification No.)

McDonald's Plaza
Oak Brook, Illinois
(Address of Principal Executive Offices)

60523
(Zip Code)

(630) 623-3000

(Registrant's Telephone Number, Including Area Code)

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

Yes ☒ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

1,124,678,064

(Number of shares of common stock
outstanding as of June 30, 2008)

McDONALD'S CORPORATION

INDEX

	Page Reference
Part I. Financial Information	
Item 1 – Financial Statements	
Condensed consolidated balance sheet, June 30, 2008 (unaudited) and December 31, 2007	3
Condensed consolidated statement of income (unaudited), quarters and six months ended June 30, 2008 and 2007	4
Condensed consolidated statement of cash flows (unaudited), quarters and six months ended June 30, 2008 and 2007	5
Notes to condensed consolidated financial statements (unaudited)	6
Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Item 3 – Quantitative and Qualitative Disclosures About Market Risk	26
Item 4 – Controls and Procedures	26
Part II. Other Information	
Item 1 – Legal Proceedings	27
Item 1A – Risk Factors	27
Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds	27
Item 4 – Submission of Matters to a Vote of Security Holders	27
Item 6 – Exhibits	29
Signature	32

All trademarks used herein are the property of their respective owners and are used with permission.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) June 30, 2008	December 31, 2007
Assets		
Current assets		
Cash and equivalents	\$ 2,342.5	\$ 1,981.3
Accounts and notes receivable	1,030.6	1,053.8
Inventories, at cost, not in excess of market	115.1	125.3
Prepaid expenses and other current assets	395.1	421.5
Total current assets	3,883.3	3,581.9
Other assets		
Investments in and advances to affiliates	1,128.8	1,156.4
Goodwill, net	2,382.5	2,301.3
Miscellaneous	1,385.5	1,367.4
Total other assets	4,896.8	4,825.1
Property and equipment		
Property and equipment, at cost	33,589.1	32,203.7
Accumulated depreciation and amortization	(11,847.9)	(11,219.0)
Net property and equipment	21,741.2	20,984.7
Total assets	\$ 30,521.3	\$ 29,391.7
Liabilities and shareholders' equity		
Current liabilities		
Notes payable	\$ 372.4	\$ 1,126.6
Accounts payable	601.4	624.1
Other taxes	287.9	248.0
Accrued interest	178.0	148.4
Accrued payroll and other liabilities	1,336.5	1,486.9
Current maturities of long-term debt	249.0	864.5
Total current liabilities	3,025.2	4,498.5
Long-term debt	10,439.1	7,310.0
Other long-term liabilities	1,390.2	1,342.5
Deferred income taxes	1,045.2	960.9
Shareholders' equity		
Preferred stock, no par value; authorized – 165.0 million shares; issued – none		
Common stock, \$.01 par value; authorized – 3.5 billion shares; issued – 1,660.6 million shares	16.6	16.6
Additional paid-in capital	4,396.0	4,226.7
Retained earnings	27,751.3	26,461.5
Accumulated other comprehensive income	1,813.0	1,337.4
Common stock in treasury, at cost; 535.9 and 495.3 million shares	(19,355.3)	(16,762.4)
Total shareholders' equity	14,621.6	15,279.8
Total liabilities and shareholders' equity	\$ 30,521.3	\$ 29,391.7

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues				
Sales by Company-operated restaurants	\$4,296.0	\$4,317.8	\$ 8,294.8	\$ 8,231.6
Revenues from franchised and affiliated restaurants	1,779.3	1,521.6	3,395.3	2,900.5
Total revenues	6,075.3	5,839.4	11,690.1	11,132.1
Operating costs and expenses				
Company-operated restaurant expenses	3,535.2	3,558.2	6,874.8	6,851.5
Franchised restaurants – occupancy expenses	315.3	281.5	615.1	557.2
Selling, general & administrative expenses	598.7	591.9	1,151.1	1,137.1
Impairment and other charges, net	0.5	1,611.3	1.0	1,613.9
Other operating (income) expense, net	(28.6)	(21.8)	(68.9)	(27.2)
Total operating costs and expenses	4,421.1	6,021.1	8,573.1	10,132.5
Operating income (loss)	1,654.2	(181.7)	3,117.0	999.6
Interest expense	146.3	101.8	274.8	199.0
Nonoperating (income) expense, net	(30.8)	(16.9)	(59.7)	(33.6)
Gain on sale of investment	(160.1)		(160.1)	
Income (loss) from continuing operations before provision for income taxes	1,698.8	(266.6)	3,062.0	834.2
Provision for income taxes	508.3	441.8	925.4	776.1
Income (loss) from continuing operations	1,190.5	(708.4)	2,136.6	58.1
Income (loss) from discontinued operations (net of tax benefit of \$2.3 and \$5.0)		(3.3)		(7.4)
Net income (loss)	\$1,190.5	\$ (711.7)	\$ 2,136.6	\$ 50.7
Per common share–basic:				
Continuing operations	\$ 1.05	\$ (0.59)	\$ 1.88	\$ 0.05
Discontinued operations		—		(0.01)
Net income (loss)	\$ 1.05	\$ (0.60)	\$ 1.88	\$ 0.04
Per common share–diluted:				
Continuing operations	\$ 1.04	\$ (0.59)	\$ 1.85	\$ 0.05
Discontinued operations		—		(0.01)
Net income (loss)	\$ 1.04	\$ (0.60)	\$ 1.85	\$ 0.04
Dividends per common share	\$ 0.375		\$ 0.750	
Weighted-average shares outstanding–basic	1,128.9	1,193.7	1,137.2	1,197.4
Weighted-average shares outstanding–diluted	1,148.8	1,193.7	1,157.1	1,220.4

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Quarters Ended June 30,		Six Months Ended June 30,	
In millions	2008	2007	2008	2007
Operating activities				
Net income (loss)	\$ 1,190.5	\$ (711.7)	\$ 2,136.6	\$ 50.7
Adjustments to reconcile to cash provided by operations				
Charges and credits:				
Depreciation and amortization	314.3	303.1	619.0	614.6
Deferred income taxes	(33.7)	(35.4)	(20.9)	(55.7)
Impairment and other charges, net	0.5	1,611.3	1.0	1,613.9
Share-based compensation	25.7	35.1	60.8	72.1
Gain on sale of investment	(160.1)		(160.1)	
Other	12.6	4.3	51.6	(74.1)
Changes in working capital items	(87.8)	(124.4)	52.5	(210.8)
Cash provided by operations	1,262.0	1,082.3	2,740.5	2,010.7
Investing activities				
Property and equipment expenditures	(482.0)	(413.4)	(887.1)	(822.3)
Purchases and sales of restaurant businesses and property sales	109.0	(0.5)	181.4	1.4
Proceeds on sale of investment	229.4		229.4	
Other	(30.8)	(31.6)	(15.6)	(30.1)
Cash used for investing activities	(174.4)	(445.5)	(491.9)	(851.0)
Financing activities				
Notes payable and long-term financing issuances and repayments	(575.6)	(626.9)	1,519.9	(296.7)
Treasury stock purchases	(787.1)	(696.4)	(2,798.4)	(1,664.8)
Common stock dividends	(421.6)		(848.0)	
Proceeds from stock option exercises	138.1	335.6	246.7	706.0
Excess tax benefit on share-based compensation	30.0	54.9	62.4	102.8
Other	(56.5)	(26.2)	(136.7)	(43.7)
Cash used for financing activities	(1,672.7)	(959.0)	(1,954.1)	(1,196.4)
Effect of exchange rates on cash and cash equivalents	5.4	26.5	66.7	41.5
Cash and equivalents increase (decrease)	(579.7)	(295.7)	361.2	4.8
Cash and equivalents at beginning of period	2,922.2	2,428.6	1,981.3	2,128.1
Cash and equivalents at end of period	\$ 2,342.5	\$ 2,132.9	\$ 2,342.5	\$ 2,132.9

See Notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Basis of Presentation

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Company's December 31, 2007 Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the quarter and six months ended June 30, 2008 do not necessarily indicate the results that may be expected for the full year.

Certain prior period amounts have been reclassified to conform to current year presentation, including reclassifying results and amounts of Boston Market to discontinued operations as a result of the sale in August 2007.

The results of operations of McDonald's restaurant businesses purchased and sold were not material to the condensed consolidated financial statements for periods prior to purchase and sale.

Conversion of Certain Markets to Developmental License

In August 2007, the Company completed the sale of its businesses in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America and the Caribbean, which totaled 1,571 restaurants, to a developmental licensee organization. The Company refers to these markets as "Latam." Under a developmental license, a local licensee owns the business, including the real estate, and uses his/her capital and local knowledge to build the McDonald's Brand and optimize sales and profitability over the long term. Under this arrangement, the Company collects a royalty, which varies by market, based on a percent of sales, but does not invest any capital. As a result of the Latam transaction, the Company receives only royalties in these markets instead of a combination of Company-operated sales and franchised rents and royalties.

The buyers of the Company's operations in Latam have entered into a 20-year master franchise agreement that requires the buyers, among other obligations, to pay monthly royalties commencing at a rate of approximately 5% of gross sales of the restaurants in these markets, substantially consistent with market rates for similar license arrangements.

Based on approval by the Company's Board of Directors, which occurred on April 17, 2007, the Company concluded Latam was "held for sale" as of that date in accordance with the requirements of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. As a result, the Company recorded an impairment charge of approximately \$1.6 billion in the second quarter of 2007, substantially all of which was noncash. The charge included the difference between the net book value of the Latam business and cash proceeds, less costs of disposal. This loss in value was primarily due to a historically difficult economic environment coupled with volatility experienced in many of the markets included in this transaction. The charge also included historical foreign currency translation losses recorded in shareholders' equity. The Company recorded a tax benefit of \$12.8 million in connection with this transaction. The tax benefit was minimal in the second quarter 2007 due to the Company's inability to utilize most of the capital losses generated by this transaction. As a result of meeting the "held for sale" criteria, the Company ceased recording depreciation expense with respect to Latam effective April 17, 2007. In connection with the sale, the Company agreed to indemnify the buyers for certain tax and other claims, certain of which are recorded as liabilities on McDonald's consolidated balance sheet, totaling \$202.4 million at June 30, 2008 and \$179.2 million at December 31, 2007. The change in the balance was primarily due to foreign currency translation.

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at June 30,	2008	2007
Operated by franchisees*	20,802	18,985
Operated by the Company**	6,690	8,080
Operated by affiliates	3,997	4,082
Systemwide restaurants	31,489	31,147

* At June 30, 2008 and 2007 included 2,834 and 1,136 restaurants, respectively, operated by developmental licensees.

** The decrease is primarily due to the August 2007 Latam transaction.

Comprehensive Income

The following table presents the components of comprehensive income for the quarters and six months ended June 30, 2008 and 2007:

In millions	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net income (loss)	\$1,190.5	\$(711.7)	\$2,136.6	\$ 50.7
Other comprehensive income (loss):				
Foreign currency translation adjustments	52.9	258.3	474.7	347.3
Deferred hedging adjustments	(16.5)	5.6	15.0	10.0
Pension liability adjustment	0.8	1.2	(14.1)	3.0
Total other comprehensive income (loss)	37.2	265.1	475.6	360.3
Total comprehensive income (loss)	\$1,227.7	\$(446.6)	\$2,612.2	\$411.0

Per Common Share Information

Diluted net income per common share is calculated using net income divided by diluted weighted-average shares outstanding. Diluted weighted-average shares outstanding included weighted-average shares outstanding plus the dilutive effect of share-based compensation, calculated using the treasury stock method, of 19.9 million shares for the second quarter 2008, and 19.9 million shares and 23.0 million shares for the six months ended June 30, 2008 and 2007, respectively. For the second quarter 2007, common stock equivalents of 23.2 million were excluded from the computation of diluted weighted-average shares outstanding as a result of the net loss. Stock options that were not included in diluted weighted-average shares outstanding because they would have been antidilutive were 5.1 million shares and 1.5 million shares for the first six months of 2008 and 2007, respectively.

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements; rather, it applies to other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS No. 157, as issued, were effective January 1, 2008. However, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which allows entities to defer the effective date of SFAS No. 157, for one year, for certain non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (i.e., at least annually). The Company adopted SFAS No. 157 as of January 1, 2008 and elected the deferral for non-financial assets and liabilities. The effect of adopting this standard was not significant.

Fair value is defined under SFAS No. 157 as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market
- Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability

Certain of the Company's derivatives are valued using various pricing models or discounted cash flow analyses that incorporate observable market parameters, such as interest rate yield curves, option volatilities and currency rates, classified as Level 2 within the valuation hierarchy. In accordance with the requirements of SFAS No. 157, derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the counterparty or the Company.

The following table presents assets and liabilities measured at fair value on a recurring basis as of June 30, 2008 by SFAS No. 157 valuation hierarchy:

<i>In millions</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Carrying Value</i>
Cash equivalents	\$253.8			\$253.8
Investments	131.7*			131.7
Derivative receivables	98.9*	\$ 56.7		155.6
Total assets at fair value	\$484.4	\$ 56.7		\$541.1
Derivative payables		\$ (4.0)		\$ (4.0)
Total liabilities at fair value		\$ (4.0)		\$ (4.0)

* Represents long-term investments and derivatives that hedge market driven changes in liabilities associated with the Company's supplemental benefit plans.

Gain on Sale of Investment

In second quarter 2008, the Company sold its minority ownership interest in U.K.-based Pret A Manger. In connection with the sale, the Company received cash proceeds of \$229.4 million and recognized a nonoperating gain of \$160.1 million.

Discontinued Operations

In August 2007, the Company sold its investment in Boston Market and as a result, Boston Market's results of operations have been reflected in discontinued operations. Boston Market's results of operations, which previously were included in Other Countries & Corporate, consisted of revenues and pretax loss for the second quarter 2007 of \$171.1 million and \$5.6 million, respectively. Revenues and pretax loss for the six months ended June 30, 2007 were \$342.5 million and \$12.4 million, respectively. Boston Market's net loss for the second quarter and six months 2007 was \$3.3 million and \$7.4 million, respectively.

Segment Information

The Company franchises and operates McDonald's restaurants in the food service industry. The following table presents the Company's revenues and operating income by geographic segment. The APMEA segment represents operations in Asia/Pacific, Middle East and Africa. Other Countries & Corporate represents operations in Canada and Latin America, as well as Corporate activities.

<i>In millions</i>	<i>Quarters Ended June 30,</i>		<i>Six Months Ended June 30,</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Revenues				
U.S.	\$2,066.2	\$ 2,016.3	\$ 3,962.8	\$ 3,857.7
Europe	2,606.2	2,180.1	4,981.8	4,106.6
APMEA	1,057.9	852.0	2,090.3	1,682.3
Other Countries & Corporate	345.0	791.0	655.2	1,485.5
Total revenues	\$6,075.3	\$ 5,839.4	\$11,690.1	\$11,132.1
Operating income (loss)				
U.S.	\$ 796.3	\$ 753.9	\$ 1,478.8	\$ 1,403.5
Europe	671.8	521.7	1,249.0	914.8
APMEA	191.3	140.0	408.8	288.7
Other Countries & Corporate*	(5.2)	(1,597.3)	(19.6)	(1,607.4)
Total operating income (loss)*	\$1,654.2	\$ (181.7)	\$ 3,117.0	\$ 999.6

* Results for both periods of 2007 included the impact of the Latam transaction of \$1,594.4 million of net expense.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company franchises and operates McDonald's restaurants. Of the 31,489 restaurants in 118 countries at June 30, 2008, 20,802 are operated by franchisees (including 2,834 operated by developmental licensees), 3,997 are operated by affiliates (primarily in Japan) and 6,690 are operated by the Company. Under our conventional franchise arrangement, franchisees provide a portion of the required capital by initially investing in the equipment, signs, seating and décor of their restaurant businesses, and by reinvesting in the business over time. The Company owns the land and building or secures long-term leases for both Company-operated and conventional franchised restaurant sites. This ensures long-term occupancy rights, helps control related costs and improves alignment with franchisees. Under our developmental license arrangement, licensees provide capital for the entire business, including the real estate interest, while the Company generally has no capital invested.

We view ourselves primarily as a franchisor and continually review our restaurant ownership mix (that is, our mix among Company-operated, franchised - conventional or developmental license, and affiliated) to deliver a great customer experience and drive profitability. In most cases, franchising is the best way to achieve both goals. Although direct restaurant operation is more capital-intensive relative to franchising and results in lower restaurant margins as a percent of revenues, Company-operated restaurants are important to our success in both mature and developing markets. In our Company-operated restaurants, and in collaboration with our franchisees, we further develop and refine operating standards, marketing concepts and product and pricing strategies, so that only those that we believe are most beneficial are introduced Systemwide. In addition, we firmly believe that owning restaurants is paramount to being a credible franchisor and essential to providing Company personnel with restaurant operations experience. Our Company-operated business also helps to facilitate changes in restaurant ownership as warranted by strategic considerations.

Revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees and affiliates. These fees primarily include rent and/or royalties that are based on a percent of sales, with specified minimum rent payments, along with initial fees. Fees vary by type of site, amount of Company investment and local business conditions. These fees, along with occupancy and operating rights, are stipulated in franchise/license agreements that generally have 20-year terms.

The business is managed as distinct geographic segments. Significant reportable segments include the United States (U.S.), Europe, and Asia/Pacific, Middle East and Africa (APMEA). In addition, throughout this report we present "Other Countries & Corporate" that includes operations in Canada and Latin America, as well as Corporate activities. The U.S. and Europe segments account for nearly 35% and 45% of total revenues, respectively.

In second quarter 2008, the Company sold its minority ownership interest in U.K.-based Pret A Manger. In connection with the sale, the Company received cash proceeds of \$229.4 million and recognized a nonoperating gain of \$160.1 million.

In August 2007, the Company sold its investment in Boston Market and as a result, Boston Market's results of operations have been reflected as discontinued operations.

Strategic Direction and Financial Performance

Since implementing the customer-centered Plan to Win several years ago, the Company remains focused on being better, not just bigger. Our strategic alignment behind this plan has created better McDonald's experiences through the execution of multiple initiatives surrounding the five drivers of exceptional customer experiences — people, products, place, price and promotion. While our focus has remained the same, we have adapted our initiatives based on the changing needs and preferences of our customers. These multiple initiatives have increased our consumer relevance and contributed to sales and guest counts worldwide increasing every year since 2003. In the second quarter 2008, our strong results were driven by positive comparable sales and guest counts across all geographic segments.

In the U.S., the business continues to increase sales and guest counts through initiatives that provide value and variety to the consumer. The four key growth strategies of chicken, breakfast, beverages and convenience drove results with the nationwide launch of the Southern Style Chicken Biscuit and Sandwich and locally relevant beverage promotions.

In Europe, an emphasis on delivering an improved customer experience along with unique marketing and signature menu options drove performance. Double-digit operating income growth was fueled by a 7.4% comparable sales increase. Europe's three strategies of strengthening local relevance, building greater brand transparency and upgrading the customer and employee experience continue to give customers even more reasons to visit McDonald's.

In APMEA, second quarter performance was strong, driven by positive comparable sales across the segment. Our focus on everyday value, convenience and appealing product offerings are generating these strong results.

We remain committed to returning value to shareholders through share repurchases and dividends. For 2007 through 2009, the Company expects to return \$15 billion to \$17 billion to shareholders, subject to business and market conditions. In the second quarter

2008, we repurchased 13.3 million shares of McDonald's stock for \$787.9 million, bringing the total repurchases for the first six months of 2008 to 50.4 million shares or \$2.8 billion. During the second quarter 2008, we paid a quarterly dividend of \$0.375 per share or \$421.6 million, bringing the total dividends paid for the first six months of 2008 to \$848.0 million. For the full year 2007 and the first six months of 2008 combined, the Company returned \$9.4 billion to shareholders.

We also continue to enhance the mix of franchised and Company-operated restaurants, including refranchising certain Company-operated restaurants and executing our developmental license strategy, to maximize long-term brand performance and returns. The Company expects to refranchise 1,000 to 1,500 Company-operated restaurants by the end of 2010, primarily in its major markets. In the first half of 2008, the Company refranchised about 300 restaurants.

In August 2007, the Company completed the sale of its businesses in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America and the Caribbean to a developmental licensee organization. The Company refers to these markets as “Latam.” Under the new ownership structure, the Company receives only royalties in these markets instead of a combination of Company-operated sales and franchised rents and royalties.

Operating Highlights Included:

- Global comparable sales increased 6.1% for the quarter and 6.7% for the six months
- Consolidated Company-operated and franchised restaurant margins grew for the tenth consecutive quarter
- Net income per share from continuing operations was \$1.04 for the quarter, a 44% increase (35% in constant currencies) and \$1.85 for the six months, a 38% increase (29% in constant currencies), after adjusting for the impact of the 2007 Latam transaction. The second quarter and six months 2008 net income includes a \$0.10 per share gain from the previously announced sale of the Company’s minority interest in Pret A Manger
- During the six months, the Company repurchased \$2.8 billion or 50.4 million shares of its stock and paid quarterly dividends totaling \$848 million
- Cash provided by operations increased \$730 million to \$2.7 billion for the first six months

Outlook

While the Company does not provide specific guidance on net income per share, the following information is provided to assist in forecasting the Company’s future results.

- Changes in Systemwide sales are driven by comparable sales and net restaurant unit expansion. The Company expects net restaurant additions to add slightly more than 1 percentage point to 2008 Systemwide sales growth (in constant currencies), most of which will be due to the 503 net traditional restaurants added in 2007.
- The Company does not generally provide specific guidance on changes in comparable sales. However, as a perspective, assuming no change in cost structure, a 1 percentage point increase in U.S. comparable sales would increase annual net income per share by about 2.5 cents. Similarly, an increase of 1 percentage point in Europe’s comparable sales would increase annual net income per share by about 2.5 cents.
- In 2008, U.S. beef costs are expected to be up 8% to 9% and chicken costs are expected to rise about 5% to 6%. In Europe, beef costs are expected to be up 8% to 9%, while chicken costs are expected to increase approximately 7% to 8%. Some volatility may be experienced between quarters in the normal course of business.
- The Company expects full-year 2008 selling, general & administrative expenses to decline, in constant currencies, although fluctuations may be experienced between the quarters due to items such as the 2008 biennial Worldwide Owner/Operator Convention, the 2008 Beijing Summer Olympics and the August 2007 sale of the Company’s businesses in Latam.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense in 2008 to increase approximately 35% compared with 2007, while 2008 interest income is expected to decrease about 30% compared with 2007. In 2008, the Company issued certain debt earlier than originally expected to take advantage of favorable market conditions to pre-fund a portion of its debt maturing in the second half of the year.
- A significant part of the Company’s operating income is generated outside the U.S., and about 50% of its total debt is denominated in foreign currencies. Accordingly, earnings are affected by changes in foreign currency exchange rates, particularly the Euro and the British Pound. If the Euro and the British Pound both move 10% in the same direction compared with 2007, the Company’s annual net income per share would change by about 8 cents to 9 cents.
- The Company expects the effective income tax rate for the full-year 2008 to be approximately 29% to 31%, although some volatility may be experienced between the quarters in the normal course of business.
- The Company expects capital expenditures for 2008 to be approximately \$2 billion. About half of this amount will be reinvested in existing restaurants while the rest will primarily be used to open 1,000 restaurants (950 traditional and 50 satellites). The Company expects net additions of about 600 restaurants (700 net traditional additions and 100 net satellite closings). These restaurant numbers include new unit openings in affiliate and developmental license markets, such as Japan and those in Latin America, where the Company invests no capital.

- For 2007 through 2009, the Company expects to return \$15 billion to \$17 billion to shareholders through share repurchases and dividends, subject to business and market conditions. For the full year 2007 and first half of 2008 combined, the Company returned \$9.4 billion to shareholders.
- The Company continually reviews its restaurant ownership structures to maximize cash flow and returns and to enhance local relevance. The Company expects to optimize its restaurant ownership mix by refranchising 1,000 to 1,500 Company-operated restaurants by the end of 2010, primarily in its major markets, and by continuing to utilize its developmental license strategy. In the first half of 2008, the Company refranchised about 300 restaurants.

The Following Definitions Apply to These Terms as Used Throughout This Form 10-Q:

- Constant currency results exclude the effects of foreign currency translation and are calculated by translating current year results at prior year average exchange rates. Management reviews and analyzes business results in constant currencies and bases certain incentive compensation plans on these results because they believe this better represents the Company's underlying business trends.
- Systemwide sales include sales at all restaurants, whether operated by the Company, by franchisees or by affiliates. While sales by franchisees and affiliates are not recorded as revenues by the Company, management believes the information is important in understanding the Company's financial performance because it is the basis on which the Company calculates and records franchised and affiliated revenues and is indicative of the financial health of our franchisee base.
- Comparable sales represent sales at all restaurants, including those operated by the Company, franchisees and affiliates, in operation at least thirteen months including those temporarily closed, excluding the impact of currency translation. Some of the reasons restaurants may be temporarily closed include reimagining or remodeling, rebuilding, road construction and natural disasters. Management reviews the increase or decrease in comparable sales compared with the same period in the prior year to assess business trends.

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	Quarter Ended June 30, 2008		Six Months Ended June 30, 2008	
	Amount	% Increase / (Decrease)	Amount	% Increase / (Decrease)
Revenues				
Sales by Company-operated restaurants	\$4,296.0	(1)	\$ 8,294.8	1
Revenues from franchised and affiliated restaurants	1,779.3	17	3,395.3	17
Total revenues	6,075.3	4	11,690.1	5
Operating costs and expenses				
Company-operated restaurant expenses	3,535.2	(1)	6,874.8	—
Franchised restaurants – occupancy expenses	315.3	12	615.1	10
Selling, general & administrative expenses	598.7	1	1,151.1	1
Impairment and other charges, net	0.5	n/m	1.0	n/m
Other operating (income) expense, net	(28.6)	(31)	(68.9)	n/m
Total operating costs and expenses	4,421.1	(27)	8,573.1	(15)
Operating income	1,654.2	n/m	3,117.0	n/m
Interest expense	146.3	44	274.8	38
Nonoperating (income) expense, net	(30.8)	(82)	(59.7)	(78)
Gain on sale of investment	(160.1)	n/m	(160.1)	n/m
Income from continuing operations before provision for income taxes	1,698.8	n/m	3,062.0	n/m
Provision for income taxes	508.3	15	925.4	19
Income from continuing operations	1,190.5	n/m	2,136.6	n/m
Income from discontinued operations		n/m		n/m
Net income	\$1,190.5	n/m	\$ 2,136.6	n/m
Income per common share—basic:				
Continuing operations	\$ 1.05	n/m	\$ 1.88	n/m
Discontinued operations		n/m		n/m
Net income	\$ 1.05	n/m	\$ 1.88	n/m
Income per common share—diluted:				
Continuing operations	\$ 1.04	n/m	\$ 1.85	n/m
Discontinued operations		n/m		n/m
Net income	\$ 1.04	n/m	\$ 1.85	n/m

n/m Not meaningful

In addition to the reported consolidated operating results for the quarter and six months ended June 30, 2007, consolidated results for these periods are presented throughout this report excluding the impact of the Latam transaction. Management believes the Latam transaction and the associated charge are not indicative of ongoing operations due to the size and scope of the transaction. Management believes that the adjusted results better reflect the underlying business trends relevant to the periods presented.

The following tables present reconciliations of the key consolidated operating results for the quarters and six months ended June 30, 2008 and 2007 to the operating results excluding the net impact of the impairment charge from the Latam transaction.

Quarters ended June 30,	2008	2007*	Latam Transaction	2007 Excluding Latam Transaction	Adjusted % Inc	Currency Translation Benefit	Adjusted % Inc/(Dec) Excluding Currency Translation
Revenues	\$ 6,075.3	\$ 5,839.4		\$ 5,839.4	4	\$ 374.9	(2)
Operating income (loss)	1,654.2	(181.7)	\$(1,594.4)	1,412.7	17	111.1	9
Income (loss) from continuing operations	1,190.5	(708.4)	(1,581.6)	873.2	36	73.1	28
Income (loss) from discontinued operations		(3.3)		(3.3)	n/m		n/m
Net income (loss)	1,190.5	(711.7)	(1,581.6)	869.9	37	73.1	28
Income (loss) per share from continuing operations-diluted	1.04	(0.59)	(1.31)	0.72	44	0.07	35
Net income (loss) per share-diluted	1.04	(0.60)	(1.31)	0.71	46	0.07	37

Six months ended June 30,	2008	2007*	Latam Transaction	2007 Excluding Latam Transaction	Adjusted % Inc	Currency Translation Benefit	Adjusted % Inc/(Dec) Excluding Currency Translation
Revenues	\$11,690.1	\$11,132.1		\$11,132.1	5	\$ 720.4	(1)
Operating income (loss)	3,117.0	999.6	\$(1,594.4)	2,594.0	20	208.5	12
Income (loss) from continuing operations	2,136.6	58.1	(1,581.6)	1,639.7	30	134.1	22
Income (loss) from discontinued operations		(7.4)		(7.4)	n/m		n/m
Net income (loss)	2,136.6	50.7	(1,581.6)	1,632.3	31	134.1	23
Income (loss) per share from continuing operations-diluted	1.85	0.05	(1.29)	1.34	38	0.12	29
Net income (loss) per share-diluted	1.85	0.04	(1.30)	1.34	38	0.12	29

n/m Not meaningful

* The results for the quarter and six months ended June 30, 2007 included impairment and other charges of \$1,611.9 million associated with the Latam transaction, partly offset by a benefit of \$17.5 million due to eliminating depreciation on the assets in Latam in mid-April 2007 in accordance with accounting rules. The resulting tax benefit of \$12.8 million was minimal in the second quarter 2007 due to the Company's inability to utilize most of the capital losses generated by this transaction.

Net Income (Loss) and Diluted Net Income (Loss) per Common Share

For the second quarter and six months ended June 2008, net income was \$1,190.5 million and \$2,136.6 million, respectively, and diluted net income per share was \$1.04 and \$1.85, respectively. Both periods benefited by \$109.0 million or \$0.10 per share due to the sale of the Company's minority interest in Pret A Manger.

For the second quarter 2007, the Company reported a net loss of \$711.7 million and a diluted loss per share of \$0.60. The 2007 results included \$1.6 billion of net expense after tax or \$1.31 per share related to the Company's sale of its business in Latam to a developmental licensee. This reflects an impairment charge of \$1.33 per share, partly offset by a \$0.02 benefit due to eliminating depreciation in mid-April 2007 on the assets in Latam in accordance with accounting rules. Excluding the impact of the Latam transaction, net income was \$869.9 million and diluted net income per share was \$0.71. The 2007 results also included a net loss of \$3.3 million from discontinued operations related to Boston Market, which was sold in August 2007. Due to the net loss in second quarter 2007, common stock equivalents were excluded from the diluted loss per share calculations. Common stock equivalents of 23.2 million were added to the weighted average shares outstanding of 1,193.7 million to compute the diluted weighted average shares outstanding used in the per share calculations excluding the Latam transaction.

For the first six months of 2007, net income was \$50.7 million and diluted net income per share was \$0.04, which included the \$1.6 billion or \$1.30 per share of net expense after tax related to the Latam transaction. Excluding the impact of the Latam transaction, net income was \$1,632.3 million and diluted net income per share was \$1.34. The 2007 results also included a net loss of \$7.4 million from discontinued operations related to Boston Market.

During the second quarter 2008, the Company repurchased 13.3 million shares of its stock for \$787.9 million, bringing the total repurchases for the first six months of 2008 to 50.4 million shares or \$2.8 billion. During the second quarter 2008, the Company paid a quarterly dividend of \$0.375 per share or \$421.6 million, bringing the total dividends paid for the first six months of 2008 to \$848.0 million.

Conversion of Certain Markets to Developmental License

In August 2007, the Company completed the sale of its businesses in Brazil, Argentina, Mexico, Puerto Rico, Venezuela and 13 other countries in Latin America and the Caribbean, which totaled 1,571 restaurants, to a developmental licensee organization. Under a developmental license, a local licensee owns the business, including the real estate, and uses his/her capital and local knowledge to build the McDonald's Brand and optimize sales and profitability over the long term. Under this arrangement, the Company collects a royalty, which varies by market, based on a percent of sales, but does not invest any capital. As a result of the Latam transaction, the Company receives only royalties in these markets instead of a combination of Company-operated sales and franchised rents and royalties.

The buyers of the Company's operations in Latam have entered into a 20-year master franchise agreement that requires the buyers, among other obligations, to pay monthly royalties commencing at a rate of approximately 5% of gross sales of the restaurants in these markets, substantially consistent with market rates for similar license arrangements.

Based on approval by the Company's Board of Directors, which occurred on April 17, 2007, the Company concluded Latam was "held for sale" as of that date in accordance with the requirements of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. As a result, the Company recorded an impairment charge of approximately \$1.6 billion in the second quarter of 2007, substantially all of which was noncash. The charge included the difference between the net book value of the Latam business and cash proceeds, less costs of disposal. This loss in value was primarily due to a historically difficult economic environment coupled with volatility experienced in many of the markets included in this transaction. The charge also included historical foreign currency translation losses recorded in shareholders' equity. The Company recorded a tax benefit of \$12.8 million in connection with this transaction. The tax benefit was minimal in the second quarter 2007 due to the Company's inability to utilize most of the capital losses generated by this transaction. As a result of meeting the "held for sale" criteria, the Company ceased recording depreciation expense with respect to Latam effective April 17, 2007. In connection with the sale, the Company agreed to indemnify the buyers for certain tax and other claims, certain of which are recorded as liabilities on McDonald's consolidated balance sheet, totaling \$202.4 million at June 30, 2008 and \$179.2 million at December 31, 2007. The change in the balance was primarily due to foreign currency translation.

Impact of Foreign Currency Translation

IMPACT OF FOREIGN CURRENCY TRANSLATION			
<i>Dollars in millions, except per share data</i>			
Quarters Ended June 30,	2008	2007	Currency Translation Benefit / (Loss) 2008
Revenues	\$6,075.3	\$5,839.4	\$374.9
Combined operating margins*	2,224.8	1,999.7	134.1
Selling, general & administrative expenses	598.7	591.9	(24.6)
Operating income**	1,654.2	1,412.7	111.1
Income from continuing operations**	1,190.5	873.2	73.1
Net income**	1,190.5	869.9	73.1
Income from continuing operations per common share – diluted**	1.04	0.72	0.07
Net income per common share – diluted**	1.04	0.71	0.07

IMPACT OF FOREIGN CURRENCY TRANSLATION <i>Dollars in millions, except per share data</i>			
			Currency Translation Benefit / (Loss)
Six Months Ended June 30,	2008	2007	2008
Revenues	\$11,690.1	\$11,132.1	\$720.4
Combined operating margins*	4,200.2	3,723.4	253.5
Selling, general & administrative expenses	1,151.1	1,137.1	(47.9)
Operating income**	3,117.0	2,594.0	208.5
Income from continuing operations**	2,136.6	1,639.7	134.1
Net income**	2,136.6	1,632.3	134.1
Income from continuing operations per common share – diluted**	1.85	1.34	0.12
Net income per common share – diluted**	1.85	1.34	0.12

* Reflects both franchised and Company-operated margin dollars.

** 2007 results exclude the impact of the Latam transaction in order to provide management's view of the underlying business performance.

Foreign currency translation had a positive impact on consolidated revenues, operating income, net income and net income per common share for the quarter and six months, primarily driven by the stronger Euro, Australian Dollar and Canadian Dollar.

Revenues

Revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees and affiliates. These fees primarily include rent and/or royalties that are based on a percent of sales, with specified minimum rent payments.

REVENUES <i>Dollars in millions</i>				
Quarters Ended June 30,	2008	2007	% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$1,195.0	\$1,200.5	—	—
Europe	1,959.6	1,674.2	17	5
APMEA	913.6	742.2	23	15
Other Countries & Corporate	227.8	700.9	(67)	(70)
Total	\$4,296.0	\$4,317.8	(1)	(7)
<i>Franchised and affiliated revenues</i>				
U.S.	\$ 871.2	\$ 815.8	7	7
Europe	646.6	505.9	28	12
APMEA	144.3	109.8	31	18
Other Countries & Corporate	117.2	90.1	30	19
Total	\$1,779.3	\$1,521.6	17	10
<i>Total revenues</i>				
U.S.	\$2,066.2	\$2,016.3	2	2
Europe	2,606.2	2,180.1	20	7
APMEA	1,057.9	852.0	24	15
Other Countries & Corporate	345.0	791.0	(56)	(60)
Total	\$6,075.3	\$5,839.4	4	(2)

REVENUES <i>Dollars in millions</i>				
Six Months Ended June 30,	2008	2007	% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$ 2,305.1	\$ 2,292.0	1	1
Europe	3,745.2	3,147.1	19	8
APMEA	1,809.2	1,471.5	23	15
Other Countries & Corporate	435.3	1,321.0	(67)	(71)
Total	\$ 8,294.8	\$ 8,231.6	1	(6)
<i>Franchised and affiliated revenues</i>				
U.S.	\$ 1,657.7	\$ 1,565.7	6	6
Europe	1,236.6	959.5	29	14
APMEA	281.1	210.8	33	19
Other Countries & Corporate	219.9	164.5	34	20
Total	\$ 3,395.3	\$ 2,900.5	17	10
<i>Total revenues</i>				
U.S.	\$ 3,962.8	\$ 3,857.7	3	3
Europe	4,981.8	4,106.6	21	9
APMEA	2,090.3	1,682.3	24	15
Other Countries & Corporate	655.2	1,485.5	(56)	(61)
Total	\$11,690.1	\$11,132.1	5	(1)

Consolidated revenues increased 4% (decrease of 2% in constant currencies) for the quarter and 5% (decrease of 1% in constant currencies) for the six months, reflecting positive comparable sales in all segments. Revenue growth was offset by the Company's August 2007 Latam transaction as well as the impact of the refranchising strategy, occurring primarily in certain of the Company's major markets. As a result of the Latam transaction, the Company now receives royalties based on a percent of sales in these markets. The Latam transaction and the refranchising strategy resulted in a higher proportion of franchised and affiliated restaurants compared with the prior year.

In the U.S., the increase in revenues for the quarter and six months was primarily driven by our market-leading breakfast business, the ongoing appeal of new products and continued focus on everyday value. These increases were partly offset by the impact of the refranchising strategy.

In Europe, the constant currency increase in revenues for the quarter and six months was primarily due to strong comparable sales in Russia (which is entirely Company-operated), France and the U.K., as well as positive comparable sales throughout the segment. These increases were partly offset by the impact of the refranchising strategy in the U.K. and Germany.

In APMEA, the constant currency increase in revenues for the quarter and six months was primarily driven by strong comparable sales in Australia and China, as well as positive comparable sales in substantially all other markets. In addition, expansion in China contributed to the increase.

The following table presents the percent change in comparable sales for the quarters and six months ended June 30, 2008 and 2007:

COMPARABLE SALES	% Increase			
	Quarters Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
U.S.	3.4	5.0	3.2	4.7
Europe	7.4	7.8	9.1	7.9
APMEA	8.8	10.9	9.1	9.7
Other Countries & Corporate	12.0	13.3	13.6	10.6
Total	6.1	7.4	6.7	6.9

The following table presents the percent change in Systemwide sales for the quarter and six months ended June 30, 2008:

SYSTEMWIDE SALES				
	Quarter Ended June 30, 2008		Six Months Ended June 30, 2008	
	% Inc	% Inc Excluding Currency Translation	% Inc	% Inc Excluding Currency Translation
U.S.	4	4	4	4
Europe	23	9	24	11
APMEA	23	11	24	12
Other Countries & Corporate	24	13	27	15
Total	14	8	15	8

Restaurant Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS						
<i>Dollars in millions</i>						
Quarters Ended June 30,	Percent		Amount		% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
	2008	2007	2008	2007		
<i>Franchised</i>						
U.S.	83.6	83.2	\$ 727.8	\$ 679.0	7	7
Europe	78.3	77.8	506.1	393.4	29	13
APMEA	89.0	87.9	128.5	96.5	33	20
Other Countries & Corporate	86.6	79.0	101.6	71.2	43	31
Total	82.3	81.5	\$1,464.0	\$1,240.1	18	11
<i>Company-operated</i>						
U.S.	19.1	19.5	\$ 227.6	\$ 233.5	(3)	(3)
Europe	18.0	18.0	353.2	300.7	17	5
APMEA	15.6	14.2	142.0	105.7	34	24
Other Countries & Corporate	16.6	17.1	38.0	119.7	(68)	(71)
Total	17.7	17.6	\$ 760.8	\$ 759.6	—	(6)

Six Months Ended June 30,	Percent		Amount		% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
	2008	2007	2008	2007		
<i>Franchised</i>						
U.S.	82.9	82.6	\$1,374.0	\$1,292.7	6	6
Europe	78.1	76.9	966.1	738.0	31	15
APMEA	89.0	87.8	250.3	185.1	35	21
Other Countries & Corporate	86.3	77.5	189.8	127.5	49	34
Total	81.9	80.8	\$2,780.2	\$2,343.3	19	12
<i>Company-operated</i>						
U.S.	18.4	18.7	\$ 424.8	\$ 429.4	(1)	(1)
Europe	17.1	16.8	639.5	527.6	21	9
APMEA	16.1	14.6	290.4	214.6	35	25
Other Countries & Corporate	15.0	15.8	65.3	208.5	(69)	(72)
Total	17.1	16.8	\$1,420.0	\$1,380.1	3	(4)

Franchised margin dollars increased \$223.9 million or 18% (11% in constant currencies) for the quarter and \$436.9 million or 19% (12% in constant currencies) for the six months. The U.S. and Europe segments accounted for about 85% of the franchised margin dollars in both periods. For both periods, the Latam transaction positively impacted the franchised margin percent increase by 60 basis points, while the refranchising strategy had a negative impact on the margin percent.

- In the U.S., Europe and APMEA, the increase in the franchised margin percent for the quarter and six months for each segment was primarily driven by positive comparable sales.
- In Other Countries & Corporate, Latin America's franchised margin percent for the quarter and six months increased significantly as a result of the sale of Latam in third quarter 2007. The Company receives royalties based on a percent of sales in these markets.

Company-operated margin dollars were relatively flat (decreased 6% in constant currencies) for the quarter and increased \$39.9 million or 3% (decreased 4% in constant currencies) for the six months. The U.S. and Europe segments accounted for about 75% of the Company-operated margin dollars in both periods. As a result of the Latam transaction, there are no Company-operated restaurants remaining in Latin America in 2008. This transaction and the refranchising strategy negatively impacted the Company-operated margin dollars, but positively impacted the margin percent in both periods.

- In the U.S., the Company-operated margin percent decreased for the quarter and six months as higher commodity and other costs were partly offset by positive comparable sales.
- Europe's Company-operated margin percent was flat for the quarter and increased for the six months primarily due to strong comparable sales in most markets. Higher commodity and labor costs negatively impacted both periods.
- In APMEA, the Company-operated margin percent for the quarter and six months increased due to strong comparable sales in most markets, partly offset by higher commodity and labor costs.

The following table presents margin components as a percent of sales:

COMPANY-OPERATED RESTAURANT EXPENSES AND MARGINS AS A PERCENT OF SALES				
	Quarters Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Food & paper	33.5	33.3	33.4	33.2
Payroll & employee benefits	26.1	25.8	26.5	26.0
Occupancy & other operating expenses	22.7	23.3	23.0	24.0
Total expenses	82.3	82.4	82.9	83.2
Company-operated margins	17.7	17.6	17.1	16.8

Selling, General & Administrative Expenses

Selling, general & administrative expenses increased 1% (decreased 3% in constant currencies) for both the quarter and six months and reflected costs related to the Company's biennial Worldwide Owner/Operator Convention. The constant currency change in selling, general & administrative expenses benefited by 7 percentage points for the quarter and 6 percentage points for the six months due to the Latam transaction. Selling, general & administrative expenses as a percent of revenues decreased to 9.8% for the six months 2008 compared with 10.2% for 2007 and as a percent of Systemwide sales decreased to 3.3% for 2008 compared with 3.8% for 2007.

Impairment and Other Charges, Net

In the second quarter 2007, the Company recorded \$1.6 billion of expense primarily related to the Company's sale of its existing business in Latam to a developmental licensee organization.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET				
<i>Dollars in millions</i>				
	Quarters Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Gains on sales of restaurant businesses	\$(30.2)	\$(27.6)	\$(43.3)	\$(35.3)
Equity in earnings of unconsolidated affiliates	(26.1)	(23.0)	(49.5)	(47.0)
Asset dispositions and other expense	27.7	28.8	23.9	55.1
Total	\$(28.6)	\$(21.8)	\$(68.9)	\$(27.2)

Asset dispositions and other expense for the six months of 2008 included income of \$17.8 million due to the partial recovery of prior years' sales taxes in the U.K. In addition, results for the six months of 2007 reflected higher losses on restaurant closings and property disposals.

Operating Income

OPERATING INCOME <i>Dollars in millions</i>				
Quarters ended June 30,	2008	2007	% Inc / (Dec)	% Inc Excluding Currency Translation
U.S.	\$ 796.3	\$ 753.9	6	6
Europe	671.8	521.7	29	13
APMEA	191.3	140.0	37	22
Other Countries & Corporate	(5.2)	(1,597.3)	100	99
Total	\$1,654.2	\$ (181.7)	n/m	n/m
Latam transaction		1,594.4		
Total excluding Latam transaction*	\$1,654.2	\$ 1,412.7	17	9
Six Months ended June 30,	2008	2007	% Inc / (Dec)	% Inc Excluding Currency Translation
U.S.	\$1,478.8	\$ 1,403.5	5	5
Europe	1,249.0	914.8	37	21
APMEA	408.8	288.7	42	27
Other Countries & Corporate	(19.6)	(1,607.4)	99	97
Total	\$3,117.0	\$ 999.6	n/m	n/m
Latam transaction		1,594.4		
Total excluding Latam transaction*	\$3,117.0	\$ 2,594.0	20	12

n/m Not meaningful

* The results for the quarter and six months ended June 30, 2007 included impairment and other charges of \$1,611.9 million associated with the Latam transaction, partly offset by a benefit of \$17.5 million due to eliminating depreciation on the assets in Latam in mid-April 2007.

In the U.S., results increased for the quarter and six months primarily due to higher franchised margin dollars.

In Europe, operating results for the quarter and six months were driven by strong performance in France and the U.K., as well as positive results in many other markets. In addition, the six months of 2008 included income of \$17.8 million due to the partial recovery of prior years' sales taxes in the U.K.

In APMEA, operating results for the quarter and six months were driven by strong results in Australia and China, as well as positive performance in Japan and most other markets.

- Combined Operating Margin**

Combined operating margin is defined as operating income as a percent of total revenues. Combined operating margin for the six months 2008 and 2007 was 26.7% and 9.0%, respectively. Impairment and other charges (credits) negatively impacted the 2007 operating margin by 14.5 percentage points.

Interest Expense

Interest expense for the quarter and six months increased due primarily to higher average debt levels, and to a lesser extent, higher interest rates and stronger foreign currencies. Higher average debt levels were due to the Company issuing certain debt earlier than originally expected to take advantage of favorable market conditions to pre-fund a portion of its debt maturing in the second half of the year.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET <i>Dollars in millions</i>				
	Quarters Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Interest income	\$(21.3)	\$(26.4)	\$(52.7)	\$(50.9)
Translation and hedging activity	(12.3)	0.6	(7.6)	3.5
Other expense	2.8	8.9	0.6	13.8
Total	\$(30.8)	\$(16.9)	\$(59.7)	\$(33.6)

Lower interest rates negatively impacted interest income for the quarter and six months. Interest income for the six months increased due to \$11.6 million of interest on the partial recovery of prior years' sales taxes in the U.K.

Translation and hedging activity for the quarter and six months reflected income of \$15.6 million due to a gain that resulted from the termination of certain hedging instruments.

Gain on Sale of Investment

In second quarter 2008, the Company sold its minority ownership interest in U.K.-based Pret A Manger. In connection with the sale, the Company received cash proceeds of \$229.4 million and recognized a nonoperating gain of \$160.1 million.

Income Taxes

The following tables present the provision for income taxes, the effective income tax rates and the impact of the Latam transaction for the quarter and six months ended June 30, 2008 and 2007:

2007				
Quarters ended June 30,	2008	Reported Amount	Latam Transaction	Excluding Latam Transaction
Income (loss) from continuing operations before provision for income taxes	\$1,698.8	\$(266.6)	\$(1,594.4)	\$1,327.8
Provision (benefit) for income taxes	508.3	441.8	(12.8)	454.6
Income (loss) from continuing operations	\$1,190.5	\$(708.4)	\$(1,581.6)	\$873.2
Effective income tax rate	29.9%	n/m	n/m	34.2%
2007				
Six months ended June 30,	2008	Reported Amount	Latam Transaction	Excluding Latam Transaction
Income (loss) from continuing operations before provision for income taxes	\$3,062.0	\$834.2	\$(1,594.4)	\$2,428.6
Provision (benefit) for income taxes	925.4	776.1	(12.8)	788.9
Income (loss) from continuing operations	\$2,136.6	\$58.1	\$(1,581.6)	\$1,639.7
Effective income tax rate	30.2%	n/m	n/m	32.5%

n/m Not meaningful

The lower effective income tax rates for the second quarter and six months of 2008 include tax benefits related to certain international operations.

Discontinued Operations

In August 2007, the Company sold its investment in Boston Market and as a result, Boston Market's results of operations have been reflected in discontinued operations. Boston Market's net loss for the second quarter and six months 2007 was \$3.3 million and \$7.4 million, respectively.

Cash Flows and Financial Position

The Company generates significant cash from operations and has substantial credit capacity to fund operating and discretionary spending such as capital expenditures, debt repayments, dividends and share repurchases.

Cash provided by operations totaled \$2.7 billion and exceeded capital expenditures by \$1.9 billion for the six months 2008. Cash provided by operations increased \$729.8 million compared to the six months 2007 driven by strong operating results and changes in working capital items, partly due to the receipt of \$142.7 million related to the Internal Revenue Service (IRS) examination completed in fourth quarter 2007.

Cash used for investing activities totaled \$491.9 million for the six months 2008, a decrease of \$359.1 million, primarily due to proceeds from the sale of our investment in Pret A Manger in the second quarter 2008, higher proceeds from sales of restaurant businesses in conjunction with our overall refranchising strategy and lower purchases of restaurant businesses. Capital expenditures increased \$64.8 million for the six months, primarily driven by an increase in Europe and the impact of stronger foreign currencies, partly offset by the elimination of capital expenditures as a result of the Latam transaction.

Cash used for financing activities totaled \$2.0 billion for the six months, an increase of \$757.7 million. Financing activities in 2008 reflected higher treasury stock purchases and dividend payments and lower proceeds from stock option exercises, partly offset by higher net debt issuances. As previously announced, the Company's Board of Directors decided that beginning in 2008 dividends declared will be paid on a quarterly basis, at the Board's discretion.

Debt obligations at June 30, 2008 totaled \$11.1 billion compared with \$9.3 billion at December 31, 2007. The increase in 2008 was primarily due to net issuances of \$1.5 billion.

Return on Average Assets

Return on average assets for the trailing 12 month period ended June 30, 2008 was 19.9% compared to 13.2% for the full year 2007. Return on average assets is computed as operating income for the most recent four quarters divided by average assets based on month-end balances. Operating income, as reported, does not include interest income; however, cash balances are included in average assets. The inclusion of cash balances in average assets reduced return on average assets by 2.1 percentage points and 1.3 percentage points in 2008 and 2007, respectively.

Impairment and other charges (credits), net had a minimal impact on return on average assets in 2008 and reduced return on average assets by 5.4 percentage points in 2007. In 2008, return on average assets benefited from strong operating results in Europe and APMEA. The Company will continue to concentrate restaurant openings and new capital invested in markets with acceptable returns or opportunities for long-term growth.

Accounting Changes

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements; rather, it applies to other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS No. 157, as issued, were effective January 1, 2008. However, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which allows entities to defer the effective date of SFAS No. 157, for one year, for certain non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (i.e., at least annually). The Company adopted SFAS No. 157 as of January 1, 2008 and elected the deferral for non-financial assets and liabilities. The effect of adopting this standard was not significant.

Risk Factors and Cautionary Statement Regarding Forward-Looking Statements

This report includes forward-looking statements about our plans and future performance, including those under Outlook. These statements use such words as "may," "will," "expect," "believe" and "plan." They reflect our expectations and speak only as of the date of this report. We do not undertake to update them. Our expectations (or the underlying assumptions) may change or not be realized, and you should not rely unduly on forward-looking statements.

Our business and execution of our strategic plan, the Plan to Win, are subject to risks. By far the most important of these is our ability to remain relevant to our customers and a brand they trust. Meeting customer expectations is complicated by the risks inherent in our operating environment. The informal eating out segment of the restaurant industry, although largely mature in our major markets, is also highly fragmented and competitive. We have the added challenge of the cultural, economic and regulatory differences that exist among the more than 100 countries where we operate. We also face risk in adapting our business model in particular markets. The decision to own restaurants or to operate under franchise, developmental license or joint venture agreements is driven by many factors whose interrelationship is complex and changing. Regulatory and similar initiatives around the world have also become more wide-ranging and prescriptive and affect how we operate and our results. In particular, increasing focus on nutritional content and on the production, processing and preparation of food “from field to front counter” presents challenges for our Brand and may adversely affect our results.

These risks can have an impact both in the near- and long-term and are reflected in the following considerations and factors that we believe are most likely to affect our performance.

Our ability to remain a relevant and trusted brand and to increase sales depends largely on how well we execute the Plan to Win.

The Plan to Win addresses the key drivers of our business and results—people, products, place, price and promotion. The quality of our execution depends mainly on the following:

- Our ability to anticipate and respond to trends or other factors that affect the informal eating out market and our competitive position in the diverse markets we serve, such as spending patterns, demographic changes, trends in food preparation, consumer preferences and publicity about our products, all of which can drive consumer perceptions or affect the willingness of other companies to enter into site, supply or other arrangements or alliances with us, as well as our success in addressing these trends and factors or other competitive pressures;
- The success of our initiatives to support menu choice, physical activity and nutritional awareness and to address these and other matters of social responsibility in a way that communicates our values effectively and inspires the trust and confidence of our customers;
- Our ability to respond effectively to adverse consumer perceptions about the quick-service segment of the informal eating out market, our products and promotions (including the premiums we offer, such as our Happy Meal toys) or the reliability of our supply chain and the safety of the ingredients we use, and our ability to manage the potential impact on McDonald’s of food-borne illnesses or product safety issues;
- The success of our plans to improve existing products and to roll-out new products and product line extensions, as well as the impact of our competitors’ actions, including in response to our product improvements and introductions, and our ability to continue robust product development and manage the complexity of our restaurant operations;
- Our ability to achieve an overall product mix that differentiates the McDonald’s experience and balances consumer value with margin expansion, including in markets where cost or pricing pressures may be significant;
- The impact of pricing, marketing and promotional plans on product sales and margins and on our ability to target these efforts effectively to maintain or expand market share;
- The impact of events such as consumer boycotts or protests, labor strikes and supply chain interruptions (including due to lack of supply or price increases) that can adversely affect us directly or adversely affect the vendors, franchisees and others that are also part of the McDonald’s System and whose performance has a material impact on our results;
- Our ability to recruit and retain qualified local personnel to manage our operations and growth in certain developing markets;
- Our ability to drive restaurant improvements and to motivate our restaurant personnel to achieve sustained high service levels so as to improve consumer perceptions of our ability to meet expectations for quality food served in clean and friendly environments;
- Our ability to maintain alignment with our franchisees on capital-intensive and other operating and promotional initiatives;
- The risks to our Brand if a franchisee or licensee defaults in its obligations (particularly requirements to pay royalties, make capital investments and open new restaurants), experiences food safety or other operational problems or otherwise projects a brand image inconsistent with our values, all of which become more significant risks if an agreement places a large number of restaurants under the control of a single franchisee or licensee as is the case in Latin America;
- Whether our ongoing restaurant remodeling and rebuilding initiatives, which vary from year to year by market and type, are targeted at the elements of the restaurant experience that will best accomplish our goals to enhance the relevance of our Brand and achieve an efficient allocation of our capital resources; and

- Our ability to leverage promotional or operating successes in individual markets into other markets in a timely and cost-effective way.

Our results and financial condition are affected by global and local market conditions, which can adversely affect our sales, margins and net income.

Our results of operations are substantially affected not only by global economic conditions, but also by local operating and economic conditions, which can vary substantially by market. Unfavorable conditions can depress sales in a given market and may prompt promotional or other actions that adversely affect our margins, constrain our operating flexibility or result in charges, restaurant closings or sales of Company-operated restaurants. Whether we can manage this risk effectively depends mainly on the following:

- Our ability to manage upward pressure on commodity prices, as well as fluctuations in interest and foreign exchange rates and local governmental actions to manage national economic conditions, such as consumer spending, inflation rates and unemployment levels, particularly in the United States, which continues to face an uncertain economy;
- The impact on our margins of labor costs given our labor-intensive business model, the trend toward higher wages in both mature and developing markets and the potential impact of union organizing efforts on day-to-day operations of our restaurants;
- Whether we are able to identify and develop restaurant sites, either directly or through licensees or other parties, consistent with our plans for net growth of Systemwide restaurants from year to year, and whether new sites are as profitable as expected;
- The challenges and uncertainties associated with operating in developing markets, such as China, Russia and India, which may entail a relatively higher risk of political instability, economic volatility, crime, corruption and social and ethnic unrest, all of which are exacerbated in many cases by a lack of an independent and experienced judiciary and uncertainties in how local law is applied and enforced, including in areas most relevant to commercial transactions and foreign investment; and
- The nature and timing of decisions about underperforming markets or assets, including decisions that result in impairment charges that reduce our earnings, such as those that may occur as we change our ownership mix as described above.

Our results and financial condition are affected by our ownership mix and whether we can achieve a mix that optimizes margins and returns, while meeting our business needs and customer expectations.

In recent years, we have reduced the number of Company-operated restaurants and we are planning further reductions by franchising Company-operated restaurants or entering into developmental license agreements. Whether and when we can achieve these plans, as well as their success, is uncertain and will be affected by the following:

- Our ability to identify prospective franchisees and licensees with the experience and financial resources in the relevant markets to be effective operators of McDonald's restaurants and how quickly we can reach agreement with our counterparties, which we expect will vary by market and could also vary significantly from period to period;
- The nature and amount of contingent liabilities and other exposures we may retain in connection with developmental license agreements, such as the indemnification obligations we may incur as a result of the Latam transaction;
- The risk that our contractual and other rights and remedies to protect against defaults by our counterparties will be limited by local law, costly to exercise or otherwise subject to limitations or litigation that may impair our ability to prevent or mitigate any adverse impact on our Brand or on the financial performance we expect under our franchising and developmental license agreements; and
- Changes in the operating or legal environment and other circumstances that cause us to delay or revise our plans to alter our ownership mix.

Increasing regulatory complexity will continue to affect our operations and results in material ways.

Our legal and regulatory environment worldwide exposes us to complex compliance, litigation and similar risks that affect our operations and results in material ways. In many of our markets, including the United States and Europe, we are subject to increasing regulation, which has increased our cost of doing business. In developing markets, we face the risks associated with new and untested laws and judicial systems. Among the more important regulatory and litigation risks we face and must manage are the following:

- The cost, compliance and other risks associated with the often conflicting regulations we face, especially in the United States where inconsistent standards imposed by local, state and federal authorities can adversely affect consumer perceptions and increase our exposure to litigation or governmental investigations or proceedings, and the impact of new, potential or changing regulation that affects or restricts elements of our business, particularly those relating to advertising

to children, nutritional content and product labeling and safety;

- The impact of nutritional, health and other scientific inquiries and conclusions, which constantly evolve and often have contradictory implications, but nonetheless drive consumer perceptions, litigation and regulation in ways that could be material to our business;
- The risks and costs of McDonald's nutritional labeling and other disclosure practices, particularly given differences among applicable legal requirements and laws and among practices within the restaurant industry with respect to testing and disclosure, ordinary variations in food preparation among our own restaurants, and reliance on the accuracy and completeness of information obtained from third party suppliers;
- The impact of litigation trends, particularly in our major markets, including class actions, labor and employment matters and landlord/tenant disputes, the relative level of our defense costs, which vary from period to period depending on the number, nature and procedural status of pending proceedings; and the cost and other effects of settlements or judgments, which may require us to make disclosures or take other actions that may affect perceptions of our Brand and products;
- Adverse results of pending or future litigation, including litigation challenging the composition of our products or the appropriateness or accuracy of our advertising or other communications;
- The increasing costs and other effects of compliance with existing and possible future U.S. federal, state and local regulations regarding immigration and evolving enforcement standards under those regulations, as well as compliance with other U.S. and overseas labor regulations, including with respect to wage and hour matters, employee classification, mandatory healthcare benefits and unlawful workplace discrimination;
- Disruptions in our operations or price volatility in a market that can result from governmental actions, such as price or import-export controls or government-mandated closure of our or our vendors' operations, and the cost and disruption of responding to government investigations, whether or not they have merit or are undertaken to achieve political impact;
- The risks associated with information security and the use of cashless payments, such as increased investment in technology, the costs of compliance with privacy, consumer protection and other laws, the impact on our margins as the use of cashless payments increases, the potential costs associated with alleged security breaches and the loss of consumer confidence that may result; and
- The impact of changes in financial reporting requirements, accounting principles or practices, related legal or regulatory interpretations or our critical accounting estimates, changes in tax accounting or tax laws (or interpretations thereof), and the impact of settlements of adjustments proposed by the IRS in connection with our tax audits, all of which will depend on their timing, nature and scope.

The trading volatility and price of our common stock may be affected by many factors.

Many factors affect the volatility and price of our common stock in addition to our operating results and prospects. The most important of these, some of which are outside our control, are the following:

- Governmental actions or media reports and commentary relating to economic activity or events, such as the current U.S. Presidential election, even where the action, report or event does not directly relate to our business or prospects, and particularly actions by U.S. authorities or U.S. economic activity, which are of special import because the United States is the principal trading market for our common stock;
- Trading activity in our common stock (whether in the cash or derivative markets), which can reflect not only market commentary or expectations about our business, but also significant purchases by shareholders who may seek to affect our business strategies, or trading activity that results from the ordinary course rebalancing of stock indices in which McDonald's may be included, such as the S&P 500 Index and the Dow Jones Industrial Average; and
- The impact of our stock repurchase program, dividend rate or changes in our debt levels that may affect our credit ratings, interest expense, ability to obtain funding on favorable terms or our flexibility, especially if lenders impose new operating or financial covenants, as well as the impact of other corporate actions, such as initiatives to rationalize our operating structure.

Our results can be adversely affected by disruptions or events, such as the impact of severe weather conditions and natural disasters.

Severe weather conditions, terrorist activities, health epidemics or pandemics or the prospect of these events can have an adverse impact on consumer spending and confidence levels or on other factors that affect our results and prospects, such as commodity costs. Our receipt of proceeds under any insurance we maintain with respect to certain of these risks may be delayed or the proceeds may be insufficient to offset our losses fully.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2007 regarding this matter.

Item 4. Controls and Procedures

An evaluation was conducted under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2008. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Such officers also confirm that there was no change in the Company's internal control over financial reporting during the quarter ended June 30, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There were no material changes to the disclosure made in our Annual Report on Form 10-K for the year ended December 31, 2007 regarding these matters.

Item 1A. Risk Factors

This report contains certain forward-looking statements which reflect management's expectations regarding future events and operating performance and speak only as of the date hereof. These forward-looking statements involve a number of risks and uncertainties. These and other risks are noted in the Risk Factors and Cautionary Statement Regarding Forward-Looking Statements following Management's Discussion and Analysis.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information related to repurchases of common stock the Company made during the three months ended June 30, 2008:

Issuer Purchases of Equity Securities*

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased Under the Program *	Maximum Dollar Amount that May Yet Be Purchased Under the Program *
April 1-30, 2008	5,902,779	\$59.82	5,902,779	\$6,040,844,000
May 1-31, 2008	5,897,755	\$59.46	5,897,755	5,690,164,000
June 1-30, 2008	1,459,803	\$57.63	1,459,803	5,606,034,000
Total	13,260,337	\$59.42	13,260,337	\$5,606,034,000

* On September 12, 2007, the Company's Board of Directors terminated a previously-approved share repurchase program and replaced it with a new share repurchase program that authorizes the purchase of up to \$10.0 billion of the Company's outstanding common stock with no specified expiration date. As of June 30, 2008, the maximum dollar amount that may yet be purchased under the new program was \$5,606,034,000.

Consistent with the above authorization and subject to applicable law, the Company may repurchase shares directly in the open market, in privately negotiated transactions, or pursuant to derivative instruments and plans complying with Rule 10b5-1, among other types of transactions and arrangements.

Item 4. Submission of Matters to a Vote of Security Holders

- The Annual Meeting of Shareholders was held on May 22, 2008.
- See Item 4(c) below.
- At the Annual Meeting of Shareholders, the shareholders voted on the following matters: the election of six directors to serve until the Annual Meeting of Shareholders in the year indicated below, and the approval of an independent registered public accountant for 2008. The voting results were as follows:
 - In the election of directors, each nominee was elected by a vote of the shareholders as follows:

Director (Term Expiring)	FOR	AGAINST	ABSTAIN
Ralph Alvarez (2010)	958,302,538	21,842,632	17,409,608
Susan E. Arnold (2011)	965,069,585	15,108,804	17,376,389
Richard H. Lenny (2011)	965,110,679	14,921,476	17,522,623
Cary D. McMillan (2011)	962,404,358	17,693,432	17,456,988
Sheila A. Penrose (2011)	965,326,734	14,797,108	17,430,936
James A. Skinner (2011)	958,372,349	21,833,433	17,348,996

Additional directors, whose terms of office as Directors continued after the Annual Meeting of Shareholders, are as follows:

Term Expiring in 2009	Terms Expiring in 2010
Robert A. Eckert	Walter E. Massey
Enrique Hernandez, Jr.	John W. Rogers, Jr.
Jeanne P. Jackson	Roger W. Stone
Andrew J. McKenna	

- (2) The proposal to approve the appointment of an independent registered public accounting firm to serve as independent auditors for 2008 was approved by the shareholders as follows:

FOR	AGAINST	ABSTAIN
967,319,207	12,856,150	17,379,421

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
(3)	(a) Restated Certificate of Incorporation, effective as of March 24, 1998, incorporated herein by reference from Form 8-K, dated April 17, 1998.
	(b) By-Laws, as amended and restated with effect as of November 9, 2006, incorporated herein by reference from Form 8-K, dated November 8, 2006.
(4)	Instruments defining the rights of security holders, including Indentures: *
	(a) Senior Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.
	(b) Subordinated Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(b) of Form S-3 Registration Statement (File No. 333-14141), filed October 15, 1996.
	(c) Debt Securities Indenture, incorporated herein by reference from Exhibit (4)(a) of Form S-3 Registration Statement (File No. 33-12364), filed March 3, 1987.
	(d) McDonald's Corporation 2002 QSC Rewards Program, effective as of February 13, 2002, incorporated herein by reference from Exhibit (4) of Form S-3/A Registration Statement (File No. 333-82920), filed March 14, 2002.
	(i) Prospectus dated March 15, 2002, incorporated by reference from Form 424(b)(4) (File No. 333-82920), filed March 20, 2002, as supplemented by the Prospectus Supplement, dated March 4, 2003 (incorporated by reference from Form 424(b)(3), filed March 4, 2003) and the Prospectus Supplement, dated September 25, 2003 (incorporated by reference from Form 424(b)(3), filed September 26, 2003).
(10)	Material Contracts
	(a) Directors' Deferred Compensation Plan, effective as of January 1, 2008, incorporated herein by reference from Form 8-K, dated November 28, 2007.**
	(b) McDonald's Excess Benefit and Deferred Bonus Plan, effective January 1, 2008, as amended and restated July 8, 2008, filed herewith.**
	(c) McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of September 1, 2001, incorporated herein by reference from Form 10-K, for the year ended December 31, 2001.**
	(i) First Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective as of January 1, 2002, incorporated herein by reference from Form 10-K, for the year ended December 31, 2002.**
	(ii) Second Amendment to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan, effective January 1, 2005, incorporated herein by reference from Form 10-K, for the year ended December 31, 2004.**
	(d) 1975 Stock Ownership Option Plan, as amended and restated July 30, 2001, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2001.**
	(i) First Amendment to McDonald's Corporation 1975 Stock Ownership Option Plan, as amended and restated, effective as of February 14, 2007, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2007.**
	(e) 1992 Stock Ownership Incentive Plan, as amended and restated January 1, 2001, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2001.**

- (i) First Amendment to McDonald's Corporation 1992 Stock Ownership Incentive Plan, as amended and restated, effective as of February 14, 2007, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2007.**
- (f) 1999 Non-Employee Director Stock Option Plan, as amended and restated September 12, 2000, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2000.**
- (g) Executive Retention Replacement Plan, effective as of December 31, 2007, incorporated herein by reference from Form 8-K, dated November 28, 2007.**
- (h) McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective July 1, 2008, filed herewith.**
- (i) Form of McDonald's Corporation Tier I Change of Control Employment Agreement, as amended, authorized by the Board of Directors, on December 3, 2003, incorporated herein by reference from Form 10-K, for the year ended December 31, 2003.**
 - (i) First Amendment to Tier I Change of Control Employment Agreement, effective January 25, 2005, incorporated herein by reference from Form 10-K, for the year ended December 31, 2004.**
- (j) McDonald's Corporation 2004 Cash Incentive Plan, effective as of January 1, 2004, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2004.**
- (k) Form of Stock Option Grant Notice, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2005.**
- (l) Form of Restricted Stock Unit Award Notice, incorporated herein by reference from Form 10-Q, for the quarter ended June 30, 2005.**
- (m) McDonald's Corporation Severance Plan, effective January 1, 2008, incorporated by reference from Form 8-K, dated November 28, 2007.**
- (n) Employment Contract between Denis Hennequin and the Company, dated February 26, 2007, incorporated herein by reference from Form 10-K, for the year ended December 31, 2006.**
- (o) Amended Assignment Agreement between Timothy Fenton and the Company, dated January 2008, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2008.**
- (p) Relocation Agreement between Timothy Fenton and the Company, dated January 12, 2006, incorporated herein by reference from Form 10-K, for the year ended December 31, 2006.**
- (q) Description of Restricted Stock Units granted to Andrew J. McKenna, filed herewith.**
- (r) Terms of the Restricted Stock Units granted pursuant to the Company's Amended and Restated 2001 Omnibus Stock Ownership Plan, filed herewith.**
- (s) McDonald's Corporation Target Incentive Plan, effective as of January 1, 2008, incorporated herein by reference from Form 8-K, dated January 23, 2008.**
- (t) Terms of equity compensation awards granted in the European Union pursuant to the Company's Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2008.**

- (12) Computation of ratio of earnings to fixed charges.
- (31.1) Rule 13a-14(a) Certification of Chief Executive Officer.
- (31.2) Rule 13a-14(a) Certification of Chief Financial Officer.
- (32.1) Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (32.2) Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Other instruments defining the rights of holders of long-term debt of the registrant and all of its subsidiaries for which consolidated financial statements are required to be filed and which are not required to be registered with the Commission, are not included herein as the securities authorized under these instruments, individually, do not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. An agreement to furnish a copy of any such instruments to the Commission upon request has been filed with the Commission.

** Denotes compensatory plan.

SIGNATURE

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

McDONALD'S CORPORATION
(Registrant)

August 6, 2008

/s/ Peter J. Bensen

Peter J. Bensen

*Corporate Executive Vice President and
Chief Financial Officer*

**McDONALD'S EXCESS BENEFIT
AND DEFERRED BONUS PLAN**

Section 1
Introduction

1.1 The Plan. McDonald's Corporation (the "Company") hereby amends and restates the McDonald's Excess Benefit and Deferred Bonus Plan, as set forth herein, effective January 1, 2008 (the "Plan"). The Plan was initially established effective January 1, 2005, and subsequently amended and restated effective as of January 1, 2005, as a successor plan to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan (the "Supplemental Plan"). The Supplemental Plan was amended in response to the enactment of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), to suspend deferrals into that plan for years after 2004.

1.2 Applicability. The provisions of this Plan, as herein amended and restated, shall apply to amounts credited to Participants' Accounts on or after January 1, 2008; provided, however, that the terms of the Plan in effect from January 1, 2005 to December 31, 2007 shall apply to distributions from the Accounts of any Participant who had a separation from service (as defined under the terms of the Plan in effect at from January 1, 2005 to December 31, 2007) on or after January 1, 2005 and prior to January 1, 2008.

1.3 Purposes and Features of Plan.

- (a) The purposes of the Plan are (i) to provide a select group of employees with the opportunity to elect to defer compensation under the "Deferred Bonus Feature" of the Plan, and (ii) to provide a select group of employees who participate in the McDonald's Corporation Profit Sharing and Savings Plan (the "Profit Sharing Plan") with deferred compensation under the "Excess 401(k) Contributions Feature" of the Plan in excess of the maximum amount of 401(k) contributions and matching employer contributions that may be contributed on their behalf under the Profit Sharing Plan, absent the Limits described in Section 3.2(d) below.
- (b) The "Participants" in each feature of the Plan will be a select group of management or highly compensated employees of the Company or an Adopting Subsidiary. The Participants in the Deferred Bonus Feature are described in Section 2 below. The "Participants" in the Excess 401(k) Contributions Feature are described in Section 3 below.

1.4 Administration. The Plan shall be administered by a committee of three officers of the Company (the "Committee"), the members of which shall be appointed from time to time by the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee"). The Committee shall have the powers set forth in the Plan and the power to interpret its provisions. Any decisions of the Committee shall be final and binding on all persons with regard to the Plan.

1.5 Compliance with Section 409A. The Plan is intended to comply with the requirements of Section 409A of the Code and final regulations, rulings and other applicable guidance issued thereunder (collectively, "Section 409A"), and shall be interpreted and administered accordingly.

1.6 **Defined Terms.** Capitalized terms used in this Plan that are not defined herein have the same meaning as the same term in the applicable Profit Sharing Plan. An index of terms defined in the Plan is attached hereto as Exhibit A.

Section 2

Deferred Bonus Feature: Participation and Deferral Elections

2.1 **Eligibility and Participation.** Subject to the conditions and limitations of the Plan, an individual shall be eligible to participate in the Deferred Bonus Feature of the Plan for a calendar year (a “Deferred Bonus Eligible Employee”) if, on the applicable Election Due Date (as defined in Section 4.1) for such year, the individual is an employee of the Company who is in the Senior Direction Compensation Band of the Company or above (or an employee of an Adopting Subsidiary who is in a comparable compensation band). Any Deferred Bonus Eligible Employee who, in accordance with Sections 2.3 and 4 below, makes an Annual Bonus Deferral Election (as described in Section 2.2(a) below) or a Long-Term Bonus Deferral Election (as described in Section 2.2 (b) below) shall become a Participant and shall remain a Participant until the entire balance of the Participant’s Account is distributed.

2.2 **Deferral Elections.** Subject to Sections 2.3 and 4 below:

- (a) Any Deferred Bonus Eligible Employee may make an election (an “Annual Bonus Deferral Election”) to defer receipt of all or any portion (in 1% increments) of the annual performance-based incentive compensation (an “Annual Bonus”) that he or she may receive for a particular year under the McDonald’s Target Incentive Plan, any successor annual bonus plan of the Company, or any annual bonus plan of an Adopting Subsidiary, in which the Deferred Bonus Eligible Employee participates (collectively, the “Annual Bonus Plan”).
- (b) Any Deferred Bonus Eligible Employee may make an election (a “Long-Term Bonus Deferral Election”) to defer receipt of all or any portion (in 1% increments) of the long-term cash performance-based compensation (“Long-Term Cash Bonus”) that he or she may receive for a particular performance cycle under the McDonald’s Cash Performance Unit Plan, any successor long-term cash bonus plan of the Company, or any long-term cash bonus plan of an Adopting Subsidiary, in which the Deferred Bonus Eligible Employee participates (collectively, the “Long-Term Cash Bonus Plan”).
- (c) No other forms of compensation, including, but not limited to, sign on bonuses, officers’ discretionary bonuses, severance or exit bonuses or restricted stock units, may be deferred under the Deferred Bonus Feature of the Plan.

The amounts deferred by a Participant pursuant to this Section 2.2 shall be credited to the Participant’s Account in accordance with Section 5.1.

2.3 **Rules for Bonus Deferral Elections.** Bonus Deferral Elections shall be made in accordance with Section 4 below. Participants shall make separate Annual Bonus Deferral Elections and Long-Term Bonus Deferral Elections. The first Annual Bonuses that may be deferred pursuant to an Annual Bonus Deferral Election made under Section 2.2(a) of this amendment and restatement of the Plan shall be the Annual Bonus for 2007 that, in the absence of a Bonus Deferral Election, would be paid in the first quarter of 2008. The first Long-Term Cash Bonus payable under the Long-Term Cash Bonus Plan that may be deferred pursuant to a Long-Term Bonus Deferral Election made under Section 2.2(b) shall be the Long-Term Cash Bonus payable with respect to the 2007-2009 performance cycle.

Notwithstanding any provision herein to the contrary, an Annual Bonus may be deferred pursuant to an Annual Bonus Deferral Election only if and to the extent such Annual Bonus qualifies as

“performance-based compensation” within the meaning of Treasury Regulation Section 1.409A-1(e), unless such Annual Bonus is payable to a Participant who participates in the McDonald’s Corporation Executive Retention Replacement Plan (the “ERRP”).

Section 3
Excess 401(k) Contributions Feature of Plan:
Participation and Deferral Elections

3.1 Eligibility and Participation. Subject to the conditions and limitations of the Plan, an individual shall be eligible to participate in the Excess 401(k) Contributions Feature of the Plan (an “Excess 401(k) Contributions Eligible Employee”) for a calendar year (the “Specified Year”) if:

- (a) the individual (i) is an employee of the Company in the Direction Compensation Band of the Company or above (or an employee of an Adopting Subsidiary in a comparable compensation band) on the Election Due Date for such Specified Year, and (ii) is eligible to participate in the employer matching contribution feature under the Profit Sharing Plan of January 1 of the Specified Year;
- (b) the individual has Annualized Compensation (as defined below) determined as of a date within the calendar year preceding the Specified Year as determined by the Committee (the “Compensation Determination Date”) in an amount that exceeds the applicable dollar amount in effect under Code Section 414(q)(1)(B)(i) for the year preceding the Specified Year; and
- (c) the individual has Compensation (as defined in Section 3.2(c)) during the Specified Year.

An employee’s “Annualized Compensation” shall equal the sum of the employee’s annual base salary as of the Compensation Determination Date plus the employee’s Annual Bonus received under an Annual Bonus Plan in the year that includes the Compensation Determination Date (in each case determined without regard to the employee’s elective deferrals under this Plan, the Profit Sharing Plan or otherwise).

Any Excess 401(k) Contributions Eligible Employee who makes an Excess 401(k) Contributions Deferral Election in accordance with the requirements of Sections 3.3 and 4 below and whose Account is thereafter credited with amounts pursuant to Section 3.2 below, shall become a Participant and shall remain a Participant until the entire balance of the Participant’s Account is distributed.

3.2 Benefits.

- (a) Each Excess 401(k) Contributions Eligible Employee may make an election (an “Excess 401(k) Contributions Deferral Election”) for a Specified Year to defer receipt of the percentage (in 1% increments) of his or her Compensation (as defined in Section 3.2(c) below) specified in his or her Excess 401(k) Contributions Deferral Election. An Excess 401(k) Contributions Eligible Employee’s Excess 401(k) Contributions Deferral Election will be treated both as an Annual Deferral Election (as defined in Section 4.1(a)) under this Plan and as a 401(k) election under the Profit Sharing Plan. The amounts deferred pursuant to an Excess 401(k) Contributions Deferral Election are referred to as “Elective Deferrals.” A Participant’s Elective Deferrals for a Specified Year will first be contributed to the Profit Sharing Plan as 401(k) contributions in accordance with the terms of the Profit Sharing Plan until the amounts so contributed reach the Limits (as defined in Section 3.2(d) below) for the Specified Year. The Participant’s Elective Deferrals in excess of the Limits for

such Specified Year shall be credited to his or her Account pursuant to Section 5.1.

- (b) The Account of each Excess 401(k) Contributions Eligible Employee who makes an Excess 401(k) Contributions Deferral Election for a Specified Year shall also be credited with an amount equal to the excess of (i) the amount of matching employer contributions that would be allocated to the Participant's accounts under the applicable Profit Sharing Plan for the Specified Year if the entire amount of his or her Elective Deferrals for the Specified Year had been contributed to the applicable Profit Sharing Plan and the Limits did not apply, over (ii) the amount of matching employer contributions actually allocated to his or her accounts under the applicable Profit Sharing Plan for the Specified Year. Notwithstanding the foregoing, if a Participant ceases to be an eligible employee under the Profit Sharing Plan prior to the first day of a Specified Year, the matching employer contributions for such Specified Year will be determined with regard to "Mandatory 401(k) Match" but without regard to the "Discretionary 401(k) Match" (as those terms are defined in the Profit Sharing Plan) for such Specified Year.
- (c) For purposes of this Section 3, "Compensation" means compensation as defined in the applicable Profit Sharing Plan, but determined without regard to the limitations imposed under Section 401(a)(17) of the Code; provided, however, that if an Excess 401(k) Contributions Eligible Employee has made an Annual Bonus Deferral Election under Section 2 for a Specified Year, (i) for purposes of determining the amount of a Participant's Elective Deferrals for the Specified Year, his or her Compensation will not include the portion of any Annual Bonus paid during the Specified Year that was deferred pursuant to his or her Annual Bonus Deferral Election for such Specified Year; and (ii) for purposes of determining the amount of the Participant's matching employer contributions described in Section 3.2(b)(i) for the Specified Year, the Participant's Compensation will be determined without regard to his or her Annual Bonus Deferral Election for such Specified Year. In addition, for purposes of determining the amount of a Participant's Elective Deferrals for a Specified Year, his or her Compensation for such Specified Year will include the portion, if any, of his or her Annual Bonus paid during the Specified Year even if the Participant has ceased to be an eligible employee under the Profit Sharing Plan prior to the payment of such Annual Bonus.
- (d) For purposes of this Plan, the "Limits" means the limitations imposed on the maximum amount of elective contributions and matching contributions that may be contributed on behalf of the Excess 401(k) Contributions Eligible Employee under the Profit Sharing Plan as a result of the application of the maximum aggregate contributions imposed under Code Section 415, the maximum amount of compensation that may be taken into account under Code Section 401(a)(17) and the maximum amount of elective deferrals imposed under Code Section 402(g).

3.3 Rules for Excess 401(k) Contributions Deferral Election. An Excess 401(k) Contributions Deferral Eligible Employee shall receive the benefits provided for in Section 3.2 for a Specified Year only if he or she makes an Excess 401(k) Contributions Deferral Election in accordance with Section 4 below to participate in the Excess 401(k) Contributions Feature of the Plan and to make 401(k) contributions under the applicable Profit Sharing Plan for the Specified Year. The first Specified Year under this Plan shall be the 2005 calendar year.

Section 4
Rules for Deferral Elections

4.1 Timing for Deferral Elections. For purposes of this Section, the term “Deferral Election” shall refer to Annual Bonus Deferral Elections, Long-Term Bonus Deferral Elections and Excess 401(k) Contributions Deferral Elections, collectively.

- (a) Annual Bonus Deferral Elections and Excess 401(k) Contributions Deferral Elections. All Annual Bonus Deferral Elections and Excess 401(k) Contributions Deferral Elections (collectively the “Annual Deferral Elections”) for a specified year must be returned to the Committee no later than the date specified for such year by the Committee (the “Election Due Date”), but in no event later than: (i) in the case of an Excess 401(k) Contributions Deferral Election, June 30 of the calendar year prior to the Specified Year and (ii) in the case of an Annual Bonus, the date that is six months prior to the last day of the performance period for which the Annual Bonus is earned.
- (b) Special Election Due Date for Executive Retention Replacement Plan Participants. Notwithstanding the provisions of Section 4.1(a) of the Plan to the contrary, if a Participant participates in the ERRP, the Election Due Date shall be no later than (i) in the case of an Excess 401(k) Contributions Deferral Election, December 31 of the second calendar year preceding the Specified Year and (ii) in the case of an Annual Bonus (including an Annual Bonus that fails to qualify as performance-based compensation within the meaning of Treasury Regulation Section 1.409A-1 (e)), December 31 of the year immediately preceding the year in which the performance period for which the Annual Bonus is earned begins.
- (c) Long-Term Bonus Deferral Elections. The Long-Term Bonus Deferral Election for the Long-Term Cash Bonus payable with respect to any performance cycle must be returned to the Committee no later than the Election Due Date specified by the Committee with respect to such performance cycle, but in no event later than: (i) June 30, 2008 for the Long-Term Cash Bonus payable with respect to the 2007-2009 performance cycle, or (ii) with respect to any other Long-Term Cash Bonus, by December 31 of the calendar year preceding the calendar year in which the performance cycle for such Long-Term Cash Bonus begins.

Except as otherwise specifically provided in this Plan, each Deferral Election shall become irrevocable by the Participant or the Company after the Election Due Date applicable to such Deferral Election. Each Annual Deferral Election shall apply only to the year for which such Annual Deferral Election was made. Each Long-Term Bonus Deferral Election shall apply only to the Long-Term Cash Bonus with respect to which such Long-Term Bonus Deferral Election was made.

4.2 Payment Form Election. At the time a Participant makes a Deferral Election, the Participant must also elect to receive distributions of the amounts credited to his or her Account pursuant to such Deferral Election (and any investment earnings credited thereto) either in the form of a single lump sum or in installments. A separate distribution form election will be made with respect to each Deferral Election. Notwithstanding the foregoing, all amounts deferred pursuant to any Deferral Election made on or before December 31, 2004 (and the investment earnings credited thereto) will be distributed in a single lump sum. If a Participant fails to elect a form of distribution in a Deferral Election, all amounts credited to the Participant’s Account pursuant to such Deferral Election will be distributed in a single lump sum.

The first time that a Participant elects to have any portion of the amounts credited to his or her Account under this Plan distributed in the form of installments, the Participant must also elect the frequency of the installment payments (*i.e.*, monthly, quarterly or annual) and the duration of the installment payments (up to a maximum of 15 years). Once a Participant elects the frequency and duration

of installment payments, such election shall be irrevocable and will apply to all installments payable to the Participant under this Plan.

Except as provided in Section 6.1 or 6.2, a payment form election made pursuant to this Section 4.2 with respect to the amounts credited to a Participant's Account deferred pursuant to a Deferral Election shall be irrevocable.

Section 5 **Accounts**

5.1 Accounts.

- (a) A bookkeeping account shall be established in each Participant's name (an "Account"). The Account of each individual who is a Participant in both the Deferred Bonus Feature and the Excess 401(k) Contributions Feature of the Plan shall be divided into two subaccounts, one representing the amounts credited to the Participant's Account pursuant to Section 2 above of the Plan, and the other representing the amounts credited to the Participant's Account pursuant to Section 3 above, in each case, as adjusted pursuant to Section 5.2 below and as a result of distributions from the Account. The Participant's Accounts shall be further subdivided into (i) a lump sum subaccount to which shall be credited amounts that the Participant has elected to receive in the form of a single lump sum payment when the Account is distributed, and (ii) an installment subaccount to which shall be credited amounts that the Participant has elected to receive in the form of installments when the Account is distributed.
- (b) The Participants' Accounts may be further subdivided as the Committee may from time to time determine to be necessary or appropriate, including without limitation, to reflect different sources of credits to the Accounts and different deemed investments thereof and to distinguish between amounts deferred by a Participant hereunder with respect to periods of employment prior to his or her separation from service within the meaning of Treasury Regulation Section 1.409A-1(h) (a "Separation from Service") and amounts deferred after such Participant resumes active employment with the Company or an Adopting Subsidiary.
- (c) Amounts deferred pursuant to a Deferral Election shall be credited to the applicable Account as of the date the Participant would otherwise have received the deferred amounts in the absence of a Deferral Election. Any amount credited under the Excess 401(k) Contributions Feature of the Plan shall be credited to the applicable Account as of the date the amount would have been allocated under the applicable Profit Sharing Plan if the Limits had not applied. Adjustments of a Participant's various subaccounts to reflect investment experience and distributions shall in all cases be done on a pro-rata basis, and such subaccounts shall be treated in the same manner for all other purposes of the Plan, except as specifically provided in Section 9.2 below.

5.2 Investment Elections and Earnings Credits.

- (a) Each Participant in the Plan shall be permitted from time to time to make an investment election regarding the manner in which his or her Account shall be deemed invested. Subject to the following, the Committee shall establish and communicate to Participants the investment choices that will be available to Participants and the procedures for making and changing investment elections, as it may from time to time determine to be appropriate. Unless otherwise determined by the Committee, a Participant's investment election may be split among the available choices in increments of 1%, totaling 100%.

- (b) As of January 1, 2008, the available investment choices under the Plan are:
 - (i) a rate of return based upon the McDonald's Common Stock Fund under the Profit Sharing Plan, after adjustment for expenses under the Plan (the "Excess McDonald's Common Stock Return");
 - (ii) a rate of return based upon the Stable Value Fund under the Profit Sharing Plan, after adjustment for expenses under the Plan (the "Excess Stable Value Return"); and
 - (iii) a rate of return based upon the S&P 500 Index Fund under the Profit Sharing Plan, after adjustment for expenses under the Plan (the "Excess S&P 500 Index Return").
- (c) For any period during which a Participant has failed to make an investment election, the Participant's Account shall be credited with the Excess Stable Value Return. A Participant's investment election will continue in effect until the Participant files a new investment election.

5.3 Vesting. A Participant shall be fully vested at all times in the balance of his or her Account.

Section 6

Payment of Benefits

6.1 Time and Method of Payment. The distribution of the Participant's Account balance shall be paid or commence to be paid as soon as practicable on or after the Participant's Distribution Commencement Date. A Participant's "Distribution Commencement Date" is the first business day of the seventh month following the month in which the Participant has a Separation from Service. The lump sum subaccount of a Participant's Account will be distributed in a single lump sum as soon as reasonably practicable (but not more than 90 days) after the Participant's Distribution Commencement Date and the installment subaccount of the Participant's Account will commence to be distributed in installments at the frequency and over the duration elected by the Participant in the first Deferral Election in which he elected installments. The installment payments will commence as soon as reasonably practicable (but not more than 90 days) after the Participant's Distribution Commencement Date.

If any amount is credited to a Participant's Account after his or her Distribution Commencement Date with respect to services performed prior to the Participant's Separation from Service, the portion of such amount, if any, that is credited to the Participant's lump sum subaccount will be distributed to the Participant immediately after such amount is credited to his lump sum subaccount, and the portion of such amount credited to the Participant's installment subaccount will be distributed to the Participant over the remaining installment period.

Notwithstanding any election made by a Participant pursuant to Section 4.2, if a Participant dies before receiving his or her entire Account balance, the Participant's designated beneficiary or beneficiaries will receive the Participant's entire remaining Account balance in a single lump sum as soon as reasonably practicable (but not more than 90 days) after the later of (i) the Participant's Distribution Commencement Date, or (ii) the first day of the month following the date the Committee receives adequate written confirmation of the Participant's death.

6.2 Small Balance Rule. Notwithstanding any election made by a Participant pursuant to Section 4.2, if the balance in a Participant's Account as of the Participant's Separation from Service is less than \$50,000, then such Participant's Account shall be paid in a single lump sum as soon as administratively practicable on or after the Participant's Distribution Commencement Date.

6.3 Medium of Payment. All payments shall be made in cash.

6.4 Withholding of Taxes. The Company shall withhold any applicable Federal, state or local income tax from payments due under the Plan in accordance with such procedures as the Company may establish. Generally, any Social Security taxes, including the Medicare portion of such taxes, shall be withheld from other compensation payable to the Participant in question, or paid by the Participant in question to the Company, at the time amounts are credited to the Participant's Account. The Company shall also withhold any other employment or other taxes as necessary to comply with applicable laws.

6.5 Beneficiary.

- (a) A Participant shall have the right to name a beneficiary or beneficiaries who shall receive the balance of a Participant's Account in the event of the Participant's death prior to the payment of his or her entire Account (a "Beneficiary Designation"). A beneficiary may be an individual, a trust or an entity that is tax-exempt under Code Section 501(c)(3). If a Participant does not name a beneficiary under this Plan or if the Participant survives all of his or her named beneficiaries (including contingent beneficiaries), the Participant's Account shall be paid to the beneficiary or beneficiaries designated by the Participant to receive distributions under the Supplemental Plan (if any) and if the Participant does not have a valid beneficiary designation in effect under the Supplemental Plan as of the date of his or her death, the Participant's Account will be distributed to his or her estate. A Participant may change or revoke an existing Beneficiary Designation by filing another Beneficiary Designation with the Committee. The latest Beneficiary Designation received by the Committee shall be controlling.
- (b) A beneficiary designated by a Participant or another beneficiary who has not yet received payment of the entire benefit payable to him or her under the Plan shall have the right to name a beneficiary or beneficiaries to receive the balance of such benefit in the event of the beneficiary's death prior to the payment of the entire amount of such benefit, in accordance with Section 6.5(a) above, as if the beneficiary were a Participant (regardless of whether the Participant or such other beneficiary is still alive).
- (c) In addition, after the death of a Participant or a beneficiary thereof, any beneficiary designated by the Participant or such deceased beneficiary, as applicable, who has not yet received payment of the entire benefit payable to him or her under the Plan shall be treated for purposes of Section 5 of the Plan in the same manner as the Participant with respect to the Account or portion thereof of which such person is the beneficiary.

Section 7

Miscellaneous

7.1 Funding. Benefits payable under the Plan to any Participant shall be paid directly by the Company. The Company shall not be required to fund, or otherwise segregate assets to be used for payment of benefits under the Plan. While the Company may, in the discretion of the Committee, make investments (a) in shares of McDonald's Common Stock through open market purchases or (b) in other investments in amounts equal or unequal to amounts payable hereunder, the Company shall not be under any obligation to make such investments and any such investment shall remain an asset of the Company subject to the claims of its general creditors.

7.2 Account Statements. The Company shall provide Participants with statements of the balances of their Accounts under the Plan at least annually.

7.3 **Employment Rights.** Establishment of the Plan shall not be construed to give any employee or Participant the right to be retained in the Company's service or that of its subsidiaries and affiliates, or to any benefits not specifically provided by the Plan.

7.4 **Interests Not Transferable.** Except as to withholding of any tax under the laws of the United States or any state or locality and the provisions of Section 6.5 above, no benefit payable at any time under the Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, or other legal process, or encumbrance of any kind. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefits, whether currently or thereafter payable, shall be void. No person shall, in any manner, be liable for or subject to the debts or liabilities of any person entitled to such benefits. If any person shall attempt to, or shall alienate, sell, transfer, assign, pledge or otherwise encumber benefits under the Plan, or if by any reason of the Participant's bankruptcy or other event happening at any time, such benefits would devolve upon any other person or would not be enjoyed by the person entitled thereto under the Plan, then the Company, in its discretion, may terminate the interest in any such benefits of the person entitled thereto under the Plan and hold or apply them to or for the benefit of such person entitled thereto under the Plan or such individual's spouse, children or other dependents, or any of them, in such manner as the Company may deem proper.

7.5 **Forfeitures and Unclaimed Amounts.** Unclaimed amounts shall consist of the amount of the Account of a Participant that cannot be distributed because of the Committee's inability, after a reasonable search, to locate a Participant or the Participant's beneficiary, as applicable, within a period of two years after the Payment Date upon which the payment of benefits becomes due. Unclaimed amounts shall be forfeited at the end of such two-year period. These forfeitures will reduce the obligations of the Company under the Plan. After an unclaimed amount has been forfeited, the Participant or beneficiary, as applicable, shall have no further right to the Participant's Account.

7.6 **Controlling Law.** The law of Illinois, except its law with respect to choice of law, shall be controlling in all matters relating to the Plan to the extent not preempted by the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

7.7 **Action by the Company.** Except as otherwise specifically provided in the Plan, any action required of or permitted by the Company under the Plan shall be by resolution of the Board of Directors of the Company or by action of any member of the Committee or person(s) authorized by resolution of the Board of Directors of the Company.

7.8 **Section 16.** Notwithstanding any other provision of the Plan, the Compensation Committee may impose such restrictions, rules and regulations on the terms and conditions of participation in the Plan by any Participant who has been deemed by the Board of Directors of the Company to be subject to Section 16 of the Securities Exchange Act of 1934, as amended, as the Compensation Committee may determine to be necessary or appropriate. Any investment election made pursuant to Section 5.2 that would result in liability or potential liability under said Section 16 shall be void *ab initio*.

Section 8

Subsidiary Participation

8.1 **Adoption of Plan.** Any entity in which the Company directly or through intervening subsidiaries owns 80% or more of the total combined voting power or value of all classes of stock, or, in the case of an unincorporated entity, 80% or more interest in the capital and profits (a "Subsidiary") may, with the approval of the Compensation Committee and under such terms and conditions as the Compensation Committee may prescribe, adopt the corresponding portions of the Plan by resolution of its board of directors and thereby become an "Adopting Subsidiary." The Compensation Committee may amend the Plan as necessary or desirable to reflect the adoption of the Plan by an Adopting Subsidiary, *provided, however*, that an Adopting Subsidiary shall not have the authority to amend or terminate the Plan under Section 9 below. Exhibit B identifies the Adopting Subsidiaries as of January 1, 2008. The Committee may amend Exhibit B from time to time to reflect changes in the Adopting Subsidiaries.

8.2 Withdrawal from the Plan by Subsidiary. Any Adopting Subsidiary shall have the right, at any time, upon the approval of and under such conditions as may be provided by the Compensation Committee, to withdraw from the Plan by delivering to the Compensation Committee written notice of its election to withdraw, upon which it shall be considered a “Withdrawing Subsidiary.” Upon receipt of such notice, the Withdrawing Subsidiary shall establish a successor plan and assume full responsibility (i) for payment of the Account of each Participant who is currently employed by the Withdrawing Subsidiary on the effective date of the Withdrawing Subsidiary’s withdrawal from the Plan, (ii) to the extent required by the Compensation Committee, for payment of the Account of each Participant who had a Separation from Service prior to the effective date on the Withdrawing Subsidiary’s withdrawal from the Plan and whose last period of service prior to his or her Separation from Service was with the Withdrawing Subsidiary, and (iii) for continuing to honor the irrevocable Deferral Elections, if any, that are still in effect with respect to each such Participant. The Company shall have no further obligations to such Participants or any of their beneficiaries under the Plan to the extent that the liability for the payment of their Accounts is assumed by such Withdrawing Subsidiary.

Notwithstanding the foregoing, if an Adopting Subsidiary ceases to be a Subsidiary for any reason, such Affiliated Subsidiary shall be deemed to have withdrawn from the Plan and become a Withdrawing Subsidiary in accordance with this Section 8.2 immediately before such Affiliated Subsidiary ceases to be a Subsidiary, unless the Company and the Affiliated Subsidiary or the person or group of persons that acquires a controlling interest in the Affiliated Subsidiary enter into an agreement that requires the Company to retain the liability for the payment of benefits under the Plan with respect to such Affiliated Subsidiary and/or to effect a Partial Termination of the Plan in accordance with Section 8.3 with respect to such Affiliated Subsidiary.

8.3 Partial Termination of the Plan Upon a Subsidiary Change of Control Event. Notwithstanding any other provision of the Plan, if an Adopting Subsidiary undergoes a Subsidiary Change of Control Event, as defined below (a “Disaffiliated Subsidiary”), the Company, in its sole discretion, may terminate the portion of the Plan (a “Partial Termination”) covering those Participants (“Disaffiliated Participants”) who immediately following the occurrence of such Subsidiary Change of Control Event are employed by, or are otherwise performing services for, such Disaffiliated Subsidiary. Any such Partial Termination of the Plan shall be done in accordance with and subject to the requirements imposed under Treasury Regulation Section 1.409A-3(j)(4)(ix)(B), including the following:

- (a) The Company may amend the Plan pursuant to Section 9.1 at any time during the period commencing 30 days prior and ending 12 months after the occurrence of a Subsidiary Change of Control Event to implement a Partial Termination with respect to such Subsidiary Change of Control Event.
- (b) If a Partial Termination amendment is timely adopted, each Disaffiliated Participant will receive, within the 12 month period following the date the Partial Termination amendment is adopted, a lump sum distribution of his or her entire Account balance under the Plan and his or her entire account balance under all other Company-sponsored deferred compensation plans that together with the Plan are required to be treated as a single “plan” under Treasury Regulation Section 1.409A-1(c)(2) immediately following the Subsidiary Change of Control Event.
- (c) An Adopting Subsidiary shall undergo a “Subsidiary Change of Control Event” if (i) it ceases to be a Subsidiary as a result of a stock or asset sale or similar transaction and (ii) such sale or other transaction constitutes a “change in the ownership” (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(v)) of such Adopting Subsidiary, a “change in effective control” (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(vi)(1)) of such Adopting Subsidiary, or a “change in the ownership of a substantial portion of the assets” (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(vii)) of such Adopting Subsidiary.

8.4 **Transfer of Benefit Liabilities to an Asset Purchaser.** In the event of a sale or other disposition of assets by the Company or an Affiliated Subsidiary to an unrelated purchaser (“Purchaser”) in a transaction that is described in Treasury Regulation Section 1.409A-1(h)(4), the Company and the Purchaser may agree that the Purchaser will assume the benefit liabilities of all Participants hereunder who continue to provide services to the Purchaser (or any related entity that together with Purchaser is treated as a single employer pursuant to Code Section 414(b) or (c)) immediately following such sale or disposition of assets and each such Participant shall not be treated as having had a Separation from Service hereunder provided that the requirements of Treasury Regulation Section 1.409A-1(h)(4) are satisfied.

Section 9

Amendment and Termination; ERISA Issues

9.1 **Amendment and Termination.** The Company reserves the right at any time by action of its Board of Directors of the Company or the Compensation Committee to modify, amend or terminate the Plan; *provided, however*, that no such amendment or termination of the Plan shall result in a reduction or elimination of a Participant’s Account; and *further provided* that, except as provided in Section 9.3, no such amendment or termination shall result in any acceleration or delay in the payment of any amount due under this Plan except to the extent such acceleration or delay is permitted by Section 409A. The Compensation Committee shall provide notice of amendments adopted by the Compensation Committee to the Board of Directors of the Company on a timely basis.

Notwithstanding the foregoing, the Company’s Corporate Executive Vice President—Human Resources and its Corporate Executive Vice President, General Counsel and Secretary may amend or modify the terms of the Plan and may amend, modify or terminate any Deferral Election made hereunder to the extent necessary or advisable to comply with the requirements of Section 409A.

9.2 **Termination of the Plan Upon a Change of Control of the Company.** Notwithstanding any other provision in this Plan to the contrary, immediately following a Change of Control of the Company (as defined below), the Plan shall be terminated and each Participant and each beneficiary of a deceased Participant (without regard to whether such Participant has had a Separation from Service or is then receiving installments payments) shall receive an immediate lump sum distribution of his or her entire remaining Account balance.

For purposes of this Section 9.2, a “Change of Control of the Company” means a “change in the ownership” (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(v)) of the Company, a “change in effective control” (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(vi)) of the Company, or a “change in the ownership of a substantial portion of the assets” (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(vii)) of the Company.

9.3 **ERISA Issues.** It is the intention of the Company that the Plan be a nonqualified deferred compensation plan described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA covering a select group of management or highly compensated employees of the Company or an Adopting Subsidiary (a “Top Hat Plan”).

Section 10

Committee Actions and Electronic Elections

10.1 **Actions of Committees.** Any actions by the Committee or the Compensation Committee shall be taken upon the approval of a majority of the members thereof at any in-person or telephonic meeting or in writing.

10.2 **Electronic Elections.** Anything in the Plan to the contrary notwithstanding, the Committee may in its discretion make disclosure or give information to Participants and beneficiaries and permit Participants or their beneficiaries to make electronic elections in lieu of written disclosure, information or elections provided in the Plan. In making such a determination, the Committee shall

consider the availability of electronic disclosure of information and elections to Participants and beneficiaries, the protection of the rights of Participants and their beneficiaries, the appropriateness of the standards for authentication of identity and other security considerations involved in the electronic election system and any guidance issued by any relevant governmental authorities.

Section 11

Special Provisions for Rehired Employees

11.1 **Deferral Elections of Rehired Participants.** A Participant's Separation from Service shall have no effect on any Deferral Election in effect at the time of the Participant's Separation from Service and such Deferral Election shall continue to apply to any Compensation, Annual Bonus and/or Long-Term Cash Bonus, as applicable, that the Participant receives for the relevant period to which the Deferral Election applies. If the Participant subsequently resumes service with the Company or a Subsidiary, the Participant may not amend or modify any Deferral Election that remains in effect on the date the Participant resumes service. The Participant may file new Deferral Elections, if he or she is eligible to do so, at such time and in accordance with the terms and conditions as are set forth in Section 4.1.

11.2 **Payments to Rehired Participants.** If a Participant has a bona fide Separation from Service and thereafter resumes service with the Company or any Subsidiary (whether as an employee or independent contractor), the portion of the Participant's Account balance attributable to amounts deferred from compensation earned prior to such Separation from Service (as adjusted for net investment earnings, gains and losses) shall be distributed to the Participant based on such Separation from Service without regard to the Participant's resumption of service, and any amounts deferred from compensation earned after the Participant's resumption of service (as adjusted for net investment earnings, gains and losses) shall not be distributed to the Participant until the Participant's subsequent Separation from Service. If a Participant had a Separation from Service and subsequently resumed active service with the Company or a Subsidiary prior to January 1, 2008, then distributions from the Participant's Account were suspended in accordance with the terms of the Plan in effect at the time the Participant resumed active service with the Company or a Subsidiary and the Participant's distributions will not commence until he or she has another Separation from Service.

Section 12

Claims Procedures

12.1 **Filing a Claim.** A Participant or beneficiary of a Participant who believes that he or she is eligible for a benefit under this Plan that has not been provided may submit a written claim for benefits to the Committee. The Committee shall evaluate each properly filed claim and notify the claimant of the approval or denial of the claim within 90 days after the Committee receives the claim, unless special circumstances require an extension of time for processing the claim. If an extension of time for processing the claim is required, the Committee shall provide the claimant with written notice of the extension before the expiration of the initial 90-day period, specifying the circumstances requiring an extension and the date by which a final decision will be reached (which date shall not be later than 180 days after the date on which the Committee received the claim). If a claim is denied in whole or in part, the Committee shall provide the claimant with a written notice setting forth (a) the specific reasons for the denial, (b) references to pertinent Plan provisions upon which the denial is based, (c) a description of any additional material or information needed and an explanation of why such material or information is necessary, and (d) the claimant's right to seek review of the denial pursuant to Section 12.2 below.

12.2 **Review of Claim Denial.** If a claim is denied, in whole or in part, the claimant shall have the right to (a) request that the Committee review the denial, (b) review pertinent documents, and (c) submit issues and comments in writing, provided that the claimant files a written request for review with the Committee within 60 days after the date on which the claimant received written notice from the Committee of the denial. Within 60 days after the Committee receives a properly filed request for review, the Committee shall conduct such review and advise the claimant in writing of its decision on review, unless special circumstances require an extension of time for conducting the review. If an extension of time for conducting the review is required, the Committee shall provide the claimant with written notice of

the extension before the expiration of the initial 60-day period, specifying the circumstances requiring an extension and the date by which such review shall be completed (which date shall not be later than 120 days after the date on which the Committee received the request for review). The Committee shall inform the claimant of its decision on review in a written notice, setting forth the specific reason(s) for the decision and reference to Plan provisions upon which the decision is based. A decision on review shall be final and binding on all persons for all purposes.

Executed in multiple originals this 8th day of July, 2008.

McDONALD'S CORPORATION

By: /s/ Richard Floersch

Name: Richard Floersch

Title: Corporate Executive Vice President and
Chief Human Resources Officer

EXHIBIT A

Index of Defined Terms

<u>Defined Term</u>	<u>Section</u>
Account	5.1(a)
Adopting Subsidiary	8.1
Annual Bonus	2.2(a)
Annual Bonus Deferral Election	2.2(a)
Annual Bonus Plan	2.2(a)
Annual Deferral Elections	4.1(a)
Annualized Compensation	3.1(c)
Beneficiary Designation	6.5(a)
Change of Control of the Company	9.2
Code	1.1
Committee	1.4
Company	1.1
Compensation	3.2(c)
Compensation Committee	1.4
Compensation Determination Date	3.1(b)
Deferral Election	4.1
Deferred Bonus Eligible Employee	2.1
Deferred Bonus Feature	1.3(a)
Disaffiliated Participants	8.3
Disaffiliated Subsidiary	8.3
Distribution Commencement Date	6.1
Election Due Date	4.1(a)
Elective Deferrals	3.2(a)
ERISA	7.6
ERRP	2.3
Excess 401(k) Contributions Deferral Election	3.2(a)
Excess 401(k) Contributions Deferral Eligible Employee	3.3
Excess 401(k) Contributions Eligible Employee	3.1
Excess 401(k) Contributions Feature	1.3(a)
Excess McDonald's Common Stock Return	5.2(b)(i)
Excess S&P 500 Index Return	5.2(b)(iii)
Excess Stable Value Return	5.2(b)(ii)
Limits	3.2(d)
Long-Term Bonus Deferral Election	2.2(b)
Long-Term Cash Bonus	2.2(b)
Long-Term Cash Bonus Plan	2.2(b)
Partial Termination	8.3
Participants	1.3(b)
Plan	1.1
Profit Sharing Plan	1.2(a)
Section 409A	1.5
Separation from Service	5.1(b)
Specified Year	3.1
Subsidiary	8.1
Subsidiary Change of Control Event	8.3(c)
Supplemental Plan	1.1
Top Hat Plan	9.3
Withdrawing Subsidiary	8.2

EXHIBIT B

Adopting Subsidiaries

McDonald's USA, LLC

McDonald's Latin America, LLC

McDonald's APMEA, LLC

McDonald's International, LLC

McDonald's Europe, Inc.

McDONALD'S CORPORATION
AMENDED AND RESTATED 2001 OMNIBUS STOCK OWNERSHIP PLAN
Approved by shareholders May 20, 2004

THE PLAN

McDonald's Corporation, a Delaware corporation (the "Company"), established the McDonald's Corporation 2001 Omnibus Stock Ownership Plan (as in effect from time to time through July 1, 2008, the "Plan"), and the Plan was approved by the Company's stockholders at the May 17, 2001 Annual Meeting. The Plan as originally so established became effective as of May 17, 2001 and permitted the grant of stock options, restricted stock, stock appreciation rights, performance units, stock bonuses and other stock-based awards.

The Plan was amended and restated effective as of March 18, 2004 and, as so amended and restated, was approved by the Company's stockholders at the May 20, 2004 Annual Meeting. The Plan as so amended permits the grant of stock options, restricted stock, stock appreciation rights, stock bonuses, dividend equivalents and other stock-based awards. The Plan is amended as of July 1, 2008 and, as so amended, incorporates updates to conform to applicable tax regulations and administrative modifications.

This Plan as amended through July 1, 2008 applies to all Awards (as hereinafter defined) granted on or after July 1, 2008 and to all Awards outstanding as of July 1, 2008, subject in each case to variations as required to comply with local laws and regulations applicable outside the United States; provided, however, that the requirement to execute and deliver a release of claims as set forth in Sections 12(d)(2) and 12(f) of the Plan applies only to Awards granted on or after February 13, 2008.

1. Purpose

The purpose of this Plan is to advance the interest of the Company by encouraging and enabling the acquisition of a larger personal financial interest in the Company by those employees and non-employee directors and senior directors upon whose judgment and efforts the Company is largely dependent for the successful conduct of its operations. It is anticipated that the acquisition of such financial interest and Stock ownership will stimulate the efforts of such employees and directors on behalf of the Company, strengthen their desire to continue in the service of the Company, and encourage shareholder and entrepreneurial perspectives through Stock ownership. It is also anticipated that the opportunity to obtain such financial interest and Stock ownership will prove attractive to promising new employees and will assist the Company in attracting such employees.

2. Definitions

As used in this Plan, the terms set forth below shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

(a) "*Affiliate Service*" of a Grantee who is an employee of the Company means the Grantee's Company Service plus the Grantee's aggregate number of years of employment with any Subsidiary during the period before it became a Subsidiary, unless the Committee determines otherwise in connection with an entity's becoming a Subsidiary.

(b) "*Award*" means any stock options, shares of restricted stock, stock appreciation rights, stock bonuses, dividend equivalents and other stock-based awards granted under this Plan. In addition, for purposes of Section 3(d) only, "*Award*" means any award granted under any Prior Plan.

(c) "*Award Agreement*" has the meaning specified in Section 4(c)(iv).

(d) "*Board*" means the Board of Directors of the Company.

(e) "*Business Combination*" has the meaning specified in Section 2(g)(iii).

(f) "*Business Day*" means any day on which the principal securities exchange on which the shares of the Company's common stock are then listed or admitted to trading is open.

(g) "*Cause*" means (i) in the case of a Grantee who is an employee of the Company or a Subsidiary, the Grantee's commission of any act or acts involving dishonesty, fraud, illegality or moral turpitude, and (ii) in the case of a Grantee who is a

non-employee director or senior director of the Company, cause pursuant to Article Thirteenth (c) of the Company's Restated Certificate of Incorporation.

(h) "*Change in Control*" means the happening of any of the following events:

(i) the acquisition by any Person of "beneficial ownership" (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 20% or more of either (A) the then-outstanding shares of Stock ("Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this Section 2(g)(i), the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company or (4) any acquisition by any entity pursuant to a transaction that complies with Sections 2(g)(iii)(A), (B) and (C); or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company and/or any entity controlled by the Company, or a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any entity controlled by the Company (each, a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(i) "*Code*" means the U.S. Internal Revenue Code of 1986, as amended, and regulations and rulings thereunder. References to a particular section of, or rule under, the Code shall include references to successor provisions.

(j) "*Committee*" has the meaning specified in Section 4(a).

(k) "*Company*" has the meaning specified in the first paragraph.

(l) "*Company Service*" of a Grantee who is an employee of the Company or a Subsidiary means the Grantee's aggregate number of years of employment with the Company and its Subsidiaries during periods when those entities were Subsidiaries.

(m) "*Disability*" as it regards employees, shall mean (a) a mental or physical condition for which the employee is receiving or is eligible to receive benefits under the McDonald's Corporation Long-Term Disability Plan or other long-term disability plan maintained by the employee's employer or (b) a mental or physical condition which, with or without reasonable accommodations, renders an employee permanently unable or incompetent to carry out the job responsibilities he held or tasks to

which he was assigned at the time the condition was incurred, with such determination to be made by the Committee on the basis of such medical and other competent evidence as the Committee in its sole discretion shall deem relevant.

“Disability” as it regards non-employee directors and senior directors means a physical or mental condition that prevents the director from performing his or her duties as a member of the Board or a senior director, as applicable, and that is expected to be permanent or for an indefinite duration exceeding one year.

(n) “*Disaffiliation*” of a Subsidiary means the Subsidiary’s ceasing to be a Subsidiary for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Subsidiary).

(o) “*dividend equivalent*” means an Award made pursuant to Section 6(g).

(p) “*Effective Date*” means March 18, 2004.

(q) “*Fair Market Value*” of any security of the Company means, as of any applicable date, the closing price of the security at the close of normal trading hours on the New York Stock Exchange, or, if no such sale of the security shall have occurred on such date, on the next preceding date on which there was such a sale.

(r) “*Foreign Equity Incentive Plan*” has the meaning specified in Section 14.

(s) “*Grant Date*” has the meaning specified in Section 6(a)(i).

(t) “*Grantee*” means an individual who has been granted an Award.

(u) “*Immediate Family*” means a Grantee’s spouse, children, grandchildren, stepchildren, parents, stepparents, grandparents, siblings, nieces, nephews and in-laws.

(v) “*including*” or “*includes*” means “including, without limitation,” or “includes, without limitation.”

(w) “*Incumbent Board*” has the meaning specified in Section 2(g)(ii).

(x) “*Minimum Consideration*” means \$.01 per share or such larger amount determined pursuant to resolution of the Board to be “capital” (within the meaning of Section 154 of the Delaware General Corporation Law).

(y) “*Minimum Vesting Requirement*” means a requirement that (A) in the case of Awards to which the Minimum Vesting Requirement applies covering up to an aggregate of 2.5 million shares (subject to adjustment as provided in Section 22), that such Awards become nonforfeitable not sooner than the first anniversary of the Grant Date; and (B) in the case of all other Awards to which the Minimum Vesting Requirement applies, that such Awards become nonforfeitable not more rapidly than in three equal installments on each of the first three anniversaries of the Grant Date; in either case, subject to Sections 12, 13 and 21.

(z) “1934 Act” means the Securities Exchange Act of 1934, as amended, and regulations and rulings thereunder. References to a particular section of, or rule under, the 1934 Act shall include references to successor provisions.

(aa) “*non-employee director*” means a member of the Board who is not an employee of the Company.

(bb) “*Option Price*” means the per-share purchase price of Stock subject to a stock option.

(cc) “*other stock-based award*” means an Award made pursuant to Section 6(h).

(dd) “*Outstanding Company Common Stock*” has the meaning specified in Section 2(g)(i).

(ee) “*Outstanding Company Voting Securities*” has the meaning specified in Section 2(g)(i).

(ff) “*Performance Percentage*” has the meaning specified in Section 6(f)(i)(C).

(gg) “*Permissible Transferee*” has the meaning specified in Section 8.

(hh) “*Person*” means any “individual,” “entity” or “group,” within the meaning of Section 13(d)(3) or 14(d)(2) of the 1934 Act.

(ii) “*Policy Violation*” means termination resulting from the commission of any act or acts which violate the Standards of Business Conduct.

(jj) “*Prior Plan*” means the McDonald’s Corporation 1992 Stock Ownership Incentive Plan, as amended and restated, and the McDonald’s Corporation 1975 Stock Ownership Option Plan, as amended and restated.

(kk) “*Qualified Performance-Based Award*” means any Award that is intended to qualify for the Section 162(m) Exemption, as provided in Section 23.

(ll) “*Qualified Performance Goal*” means a performance goal established by the Committee in connection with the grant of a Qualified Performance-Based Award, which (i) is based on the attainment of specified levels of one or more Specified Performance Goals, and (ii) is set by the Committee within the time period prescribed by Section 162(m) of the Code; provided, that in the case of a stock option or stock appreciation right, the Qualified Performance Goal shall be considered to have been established without special action by the Committee, by virtue of the fact that the Stock subject to such Award must increase in value over its Fair Market Value on the Grant Date (or over a higher value) in order for the Grantee to realize any compensation from exercising the stock option or stock appreciation right.

(mm) “*Retirement*” as it regards employees means a Termination of Employment any time after attaining either (i) age 60 with at least 20 years of Affiliate Service, or (ii) combined age and years of Affiliate Service equal to or greater than 70, other than a Termination of Employment for Cause (including a Termination of Employment for Cause as a result of a Policy Violation).

“*Retirement*” as it regards non-employee directors and senior directors means Termination of Directorship with at least 10 years of service as a member of the Board and/or a senior director or after age 70.

(nn) “*Section 16 Grantee*” means an individual subject to potential liability under Section 16(b) of the 1934 Act with respect to transactions involving equity securities of the Company.

(oo) “*Section 162(m) Exemption*” means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.

(pp) “*Service-Vesting Award*” means an Award, the vesting of which is contingent solely on the continued service of the Grantee as an employee of the Company and its Subsidiaries or as a non-employee director or a senior director of the Company.

(qq) “*Special Circumstances*” for a Termination of Employment of a Grantee means (i) the Grantee’s employment was terminated by the Company or a Subsidiary without Cause, or (ii) the Grantee becomes an owner-operator of a McDonald’s restaurant in connection with the Termination of Employment.

(rr) “*Specified Performance Goal*” means any of the following measures as 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.

(ss) “*Standards of Business Conduct*” means the Standards of Business Conduct of the Company or a Subsidiary or any successor thereto (including underlying policies or policies specifically referenced therein), as the same is effect and applicable to the Grantee at of the time of the Grantee’s violation.

(tt) “*Stock*” means the common stock of the Company, par value \$.01 per share.

(uu) “*Subsidiary*” means any entity in which the Company directly or through intervening subsidiaries owns 25% or more of the total combined voting power or value of all classes of stock, or, in the case of an unincorporated entity, a 25% or more interest in the capital and profits.

(vv) “*Tendered Restricted Stock*” has the meaning specified in Section 9(a).

(ww) “*Termination of Directorship*” means the first date upon which a non-employee director or a senior director is neither a member of the Board nor a senior director.

(xx) “*Termination of Employment*” of a Grantee means the termination of the Grantee’s employment with the Company and the Subsidiaries. A Grantee employed by a Subsidiary also shall be deemed to incur a Termination of Employment if there occurs a Disaffiliation of that Subsidiary, unless either (i) the Grantee is, immediately after the Disaffiliation, an employee of the Company or

one of the remaining Subsidiaries, or (ii) in connection with the Disaffiliation, the Awards held by the Grantee are assumed, or replaced with new awards, by the former Subsidiary or an entity that controls the former Subsidiary following the Disaffiliation.

(yy) “Unit Value” has the meaning specified in Section 9(c)(iii).

3. Scope of this Plan

(a) The total number of shares of Stock delivered to Grantees pursuant to this Plan shall not exceed 116.5 million, subject to the other provisions of this Section 3 and to adjustment as provided in Section 22. Such shares may be treasury shares or newly-issued shares or both, as may be determined from time to time by the Board or by the Committee appointed pursuant to Section 4.

(b) Subject to adjustment as provided in Section 22, the maximum number of shares of Stock for which stock options and stock appreciation rights may be granted to any Grantee in any one-year period shall be 2 million, and the maximum number of shares of Stock that may be granted to any Grantee in any one-year period in the form of restricted stock, dividend equivalents (other than dividend equivalents that are part of another Award), and other stock-based awards, in each case that are Qualified Performance-based Awards, shall be 500,000 (provided, that in the case of dividend equivalents, the number of shares taken into account for this purpose shall be the number of shares with respect to which the dividend equivalents are calculated). Subject to the other provisions of this Section 3 and subject to adjustment as provided in Section 22, not more than 500,000 bonus shares of Stock may be granted under this Plan.

(c) If and to the extent an Award granted under this Plan shall, after the Effective Date, expire or terminate for any reason without having been exercised in full, or shall be forfeited or settled for cash, the shares of Stock (including restricted stock) associated with the expired, terminated or forfeited portion of such Award shall become available for other Awards. In no event shall the number of shares of Stock considered to be delivered pursuant to the exercise of a stock appreciation right include the shares that represent the grant or exercise price thereof, which shares are not delivered to the Grantee upon exercise.

(d) If and to the extent an Award granted under a Prior Plan shall, after the Effective Date, expire or terminate for any reason without having been exercised in full, or shall be forfeited or settled for cash, the shares of Stock (including restricted stock) associated with the expired, terminated or forfeited portion of such Award shall become available for Awards under this Plan. If, after the Effective Date, a Grantee uses shares of Stock owned by the Grantee (by either actual delivery or by attestation) to pay the Option Price of any stock option granted under this Plan or a Prior Plan or to satisfy any tax-withholding obligation with respect to an Award granted under this Plan or a Prior Plan, the number of shares of Stock delivered or attested to shall be added to the number of shares of Stock available for delivery under this Plan. To the extent any shares of Stock subject to a stock option granted under this Plan are withheld, after the Effective Date, to satisfy the Option Price of that stock option, or any shares of Stock subject to an Award granted under this Plan are withheld to satisfy any tax-withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under this Plan. To the extent any shares of Stock subject to an Award granted under a Prior Plan are withheld, after the Effective Date, to satisfy any tax-withholding obligation, such shares shall be added to the maximum number of shares of Stock available for delivery under this Plan. Notwithstanding the foregoing, no shares of Stock that become available for Awards granted under this Plan pursuant to the foregoing provisions of this Section 3(d) shall be available for grants of incentive stock options pursuant to Section 6(c).

4. Administration

(a) Subject to Section 4(b), this Plan shall be administered by a committee appointed by the Board (the “Committee”). All members of the Committee shall be “outside directors” (as defined or interpreted for purposes of the Section 162(m) Exemption). The composition of the Committee also shall be subject to such limitations as the Board deems appropriate to permit transactions in Stock pursuant to this Plan to be exempt from liability under Rule 16b-3 under the 1934 Act and to satisfy the “independence” requirements of any national securities exchange on which the Stock is listed.

(b) The Board may, in its discretion, reserve to itself any or all of the authority and responsibility of the Committee. To the extent that the Board has reserved to itself the authority and responsibility of the Committee, all references to the Committee in this Plan shall be deemed to refer to the Board.

(c) The Committee shall have full and final authority, in its discretion, but subject to the express provisions of this Plan (including without limitation Section 23(e)), as follows:

(i) to grant Awards,

- (ii) to determine (A) when Awards may be granted, and (B) whether or not specific Awards shall be identified with other specific Awards, and, if so, whether they shall be exercisable cumulatively with or alternatively to such other specific Awards,
 - (iii) to interpret this Plan and to make all determinations necessary or advisable for the administration of this Plan,
 - (iv) to determine all terms and provisions of all Awards, including without limitation any restrictions or conditions (including specifying such performance criteria as the Committee deems appropriate, and imposing restrictions with respect to Stock acquired upon exercise of a stock option, which restrictions may continue beyond the Grantee's Termination of Employment or Termination of Directorship, as applicable), which shall be set forth in a written agreement for each Award (the "Award Agreements"), which need not be identical, and, with the consent of the Grantee, to modify any such Award Agreement at any time,
 - (v) to adopt or to authorize foreign Subsidiaries to adopt Foreign Equity Incentive Plans as provided in Section 14,
 - (vi) to delegate any or all of its duties and responsibilities under this Plan to any individual or group of individuals it deems appropriate, except its duties and responsibilities with respect to Section 16 Grantees and with respect to Qualified Performance-Based Awards, and (A) the acts of such delegates shall be treated hereunder as acts of the Committee and (B) such delegates shall report to the Committee regarding the delegated duties and responsibilities,
 - (vii) to accelerate the exercisability of, and to accelerate or waive any or all of the restrictions and conditions applicable to, any Award or any group of Awards, other than the Minimum Vesting Requirement, for any reason, solely to the extent that any such acceleration or waiver would not cause any tax to become due under Section 409A of the Code,
 - (viii) subject to Section 6(a)(ii), to extend the time during which any Award or group of Awards may be exercised or earned, solely to the extent that any such extension would not cause any tax to become due under Section 409A of the Code,
 - (ix) to make such adjustments or modifications to Awards to Grantees working outside the United States as are necessary and advisable to fulfill the purposes of this Plan,
 - (x) to impose such additional conditions, restrictions and limitations upon the grant, exercise or retention of Awards as the Committee may, before or concurrently with the grant thereof, deem appropriate, including requiring simultaneous exercise of related identified Awards and limiting the percentage of Awards that may from time to time be exercised by a Grantee, and
 - (xi) to prescribe rules and regulations concerning the transferability of any Awards, and to make such adjustments or modifications to Awards transferable pursuant to Section 8 as are necessary and advisable to fulfill the purposes of this Plan.
- (d) The determination of the Committee on all matters relating to this Plan or any Award Agreement shall be made in its sole discretion, and shall be conclusive and final. No member of the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any Award.

5. Eligibility

Awards may be granted to any employee (including any officer) of the Company or any of its domestic Subsidiaries, any employee, officer or director of any of the Company's foreign Subsidiaries (provided, that in the case of an employee, officer or director of a domestic or foreign Subsidiary in which the Company owns less than 50% of the total combined voting power or value of all classes of stock, Awards may be granted only where there is a sufficient nexus between such employee, officer or director and the Company so that the grant serves a genuine business purpose of the Company) and to any non-employee director or senior director of the Company. In selecting the individuals to whom Awards may be granted, as well as in determining the number of shares of Stock subject to, and the other terms and conditions applicable to, each Award, the Committee shall take into consideration such factors as it deems relevant in promoting the purposes of this Plan.

6. Conditions to Grants

(a) General conditions.

- (i) The "Grant Date" of an Award shall be the date on which the Committee grants the Award or such later date as specified in advance by the Committee.

(ii) The term of each Award shall be a period of 10 years from the Grant Date; provided, that the Committee may determine not later than the Grant Date that the term of an Award will be a different period, not longer than 15 years from the Grant Date; and provided, further, that in any event the term of each Award shall be subject to earlier termination as herein provided.

(iii) A Grantee may, if otherwise eligible, be granted additional Awards in any combination.

(b) *Grant of Stock Options and Option Price.* A stock option represents the right to purchase a share of Stock at a predetermined Option Price. No later than the Grant Date of any stock option, the Committee shall establish the Option Price of such stock option. The per-share Option Price of a stock option shall not be less than 100% of the Fair Market Value of a share of the Stock on the Grant Date. Such Option Price shall be subject to adjustment as provided in Section 22. The applicable Award Agreement may provide that the stock option shall be exercisable for restricted stock.

(c) *Grant of Incentive Stock Options.* At the time of the grant of any stock option, the Committee may designate such stock option as an “incentive stock option” as defined in Section 422 of the Code. Any stock option not so designated shall not be an incentive stock option, even if it otherwise meets the requirements of Section 422 of the Code. Any stock option so designated that nevertheless fails (either at the time of grant or at any time thereafter as a result of accelerated vesting or otherwise) to meet the requirements of Section 422 of the Code, in whole or in part, shall be treated as a stock option that is not an incentive stock option to the extent of such failure. The terms of any incentive stock option shall require the Grantee to notify the Committee or its designee of any “disqualifying disposition” (as defined in Section 421(b) of the Code) of any Stock issued pursuant to the exercise of the incentive stock option within 10 days after such disposition.

(d) *Grant of Shares of Restricted Stock.*

(i) Shares of restricted stock are shares of Stock that are awarded to a Grantee and that, during a restricted period, may be forfeitable to the Company upon such conditions as may be set forth in the applicable Award Agreement. Restricted stock may not be sold, assigned, transferred, pledged or otherwise encumbered during the restricted period.

(ii) The Committee shall, in its discretion, determine the amount, if any, that a Grantee shall pay for shares of restricted stock, subject to the following sentence. Except with respect to shares of restricted stock that are treasury shares, for which no payment need be required, the Committee shall require the Grantee to pay at least the Minimum Consideration for each share of restricted stock granted to such Grantee. Such payment shall be made in full by the Grantee before the delivery of the shares and in any event no later than 10 days after the Grant Date for such shares.

(iii) The Committee may, but need not, provide that all or any portion of a Grantee’s Award of restricted stock, or restricted stock acquired upon exercise of a stock option, shall be forfeited:

(A) except as otherwise specified in the Award Agreement, upon the Grantee’s Termination of Employment as provided in Section 12, or

(B) if the Company or the Grantee does not achieve specified performance goals (if any) within a specified time period after the Grant Date and before the Grantee’s Termination of Employment, or

(C) upon failure to satisfy such other conditions as the Committee may specify in the applicable Award Agreement; provided, that each such Award that is a Service-Vesting Award shall be subject to the Minimum Vesting Requirement.

(iv) If a share of restricted stock is forfeited, then, if the Grantee was required to pay for such share or acquired such share upon the exercise of a stock option: (A) the Grantee shall be deemed to have resold such share to the Company at the lesser of (1) the amount paid or, if the restricted stock was acquired on exercise of a stock option, the Option Price paid by the Grantee for such share, or (2) the Fair Market Value of a share of Stock on the date of such forfeiture; (B) the Company shall pay to the Grantee the amount determined under clause (A) of this sentence as soon as is administratively practical; and (C) such share shall cease to be outstanding, and shall no longer confer on the Grantee thereof any rights as a stockholder of the Company, from and after the later of the date the event causing the forfeiture occurred or the date of the Company’s tender of the payment specified in clause (B) of this sentence, whether or not such tender is accepted by the Grantee.

(v) The Committee may provide that any share of restricted stock shall be held (together with a stock power executed in blank by the Grantee) in escrow by the Secretary of the Company until such share becomes nonforfeitable or is forfeited. Any share of restricted stock shall bear an appropriate legend specifying that such share is non-transferable and subject to the restrictions set forth in this Plan and the applicable Award Agreement. If any share of restricted stock becomes nonforfeitable, the Company shall cause the certificate for such share to be issued or reissued without such legend.

(e) *Grant of Stock Appreciation Rights.* A stock appreciation right represents the right to receive a payment, in cash, shares of Stock or both (as determined by the Committee) equal to the excess of the Fair Market Value, on the date such Fair Market Value is determined, of a specified number of shares of Stock, over the Award's grant or exercise price, if any. When granted, stock appreciation rights may, but need not, be identified with shares of Stock subject to a specific stock option or specific shares of restricted stock of the Grantee (including any stock option or shares of restricted stock granted on or before the Grant Date of the stock appreciation rights) in a number equal to or different from the number of shares of Stock subject to the stock appreciation rights so granted. If stock appreciation rights are identified with shares of Stock subject to a stock option or with shares of restricted stock then, unless otherwise provided in the applicable Award Agreement, the Grantee's associated stock appreciation rights shall terminate upon, and to the extent of, (i) the expiration, termination, forfeiture or cancellation of such stock option or shares of restricted stock, or (ii) the date such shares of restricted stock become nonforfeitable.

(f) *Grant of Stock Bonuses.* The Committee may, in its discretion, grant shares of Stock to any employee eligible under Section 5 to receive Awards, other than executive officers of the Company.

(g) *Grant of Dividend Equivalents.* The Committee may, in its discretion, grant dividend equivalents, which represent the right to receive cash payments or shares of Stock measured by the dividends payable with respect to specific shares of Stock or a specified number of shares of Stock. Dividend equivalents may be granted as part of another type of Award or as a separate Award, and shall be subject to such terms and conditions as the Committee shall determine; provided, that the Committee shall not provide for payment of dividend equivalents in a manner that would cause any tax to become due under Section 409A of the Code.

(h) *Grant of Other Stock-Based Awards.* The Committee may, in its discretion, grant other stock-based awards. These are Awards, other than stock options, stock appreciation rights, restricted stock, stock bonuses, and dividend equivalents, that are denominated in, valued, in whole or in part, by reference to, or otherwise based on or related to, Stock. The purchase, exercise, exchange or conversion of other stock-based awards granted under this Section 6(h) shall be on such terms and conditions and by such methods as shall be specified by the Committee. If the value of an other stock-based award is based on the difference between the excess of the Fair Market Value, on the date such Fair Market Value is determined, over such Award's exercise or grant price, the exercise or grant price for such an Award will not be less than 100% of the Fair Market Value on the Grant Date. If the value of such an Award is based on the full value of a share of Stock, and the Award is a Service-Vesting Award, then such Award shall be subject to the Minimum Vesting Requirement.

7. Grantee's Agreement to Serve

The Committee may, in its discretion, require each Grantee who is granted an Award to, execute such Grantee's Award Agreement, and to agree that such Grantee will remain in the employ of the Company or any of its Subsidiaries or remain as a non-employee director or senior director, as applicable, for at least one year after the Grant Date. No obligation of the Company or any of its Subsidiaries as to the length of any Grantee's employment or service as a non-employee director or senior director shall be implied by the terms of this Plan, any grant of an Award hereunder or any Award Agreement. The Company and its Subsidiaries reserve the same rights to terminate employment of any Grantee as existed before the Effective Date.

8. Non-Transferability

Each Award (other than restricted stock) granted hereunder shall not be assignable or transferable other than by will or the laws of descent and distribution; provided, however, that a Grantee may, in a manner set forth in rules established by the Committee:

(a) designate in writing a beneficiary to exercise his or her Award after the Grantee's death; (b) transfer a stock option (other than an incentive stock option), stock appreciation right or other stock-based award to a revocable *inter vivos* trust as to which the Grantee is both the settlor and the trustee; and (c) if permitted by the Committee pursuant to its rules, transfer an Award (other than restricted stock or an incentive stock option) for no consideration to any of the following permissible transferees (each a "Permissible Transferee"): (i) any member of the Immediate Family of the Grantee to whom such Award was granted, (ii) any trust for the benefit of members of the Grantee's Immediate Family, (iii) any partnership whose partners are members of the Grantee's Immediate Family or (iv) Ronald McDonald House Charities or any Ronald McDonald House; and further provided that (A) the transferee shall remain subject to all of the terms and conditions applicable to such Award prior to such transfer; (B) any such transfer shall be subject to and in accordance with the rules and regulations prescribed by the Committee in accordance with Section 4(c)(xi), and (C) except as otherwise expressly provided for in this Plan or in the Transfer Rules, a Permissible Transferee shall have all the rights and obligations of the Grantee hereunder and the Grantee shall not retain any rights with respect to the transferred Award, and further provided that the payment of any tax attributable to the exercise of an Award shall remain the obligation of the Grantee and the period during which an Award shall remain exercisable under Section 12 shall depend upon the time and nature of the Grantee's Termination of Employment. Notwithstanding the foregoing, the Committee may, from time to time, in its sole discretion designate additional individuals, persons or classes as Permissible Transferees, and permit other transfers as the Committee determines to be appropriate.

Each share of restricted stock shall be non-transferable until such share becomes nonforfeitable.

9. Exercise

(a) *Exercise of Stock Options.* Subject to Sections 4(c)(vii), 12, 13 and 21 and such terms and conditions as the Committee may impose, each stock option shall be exercisable as and when determined by the Committee; provided that, unless the Committee determines otherwise, each stock option shall be exercisable in one or more installments commencing not earlier than the first anniversary of the Grant Date of such stock option.

Each stock option shall be exercised by delivery of notice of intent to purchase a specific number of shares of Stock subject to such stock option. Such notice shall be in a manner specified by and satisfactory to the Company. The Option Price of any shares of Stock or shares of restricted stock as to which a stock option shall be exercised shall be paid in full at the time of the exercise. Payment may, at the election of the Grantee, be made in any one or any combination of the following:

- (i) cash,
- (ii) unless otherwise determined by the Committee, Stock owned by the Grantee, valued at its Fair Market Value at the time of exercise,
- (iii) with the approval of the Committee, shares of restricted stock held by the Grantee, each valued at the Fair Market Value of a share of Stock at the time of exercise, or
- (iv) unless otherwise determined by the Committee, through simultaneous sale through a broker of shares acquired on exercise, as permitted under Regulation T of the Board of Governors of the Federal Reserve System.

If shares of Stock or restricted stock are used to pay the Option Price, such shares of Stock or restricted stock must have been held by the Grantee for more than six months prior to exercise of the stock option, unless otherwise determined by the Committee. Such payment may be made by actual delivery or attestation.

If restricted stock is used to pay the Option Price for Stock subject to a stock option (“Tendered Restricted Stock”), then the Committee shall specify which of the following two rules applies: either (i) all the shares of Stock acquired on exercise of the stock option shall be subject to the same restrictions as the Tendered Restricted Stock, determined as of the date of exercise of the stock option, or (ii) a number of shares of Stock acquired on exercise of the stock option equal to the number of shares of Tendered Restricted Stock shall be subject to the same restrictions as the Tendered Restricted Stock, determined as of the date of exercise of the stock option.

(b) *Exercise of Stock Appreciation Rights.* Subject to Sections 4(c)(vii), 12, 13 and 21 and such terms and conditions as the Committee may impose, each stock appreciation right shall be exercisable as and when determined by the Committee; provided that, unless the Committee determines otherwise, each stock appreciation right shall be exercisable not earlier than the first anniversary of the Grant Date of such stock appreciation right, to the extent the stock option with which it is identified, if any, may be exercised, or to the extent the restricted stock with which it is identified, if any, has become nonforfeitable. Stock appreciation rights shall be exercised by delivery to the Company of written notice of intent to exercise a specific number of stock appreciation rights. Unless otherwise provided in the applicable Award Agreement, the exercise of stock appreciation rights that are identified with shares of Stock subject to a stock option or shares of restricted stock shall result in the cancellation or forfeiture of such stock option or shares of restricted stock, as the case may be, to the extent of such exercise.

The benefit for each share as to which a stock appreciation right is exercised shall be equal to:

- (i) the Fair Market Value of a share of Stock on the date of such exercise, reduced by
- (ii) an amount equal to:
 - (A) for any stock appreciation right identified with shares of Stock subject to a stock option, the Option Price of such stock option, unless the Committee in the grant of the stock appreciation right specified a higher amount or
 - (B) for any other stock appreciation right, the Fair Market Value of a share of Stock on the Grant Date of such stock appreciation right, unless the Committee in the grant of the stock appreciation right specified a higher amount; provided that the Committee, in its discretion, may provide that the benefit for any stock appreciation right shall not exceed such percentage of the Fair Market Value of a share of Stock on such Grant Date as the Committee shall specify.

The benefit upon the exercise of a stock appreciation right shall be payable in cash, except that the Committee, may, in its discretion, provide in the Award Agreement that benefits, with respect to any particular exercise, may be paid wholly or partly in Stock.

(c) *Time of Exercise.* Notwithstanding anything to the contrary herein, in the event that the final date on which any stock option or stock appreciation right would otherwise be exercisable in accordance with the provisions of this Plan (including without limitation Section 12 hereof) is not a Business Day, the last day on which such stock option or stock appreciation right may be exercised is the last Business Day immediately preceding such date.

10. Notification under Section 83(b)

The Committee may, on the Grant Date or any later date, prohibit a Grantee from making the election described below. If the Committee has not prohibited such Grantee from making such election, and the Grantee shall, in connection with the exercise of any stock option, or the grant of any share of restricted stock, make the election permitted under Section 83(b) of the Code (i.e., an election to include in such Grantee's gross income in the year of transfer the amounts specified in Section 83(b) of the Code), such Grantee shall notify the Company of such election within 10 days of filing notice of the election with the U.S. Internal Revenue Service, in addition to complying with any filing and notification required pursuant to regulations issued under the authority of Section 83(b) of the Code.

11. Withholding Taxes

(a) Whenever, under this Plan, cash or Stock is to be delivered upon exercise or payment of an Award or a share of restricted stock becomes nonforfeitable, or any other event occurs that results in taxation of a Grantee with respect to an Award, the Company shall be entitled to require (i) that the Grantee remit an amount sufficient to satisfy all U.S. federal, state and local withholding tax requirements related thereto, (ii) the withholding of such sums from compensation otherwise due to the Grantee or from any shares of Stock due to the Grantee under this Plan, (iii) any other method prescribed by the Committee from time to time or (iv) any combination of the foregoing; provided, however, that no amount shall be withheld from any cash payment or shares of Stock relating to an Award that was transferred by the Grantee in accordance with this Plan and such cash payment or delivery to such Permissible Transferee shall in no way be conditioned upon the Grantee's remittance obligation described herein. The Grantee shall be permitted to remit such amount in the form of Stock owned by the Grantee, valued at its Fair Market Value at the time of the remittance (by actual delivery or by attestation).

(b) If any disqualifying disposition (as defined in Section 421(b) of the Code) is made with respect to shares of Stock acquired under an incentive stock option granted pursuant to this Plan or any election described in Section 10 is made, then the individual making such disqualifying disposition or election shall remit to the Company an amount sufficient to satisfy all U.S. federal, state and local withholding taxes thereby incurred; provided, that in lieu of or in addition to the foregoing, the Company shall have the right to withhold such sums from compensation otherwise due to the Grantee or from any shares of Stock due to the Grantee under this Plan.

(c) Notwithstanding the foregoing, in no event shall the amount withheld or remitted in the form of shares of Stock due to a Grantee under this Plan exceed the minimum required by applicable law.

12. Termination of Employment

(a) *For Cause.* If a Grantee has a Termination of Employment for Cause,

(i) the Grantee's shares of restricted stock that are forfeitable shall thereupon be forfeited, subject to the provisions of Section 6(d)(iv) regarding repayment of certain amounts to the Grantee;

(ii) any unexercised stock option or stock appreciation right shall terminate immediately upon such Termination of Employment for Cause; and

(iii) any other Award that has not previously vested shall thereupon be forfeited;

provided, however, that if a Grantee has a Termination of Employment for Cause due solely to a Policy Violation (as determined by the Committee or its delegee in its sole and absolute discretion), the provisions of Section 12(b) (and not the provisions of this Section 12(a)) shall apply.

(b) *For Policy Violation.* If a Grantee has a Termination of Employment for Cause due solely to a Policy Violation (as determined by the Committee or its delegee in its sole and absolute discretion),

(i) the Grantee's shares of restricted stock that are forfeitable shall thereupon be forfeited, subject to the provisions of Section 6(d)(iv) regarding repayment of certain amounts to the Grantee;

(ii) any unexercised stock option or stock appreciation right, to the extent exercisable on the date of the Grantee's Termination of Employment, may be exercised, in whole or in part, by the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8, not later than the 90th day following the Grantee's termination of employment; and

(iii) any other Award that has not previously vested shall thereupon be forfeited.

(c) *On Account of Death or Disability.* If a Grantee has a Termination of Employment on account of the Grantee's death or Disability, then:

(i) the Grantee's shares of restricted stock that are Service-Vesting Awards and that were forfeitable shall thereupon become nonforfeitable;

(ii) any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock), whether or not exercisable on the date of such Termination of Employment may be exercised, in whole or in part, at any time within three years after such Termination of Employment (or until the 15th anniversary of the Grant Date, if sooner) by the Grantee, or after the Grantee's death, by (A) his or her personal representative or by the person to whom the stock option or stock appreciation right is transferred by will or the applicable laws of descent and distribution, (B) the Grantee's beneficiary designated in accordance with Section 8, (C) the then-acting trustee of the trust described in Section 8(b); or (D) a Permissible Transferee of an Award assigned or transferred in accordance with Section 8; and

(iii) any other Awards held by the Grantee shall be treated as specified in the applicable Award Agreement.

(d) *On Account of Retirement.* (i) If a Grantee has a Termination of Employment on account of Retirement after age 60 with 20 years or more of Affiliate Service, any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock) that is then exercisable or that would have become exercisable within three years of such Retirement if the Grantee had remained employed by the Company or a Subsidiary throughout such three-year period, may be exercised, in whole or in part, by the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8, at any time within three years after the Grantee's Retirement or until the 15th anniversary of the Grant Date, if sooner.

(ii) If a Grantee has a Termination of Employment on account of Retirement with combined age and years of Affiliate Service equal to or greater than 70, any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock) that is then exercisable or that would have become exercisable within three years of such Retirement if the Grantee had remained employed by the Company or a Subsidiary throughout such three-year period may be exercised, in whole or in part, by the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8, at any time within three years after the Grantee's Retirement or until the end of the stated term of the Award, if sooner; provided, that if and to the extent the Committee or its delegee so determines, the Grantee shall be required, in order to receive the foregoing treatment, (A) to provide six months' prior written notice of the Grantee's intention to retire to the officer in charge of the Benefits and Compensation Department in Oak Brook, Illinois, (B) to execute and deliver to the Company a non-competition agreement (in a form reasonably satisfactory to the Committee or such delegee) and/or (C) solely with respect to Awards granted on or after February 13, 2008, to execute and deliver to the Company a release of claims in a form specified by the Committee or its delegee. In the event that the extension of time to exercise stock options or stock appreciation rights as set forth in this Section 12(d)(ii) would result in any of a Grantee's stock options or stock appreciation rights being exercisable at any time later than the 10th anniversary of the Grant Date (or, if earlier, the original expiration date of the Award), the requirement to provide notice, to execute and deliver a non-competition agreement and (solely in the case of Awards granted on or after February 13, 2008) to execute and deliver a release of claims, in each case as set forth in the preceding sentence, shall be mandatory and not subject to the discretion of the Committee. If a Grantee is required to, and does, execute and deliver such a non-competition agreement, and then violates the provisions thereof, all unexercised stock options and stock appreciation rights (other than stock appreciation rights identified with restricted stock) will immediately terminate and will not be exercisable.

(iii) The nonforfeitability and exercisability of restricted stock that is a Service-Vesting Award (and any stock appreciation rights identified therewith) held by a Grantee who has a Termination of Employment on account of Retirement shall be determined under Section 12(f), and any other Awards held by the Grantee shall be treated as specified in the applicable Award Agreement.

(e) *On Account of Termination of Employment After Age 60.* If a Grantee has a Termination of Employment after attaining age 60, other than a Termination of Employment for Cause or on account of death, Disability or Retirement, any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock) to the extent exercisable on the date of such Termination of Employment, may be exercised, in whole or in part, by the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8, at any time within one year after the Grantee's Termination of Employment or until the 15th anniversary of the Grant Date, if sooner. The nonforfeitability and exercisability of the Grantee's restricted stock (and any stock appreciation rights identified therewith) that is a Service-Vesting Award shall be determined under Section 12(f), and any other Awards held by the Grantee shall be treated as specified in the applicable Award Agreement.

(f) *Special Circumstances; Disaffiliation.* (i) If a Grantee has a Termination of Employment under Special Circumstances, the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8 will receive an extension of time to exercise any unexercised stock options and stock appreciation rights (other than stock appreciation rights identified with restricted stock) and accelerated vesting of these stock options and stock appreciation rights based on the following rules that incorporate age and years of Affiliate Service (in the case of a Termination of Employment without Cause) or Company Service (in other Special Circumstances):

<u>Age and Years of Company or Affiliate Service</u>	<u>Additional Vesting and Time to Exercise</u>
70 plus years	3 Years
60 to 69 years	2 Years
50 to 59 years	1 Year

provided, that the Committee or its delegatee may (and, in the event that the extension of time to exercise stock options or stock appreciation rights as set forth in this Section 12(f) would result in any of a Grantee's stock options or stock appreciation rights being exercisable at any time later than the 10th anniversary of the Grant Date (or, if earlier, the original expiration date of the Award), shall) require, in the case of a Termination of Employment without Cause, that the Grantee execute and deliver to the Company a non-competition agreement (in a form reasonably satisfactory to the Committee or such delegatee) in order to receive the foregoing treatment; further provided, that in the case of a Termination of Employment without Cause and with respect to any Award granted on or after February 13, 2008, the Committee shall require that, in order to receive the foregoing treatment, the Grantee execute and deliver to the Company a release of claims in a form specified by the Committee or its delegatee; and further provided, that in no event may a stock option or stock appreciation right be exercised after the 15th anniversary of the Grant Date. If a Grantee is required to, and does, execute and deliver such a non-competition agreement, and then violates the provisions thereof, all unexercised stock options and stock appreciation rights (other than stock appreciation rights identified with restricted stock) will immediately terminate and will not be exercisable.

(ii) If a Grantee has a Termination of Employment because of a Disaffiliation, the provisions of this Section 12(f)(ii) and Section 12(f)(iii) (and no other provision of this Section 12 that might otherwise apply) shall determine the consequences for such Grantee's Awards. In such a case, the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8 will be permitted to exercise any stock options and stock appreciation rights (other than stock appreciation rights identified with restricted stock) that are unexercised and vested immediately before the Grantee's Termination of Employment for one year following the Grantee's Termination of Employment; provided, that with respect to any Award granted on or after February 13, 2008, the Committee shall require that, in order to receive the foregoing treatment, the Grantee execute and deliver to the Company a release of claims in a form specified by the Committee or its delegatee.

(iii) In addition, if a Grantee has a Termination of Employment because of Special Circumstances or Disaffiliation, the nonforfeitability and exercisability of restricted stock (and any stock appreciation rights identified therewith) held by the Grantee that is a Service-Vesting Award shall be determined under Section 12(f)(i), and any other Awards held by the Grantee shall be treated as specified in the applicable Award Agreement.

(g) *Any Other Reason.* If a Grantee has a Termination of Employment for a reason other than those specified in this Section 12,

(i) the Grantee's shares of restricted stock (and any stock appreciation rights identified therewith), to the extent forfeitable on the date of the Grantee's termination of employment, shall be forfeited on such date;

(ii) any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock) to the extent exercisable on the date of the Grantee's Termination of Employment, may be exercised, in whole or in part, by the Grantee or Permissible Transferee of an Award assigned or transferred in accordance with Section 8, not later than the 90th day following the Grantee's termination of employment; provided, that in no event may a stock option or stock appreciation right be exercised after the 15th anniversary of the applicable Grant Date; and

(iii) any other Award that has not previously vested shall thereupon be forfeited.

(h) *Selection of Rule.* If a particular Grantee's Termination of Employment is covered by more than one of the foregoing rules, then except as specifically provided in Section 12(f)(ii), for each Award held by the Grantee, the applicable rule that is the most favorable to the Grantee shall apply; provided, that in the case of a Termination of Employment for Cause the Committee or its delegate shall have the sole and absolute discretion to determine whether the applicable Grantee is eligible for the treatment described in Section 12(b).

(i) *Committee Discretion.* Notwithstanding the foregoing, the Committee may determine that the consequences of a Termination of Employment or a Termination of Directorship for a particular Award will differ from those outlined above, either (i) in connection with the grant of the Award, or (ii) if the change is favorable to the Grantee, after it is granted; provided, that the Committee shall have no authority (x) after the Grant Date, to extend the time to exercise unexercised stock options or stock appreciation rights to any date later than the 10th anniversary of the Grant Date (or, if earlier, the original expiration date of the Award) or (y) otherwise to provide for terms of an Award that would cause any tax to become due under Section 409A of the Code.

13. Termination of Directorship

(a) *For Cause.* If a Termination of Directorship occurs for Cause, any unexercised stock option or other Awards shall thereupon terminate.

(b) *Retirement.* If a Termination of Directorship occurs because of Retirement, any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock), whether or not exercisable on the date of Retirement, may be exercised, in whole or in part, for a period of three years from the Grantee's Retirement, or until the end of its stated term, if sooner. Any other unvested Awards shall become vested and payable to the Grantee.

(c) *Death or Disability.* If Termination of Directorship occurs because of the death or Disability of the Grantee, any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock), whether or not exercisable on the date of such Termination of Directorship, may be exercised by the Grantee, a Permissible Transferee or by the Grantee's personal representative after the Grantee's death, in whole or in part, at any time within three years after such Termination of Directorship or until the 15th anniversary of the Grant Date, if sooner. Any other unvested Awards shall become vested and payable to the Grantee, a Permissible Transferee or by the Grantee's personal representative after the Grantee's death.

(d) *Other Termination.* If a Termination of Directorship occurs for any reason other than for Cause (as described in Section 13 (a)) or the death, Disability or Retirement of a Grantee, any unexercised stock option or stock appreciation right (other than a stock appreciation right identified with a share of restricted stock), to the extent exercisable on the date of the Termination of Directorship, may be exercised, in whole or in part, at any time within one year after the Termination of Directorship, or until the end of its stated term, if sooner. Any other Awards to the extent the Awards are unvested on the date of Termination of Directorship shall be forfeited and cancelled.

14. Equity Incentive Plans of Foreign Subsidiaries

The Committee may adopt or authorize any foreign Subsidiary to adopt a plan for granting Awards (a “Foreign Equity Incentive Plan”). All awards granted under such Foreign Equity Incentive Plans shall be treated as grants under this Plan. Such Foreign Equity Incentive Plans shall have such terms and provisions as the Committee permits not inconsistent with the provisions of this Plan.

15. Securities Law Matters

(a) If the Committee deems it necessary to comply with the Securities Act of 1933, as amended, and the regulations and rulings thereunder, the Committee may require a written investment intent representation by the Grantee and may require that a restrictive legend be affixed to certificates for shares of Stock.

(b) If, based upon the opinion of counsel for the Company, the Committee determines that the exercise or nonforfeiture of, or delivery of benefits pursuant to, any Award would violate any applicable provision of (i) U.S. federal, state or local securities law or (ii) the listing requirements of any national securities exchange on which are listed any of the Company’s equity securities, then the Committee may postpone any such exercise, nonforfeiture or delivery, as the case may be, for not more than 30 days after the date on which such exercise, nonforfeiture or delivery would no longer violate such law or requirements; provided, that the Company shall use its best efforts to cause such exercise, nonforfeiture or delivery to comply with all such provisions at the earliest practicable date.

16. Funding

Benefits payable under this Plan to any person shall be paid directly by the Company. The Company shall not be required to fund, or otherwise segregate assets to be used for payment of, benefits under this Plan.

17. No Employment Rights

Neither the establishment of this Plan, nor the granting of any Award, shall be construed to (a) give any Grantee the right to remain employed by the Company or any of its Subsidiaries or to any benefits not specifically provided by this Plan or (b) in any manner modify the right of the Company or any of its Subsidiaries to modify, amend, or terminate any of its employee benefit plans.

18. Rights as a Stockholder

A Grantee shall not, by reason of any Award (other than restricted stock), have any right as a stockholder of the Company with respect to the shares of Stock that may be deliverable upon exercise or payment of such Award until such shares have been delivered to him or her. Shares of restricted stock held by a Grantee or held in escrow by the Secretary of the Company shall confer on the Grantee all rights of a stockholder of the Company, except as otherwise provided in this Plan. The Committee, in its discretion, at the time of grant of restricted stock, may permit or require the payment of cash dividends thereon to be deferred, and, if the Committee so determines, reinvested in additional restricted stock to the extent shares are available under Section 3 or otherwise reinvested. Stock dividends, other non-cash dividends and distributions, and deferred cash dividends issued with respect to restricted stock shall be treated as additional shares of restricted stock that are subject to the same restrictions and other terms as apply to the shares with respect to which such dividends are issued. The Committee may, in its discretion, provide for crediting to and payment of interest on deferred cash dividends.

19. Nature of Payments

Any and all grants, payments of cash, or deliveries of shares of Stock hereunder shall constitute special incentive payments to the Grantee, and shall not be taken into account in computing the amount of salary or compensation of the Grantee for the purposes of determining any pension, retirement, death or other benefits under (a) any pension, retirement, profit-sharing, bonus, life insurance or other employee benefit plan of the Company or any of its Subsidiaries or (b) any agreement between the Company or any Subsidiary, on the one hand, and the Grantee, on the other hand, except as such plan or agreement shall otherwise expressly provide.

20. Non-Uniform Determinations

Neither the Committee’s nor the Board’s determinations under this Plan need be uniform, and may be made by the Committee or the Board selectively among individuals who receive, or are eligible to receive, Awards (whether or not such individuals are similarly situated). Without limiting the generality of the foregoing, the Committee shall be entitled, among other things, to make non-uniform and selective determinations, to enter into non-uniform and selective Award Agreements as to (a) the identity of the Grantees, (b) the terms and provisions of Awards, and (c) the treatment, under Section 12, of Terminations of Employment.

21. Change in Control Provisions

Notwithstanding any other provision of this Plan to the contrary, the provisions of this Section 21 shall apply in the event of a Change in Control, unless otherwise determined by the Committee in connection with the grant of an Award (as reflected in the applicable Award Agreement).

(a) Upon a Change in Control, all then-outstanding stock options and stock appreciation rights shall become fully vested and exercisable, and all other then-outstanding Awards that are Service-Vesting Awards shall vest in full and be free of restrictions, except to the extent that another Award meeting the requirements of Section 21(b) (a “Replacement Award”) is provided to the Grantee pursuant to Section 22 to replace such Award (the “Replaced Award”). The treatment of any other Awards shall be as determined by the Committee in connection with the grant thereof, as reflected in the applicable Award Agreement.

(b) An Award shall meet the conditions of this Section 21(b) (and hence qualify as a Replacement Award) if: (i) it is of the same type as the Replaced Award; (ii) it has a value at least equal to the value of the Replaced Award; (iii) it relates to publicly traded equity securities of the Company or its successor in the Change in Control or another entity that is affiliated with the Company or its successor following the Change in Control; (iv) its terms and conditions comply with Section 23(c) below; and (v) its other terms and conditions are not less favorable to the Grantee than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control). Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 21(b) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion. Without limiting the generality of the foregoing, the Committee may determine the value of Awards and Replacement Awards that are stock options by reference to either their intrinsic value or their fair value.

(c) Upon a Termination of Employment or Termination of Directorship of a Grantee occurring in connection with or during the period of two years after such Change in Control, other than for Cause, (i) all Replacement Awards held by the Grantee shall become fully vested and (if applicable) exercisable and free of restrictions, and (ii) all stock options and stock appreciation rights held by the Grantee immediately before the Termination of Employment or Termination of Directorship that the Grantee held as of the date of the Change in Control or that constitute Replacement Awards shall remain exercisable for not less than two years following such termination or until the expiration of the stated term of such stock option, whichever period is shorter (provided, that if Section 12 or the applicable Award Agreement provides for a longer period of exercisability, that provision shall control).

22. Adjustments

The Committee shall make such adjustments (if any) as it deems appropriate and equitable, in its discretion, to the following:

- (a) the various numbers of shares of Stock referred to in the limitations imposed under Section 2(x) and Section 3,
- (b) the number of shares of Stock covered by an outstanding Award,
- (c) the Option Price of an outstanding stock option,
- (d) the Fair Market Value of Stock to be used to determine the amount of the benefit payable upon exercise of outstanding stock appreciation rights, and
- (e) such other adjustments to outstanding Awards as the Committee may determine to be appropriate and equitable,

to reflect a stock dividend, stock split, reverse stock split, share combination, recapitalization, merger, consolidation, acquisition of property or shares, separation, spinoff, reorganization, stock rights offering, liquidation, Disaffiliation of a Subsidiary or similar event of or by the Company. Such adjustments may include, without limitation, (i) the cancellation of outstanding Awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Awards, (ii) the substitution of other property (including, without limitation, other securities and securities of entities other than the Company that agree to such substitution) for the Stock available under this Plan and/or the Stock covered by outstanding Awards, and (iii) in connection with any Disaffiliation of a Subsidiary, arranging for the assumption, or replacement with new awards, of Awards held by Grantees employed by the affected Subsidiary by the Subsidiary or an entity that controls the Subsidiary following the Disaffiliation.

23. Qualified Performance-Based Awards

(a) The provisions of this Plan are intended to ensure that all stock options and stock appreciation rights granted hereunder to any Grantee who is or may be a “covered employee” (within the meaning of Section 162(m)(3) of the Code) at the time of exercise qualify for the Section 162(m) Exemption, and all such Awards shall therefore be considered Qualified Performance-Based Awards and this Plan shall be interpreted and operated consistent with that intention. The provisions referred to in the preceding

sentence include without limitation the limitation on the total amount of such Awards to any Grantee set forth in Section 3(b); the requirement of Section 4(a) that the Committee satisfy the requirements for being “outside directors” for purposes of the Section 162(m) Exemption; the limitations on the discretion of the Committee with respect to Qualified Performance-Based Awards; and the requirements of Sections 6(b) and 6(e) that the Option Price of stock options and the base price for determining the value of stock appreciation rights be not less than the Fair Market Value of the Stock on the Grant Date (which requirement constitutes the Qualified Performance Goal).

(b) The Committee may designate any Award (other than a stock option or stock appreciation right) as a Qualified Performance-Based Award upon grant, in each case based upon a determination that (i) the Grantee is or may be a “covered employee” (within the meaning of Section 162(m)(3) of the Code) with respect to such Award, and (ii) the Committee wishes such Award to qualify for the Section 162(m) Exemption. The provisions of this Section 23 shall apply to all such Qualified Performance-Based Awards, notwithstanding any other provision of this Plan, other than Section 21.

(c) Each Qualified Performance-Based Award (other than a stock option or stock appreciation right) shall be earned, vested and payable (as applicable) only upon the achievement of one or more Qualified Performance Goals, together with the satisfaction of any other conditions, such as continued employment, as the Committee may determine to be appropriate; provided that (i) the Committee may provide, either in connection with the grant thereof or by amendment thereafter, that achievement of such Performance Goals will be waived upon the death or Disability of the Grantee, and (ii) the provisions of Section 21 shall apply notwithstanding this sentence.

(d) Qualified Performance Goals may take the form of absolute goals or goals relative to the performance of one or more other companies comparable to the Company or of an index covering multiple companies. In establishing Qualified 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 financial statements.

(e) Except as specifically provided in Section 23(d), no Qualified Performance-Based Award may be amended, nor may the Committee exercise any discretionary authority it may otherwise have under this Plan with respect to a Qualified Performance-Based Award under this Plan, in any manner to waive the achievement of the applicable Qualified Performance Goals or to increase the amount payable pursuant thereto or the value thereof, or otherwise in a manner that would cause the Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption.

24. Amendment of this Plan

The Board may from time to time in its discretion amend this Plan or Awards, and the Committee may from time to time in its discretion amend Awards, without the approval of the stockholders of the Company, except (i) to the extent required under the listing requirements of any national securities exchange on which are listed any of the Company’s equity securities and (ii) to the extent the amendment would result in the reduction of the Option Price of any Option or of the exercise price of any stock appreciation right. No such amendment shall adversely affect any previously-granted Award without the consent of the Grantee, except for (x) amendments made to comply with applicable law, stock exchange rules or accounting rules, and (y) amendments that do not materially decrease the value of such Awards. In addition, no such amendment may be made that would cause a Qualified Performance Based Award to cease to qualify for the Section 162(m) Exemption.

25. Termination of this Plan

This Plan shall terminate on the 10th anniversary of the Effective Date or at such earlier time as the Board may determine. Any termination, whether in whole or in part, shall not affect any Award then outstanding under this Plan.

26. No Illegal Transactions

This Plan and all Awards granted pursuant to it are subject to all laws and regulations of any governmental authority that may be applicable thereto; and, notwithstanding any provision of this Plan or any Award, Grantees shall not be entitled to exercise Awards or receive the benefits thereof and the Company shall not be obligated to deliver any Stock or pay any benefits to a Grantee if such exercise, delivery, receipt or payment of benefits would constitute a violation by the Grantee or the Company of any provision of any such law or regulation.

27. Controlling Law

The law of the State of Illinois, except its law with respect to choice of law, shall be controlling in all matters relating to this Plan.

28. Severability

If all or any part of this Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any portion of this Plan not declared to be unlawful or invalid. Any Section or part of a Section so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

29. Section 409A

No provision of this Plan shall be given effect to the extent that such provision would cause any tax to become due under Section 409A of the Code. No action, or failure to act, pursuant to this Section 29 or to any other provision of the Plan that references Section 409A of the Code shall subject the Committee, the Board or the Company to any claim, liability or expense, and neither the Committee, the Board nor the Company shall have any obligation to indemnify or otherwise protect any Grantee from the obligation to pay any taxes pursuant to Section 409A of the Code.

DESCRIPTION OF RESTRICTED STOCK UNITS GRANTED TO ANDREW J. McKENNA

In recognition of his responsibilities as non-executive Chairman and upon the recommendation of the Governance Committee of the Board of Directors (“Board”) of McDonald’s Corporation (the “Company”), a Special Committee of the Board awarded Andrew J. McKenna a grant of 14,222 restricted stock units (“RSUs”) on June 10, 2008, pursuant to authority delegated by the Board. Upon vesting, each RSU represents the right to receive one share of the Company’s common stock or, at the Company’s discretion, cash equal to the fair market value thereof. The RSUs will vest on the later of (i) one year from the date of grant or (ii) Mr. McKenna’s retirement from the Board. The RSUs will immediately vest upon Mr. McKenna’s death or if his service on the Board terminates because he becomes disabled.

Mr. McKenna also received grants of 17,000 RSUs in 2007, 15,000 RSUs in 2006 and 10,000 RSUs in 2005, on the same terms as described herein, such grants are disclosed in Exhibit 10(q) to Form 10-Q filed with the Securities and Exchange Commission on August 6, 2007 and on Forms 8-K filed with the Securities and Exchange Commission on May 31, 2006 and May 16, 2005, respectively.

TERMS OF THE RESTRICTED STOCK UNITS GRANTED PURSUANT TO THE COMPANY'S AMENDED AND RESTATED 2001 OMNIBUS STOCK OWNERSHIP PLAN

The following terms and conditions of McDonald's Corporation Restricted Stock Unit Awards are excerpted from the prospectus for awards under the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan ("2001 Plan") dated July 1, 2008. Capitalized terms used and not defined herein have the meanings given in the 2001 Plan, unless otherwise noted.

Restricted Stock Units (RSUs)

What are RSUs?

Each "restricted stock unit" – also called an "RSU" or a "unit" – represents one hypothetical share of McDonald's common stock. RSUs are granted under the 2001 Plan and are subject to the terms of the 2001 Plan and this Prospectus.

If you have received an award of RSUs, you must remain employed by McDonald's until the end of the vesting period in order for the RSUs to vest, subject to exceptions described below. In some cases, vesting may also be conditioned on performance goals. The vesting period and any applicable performance goals are specified in the confirmation sheet for your RSUs.

RSUs are paid out either in shares of McDonald's common stock or in cash, at McDonald's discretion. Payout will, subject to certain exceptions described below, occur as soon as administratively practicable after vesting.

Does the grant of RSUs provide me with any shareholder rights?

No. RSUs are not actual shares of stock, so you will not receive dividends on your units and you will have no voting rights with respect to your units. If your RSUs are paid out in shares of McDonald's common stock, you will have rights as a shareholder once you receive those shares.

When do my RSUs vest?

Typically on the third anniversary of the grant date. As explained above under "*What are RSUs?*", your RSUs will vest in accordance with the terms set forth in the confirmation sheet indicating the exact number of RSUs that you have been granted. Special rules apply if your employment terminates before the end of the vesting period, as explained below under "*What happens to my RSUs if I terminate employment before they vest?*" Special rules also apply if a change in control of McDonald's occurs before the end of the vesting period, as explained below under "*Other Information-Change in Control*".

What does "vesting" mean for my RSUs?

Vesting means that you have satisfied the service requirement and, if applicable, the performance requirement and earned your RSUs.

You will receive a payout of your vested RSUs as soon as is administratively practicable after vesting, subject to certain exceptions described below in the cases of termination of employment or change in control prior to the originally scheduled vesting date. The payout of RSUs will be made either in shares of McDonald's common stock or in cash, as McDonald's decides. If McDonald's decides to pay in shares, you will receive a number of shares of McDonald's common stock equal to the number of your vested RSUs, subject to tax withholding and any applicable fees, as described below. If McDonald's decides to pay in cash, you will receive a cash payment equal to the value of that number of shares at the close of business on the day the RSUs vest, subject to tax withholding and any applicable fees, as described below. If you receive a payout in shares, you will then have dividend, voting and other shareholder rights as to those shares.

What is the U.S. federal income tax treatment of an RSU?

The following discussion is limited to United States federal income tax laws applicable to RSU recipients who are both citizens and residents of the United States. The United States federal income tax treatment of RSUs granted to other recipients may differ. If you are a citizen of the United States and a resident of another country, or a resident of the United States and a citizen of another country, you are subject to United States federal income tax laws and you may also be subject to the tax laws of other countries. The discussion does not address the possible impact of the tax laws of other countries, which may provide for different tax consequences to recipients who are subject to such laws. Also, this discussion does not address the possible impact of the short-swing

profit recovery rules of Section 16 of the Securities Exchange Act of 1934, as amended, on the taxation of executive officers' RSUs. You should consult your tax advisor about the tax consequences of RSUs, including the relevance to your particular situation of the considerations discussed below. This discussion describes the tax law in effect on the date of this Prospectus and could change as a result of amendments to the law.

Non-U.S. Tax Consequences. If you are not both a citizen and a resident of the United States, please consult your Guide to Issues in your country for tax considerations relating to your RSUs.

General. Generally you will have taxable compensation income when you receive your RSU payout, regardless of whether the payout is in shares or cash. The amount of ordinary income will be equal to the number of your RSUs multiplied by the NYSE composite closing price of the McDonald's common stock at vesting. If the payout is in shares, McDonald's will require share withholding at the minimum statutory withholding rates in effect at the time of payment to cover, in part, your tax obligation. If the payout is in cash, McDonald's will apply required withholding procedures.

Tax under Section 409A on Deferred Compensation. In late 2004, a new Section 409A ("Section 409A") was added to the Internal Revenue Code governing the taxation of certain deferred compensation. McDonald's believes that the terms of RSUs are such that you will not be subject to tax penalties under this tax law as a result of receiving these awards. The Company reserves the right to modify grants if necessary to avoid the imposition of these tax penalties.

State and Local Taxes. Settlement of RSUs may also be subject to state and local taxation which varies from location to location.

Effect on McDonald's. The Company is generally entitled to a tax deduction in the same amount and in the same year in which you recognize ordinary income resulting from the settlement of RSUs.

When is the income from RSUs taxable to non-U.S. recipients?

Please refer to your Guide to Issues in your country and consult with your personal tax advisor.

What happens to my RSUs if I terminate employment before they vest?

The treatment of your RSUs upon termination of your employment before the end of the vesting period depends on the reason for your termination. The following sections describe the treatment of your RSUs upon termination of employment.

- Termination With At Least 68 Years of Combined Age and Company or Affiliate Service

If you voluntarily terminate your employment with McDonald's and (i) your combined age and years of Company and/or Affiliate Service equal or exceed 68, and (ii) you provide six months prior written notice of your intention to terminate employment to Lisa Emerson, Corporate Vice President – Global Total Compensation, and/or you execute and deliver to the Company a non-competition agreement satisfactory to the Company (in both cases as the Compensation Committee, or its delegate, may require), then you will vest in a pro-rata portion of your RSUs, based on the formula below. The vested RSUs will be paid out as soon as administratively practicable after termination of employment. If you are a Specified Employee, your payment will be deferred until as soon as administratively practicable following the first to occur of (i) the originally scheduled vesting date, (ii) the six-month anniversary of your termination of employment, or (iii) your death.

If you violate the provisions of the non-competition agreement during the two-year period following termination, the Company may seek to administratively or judicially enforce the covenants under the non-competition agreement and any failure to enforce that right does not waive that right.

In addition to any other requirements, for all grants on or after February 13, 2008, you are required to execute and deliver a release agreement satisfactory to the Company in order to receive this treatment.

Special Rule – RSUs Granted on or After February 14, 2007 to Recipients in a European Market. Please refer to the European Supplement to this Prospectus for information regarding the treatment of your RSUs upon termination of employment.

- Retirement After Age 60 with 20 Years or More of Company or Affiliate Service

If your employment terminates, other than for Cause, at any time after you attain age 60 with at least 20 years of Company and/or Affiliate Service, then you will vest in a pro-rata portion of your RSUs, based on the formula set forth below. The vested RSUs

will be paid out as soon as administratively practicable after termination of employment. If you are a Specified Employee, your payment will be deferred until as soon as administratively practicable following the first to occur of (i) the originally scheduled vesting date, (ii) the six-month anniversary of your termination of employment, or (iii) your death.

In addition to any other requirements, for all grants on or after February 13, 2008, you are required to execute and deliver a release agreement satisfactory to the Company in order to receive this treatment.

Special Rule – RSUs Granted on or After February 14, 2007 to Recipients in a European Market. Please refer to the European Supplement to this Prospectus for information regarding the treatment of your RSUs upon termination of employment.

Performance Vesting. If your employment terminates pursuant to either of the above rules and your RSUs are subject to performance-based vesting, they will be paid out as soon as administratively practicable after the originally scheduled vesting date, in the same amount, if any, that would have been paid to you based on actual performance had you remained employed through the originally scheduled vesting date but subject to the proration noted above in accordance with the formula set forth below.

- Special Circumstances (including Disaffiliation).

Special Circumstances means termination of employment by the Company without Cause or becoming an owner-operator of a McDonald's restaurant.

If you are terminated as a result of Special Circumstances and your combined age and years of Company and/or Affiliate Service are equal to or greater than 48, a pro-rata portion of your unvested RSUs will vest, based on the formula below. The vested RSUs will be paid out as soon as administratively practicable after termination of employment. If you are a Specified Employee, your payment will be deferred until as soon as administratively practicable following the first to occur of (i) the originally scheduled vesting date, (ii) the six-month anniversary of your termination of employment, or (iii) your death.

In addition to any other requirements, for all grants on or after February 13, 2008, you are required to execute and deliver a release agreement satisfactory to the Company in order to receive this treatment.

Special Rule – RSUs Granted on or After February 14, 2007 to Recipients in a European Market. Please refer to the European Supplement to this Prospectus for information regarding the treatment of your RSUs upon termination of employment.

Performance Vesting. If your RSUs are subject to performance-based vesting, they will be paid out as soon as is administratively practicable after the originally scheduled vesting date, in the same amount, if any, that would have been paid to you based on actual performance had you remained employed through the originally scheduled vesting date but subject to the proration noted above in accordance with the formula set forth below.

FORMULA FOR PRO-RATA VESTING

For non-performance-based awards, the formula for pro-rata vesting is as follows: [Number of RSUs granted] multiplied by [the number of months from the grant date through the date of termination] divided by [the number of months in the vesting period].

For performance-based awards, the formula for pro-rata vesting is as follows: [Number of RSUs that vest based on actual performance] multiplied by [the number of months from the grant date through the date of termination] divided by [number of months in the vesting period]. The "number of RSUs that vest based on actual performance" means the number of RSUs that would have actually vested on the originally scheduled vesting date, had you remained employed until that date.

Partial months are treated as whole months for the numerator in this calculation. The denominator will be expressed in months, and will be fixed on the date of the grant at the number of months in the vesting period. In the event that McDonald's decides to pay out your RSUs in shares and fractional shares result from applying the formula, any fractional share will be rounded up to the next whole share.

Examples

Non-Performance-Based Vesting: If you receive a non-performance-based grant of 900 RSUs on July 18, 2007 with a three-year vesting period, and you retire on June 2, 2008, 300 of your 900 RSUs would vest and be paid out, because you would have worked 12 months (counting July 2007 and June 2008 each as whole months) out of the 36-month vesting period.

Performance-Based Vesting: If you receive a performance-based grant of 1,000 RSUs on February 1, 2005 with a three-year vesting period and a performance goal based on EPS for the period ended December 31, 2007, and you retire on December 31, 2006, your payout, if any, will not be determined and paid immediately, but will be determined based on actual EPS through December 31, 2007. If the Company achieves the stated EPS threshold, so that all of your RSUs would have vested had you worked through February 1, 2008, then 638 of your 1,000 RSUs would vest and be paid out, because you have worked 23 months out of the 36-month vesting period and the Company achieved performance to warrant 100% payout. If the Company's actual EPS achievement results in only 75% vesting, then the number of your RSUs that vest and pay out would be 479 (computed as $750 \times 23/36$).

- For Cause or Policy Violation

If you are terminated for Cause (including on account of a Policy Violation, as determined by the Compensation Committee or its delegate) before your RSUs vest, you will forfeit them.

- Death or Disability

If you terminate employment because of death or Disability before the scheduled vesting date of your RSUs, they will, unless the award is subject to performance-based vesting, immediately vest and be paid out as soon as is administratively practicable after termination of employment, except that if you are a Specified Employee pursuant to the Company's Specified Key Employee Policy ("Specified Employee") and your termination is due to Disability but you are not disabled within the meaning of Section 409A, your payment will be deferred until as soon as administratively practicable following the first to occur of (i) the originally scheduled vesting date, (ii) the six-month anniversary of your termination of employment, or (iii) your death.

If your RSUs are subject to performance-based vesting and you die or terminate employment because of Disability before the scheduled vesting date of your RSUs, they will be paid out, as soon as is administratively practicable after the originally scheduled vesting date, in the same amount, if any, that would have been paid to you based on actual performance had you remained employed through the originally scheduled vesting date.

- Termination For Any Other Reason

If your employment terminates for any reason not listed above before your RSUs vest, you will forfeit them.

What happens to my RSUs upon a change in control or other transaction involving McDonald's?

RSUs will immediately vest upon a change in control if (a) McDonald's common stock ceases to be publicly traded and (b) the awards are not replaced by equivalent awards based upon publicly traded stock of a successor company or parent. In such an event, RSUs (including performance-based RSUs) will be paid out in full as soon as administratively practicable following the change in control, except that if the change in control does not qualify as a change in control for purposes of Section 409A, payment will be deferred until the first to occur of (i) the originally scheduled vesting date, (ii) your termination of employment (or, if you were an Specified Employee, the six-month anniversary of your termination of employment), or (iii) your death or disability within the meaning of Section 409A.

If the immediate vesting described in the preceding paragraph does not apply, but you are terminated for any reason other than Cause within two (2) years following a change in control, all of your RSUs (including performance-based RSUs) will vest and be paid out immediately (except that if you were an Specified Employee, payment will be deferred until the first to occur of (i) the originally scheduled vesting date, (ii) the six-month anniversary of your termination of employment, (iii) or your death or disability within the meaning of Section 409A).

Please refer to the "*Other Information*" section below for information concerning what constitutes a "change in control" as defined in the Plan.

Is there anything else I need to do to make sure I don't forfeit my RSUs?

You should make sure that the Company has your current address and contact information. If at the time your RSUs become payable, the Company is unable, after a reasonable search, to locate you or your beneficiary, as applicable, within a period of two calendar years after the payment becomes due, your RSUs will be considered "unclaimed amounts" and will be forfeited. After an unclaimed amount has been forfeited, you or your beneficiary, as applicable, will have no further right to any payment of the unclaimed amount.

Are the RSUs transferable?

Your RSUs are not assignable or transferable during your lifetime. As described below, subject to certain exceptions for performance-based RSUs, if you die while holding unvested RSUs, your unvested RSUs immediately will vest, and all of your RSUs will be paid out in shares or in cash, at the Company's discretion, as soon as is administratively practicable after death. This payout will be made to your beneficiaries or, if you have not designated a beneficiary, in accordance with your will or the applicable laws of descent and distribution. See *"How do I designate a beneficiary? What happens if I don't designate one?"*

If I receive shares of common stock upon vesting of my RSUs, when can I sell them?

Generally, you may freely sell your shares at any time after you receive them. However, some recipients of RSUs may be subject to the Company's rules relating to (i) the short-swing profit recovery rules of Section 16 of the Securities Exchange Act of 1934, as amended, upon settlement of their RSUs, (ii) certain restrictions imposed by Rule 144 under the Securities Act of 1933, as amended and/or (iii) other Company restrictions on trading (including the Company's trading window rule).

Will the Company offer equalization under its retirement plans for the RSU payouts or treat RSUs as compensation for any other purpose?

No. RSUs under the 2001 Plan will not be considered compensation for any of McDonald's retirement plans or any other employee benefit plan.

What is my creditor status?

You will be an unsecured general creditor of McDonald's and there will be no Company funding of the liability with respect to RSUs.

McDONALD'S CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
Dollars in Millions

	Six Months Ended June 30,			Years Ended December 31,			
	2008	2007	2007	2006	2005	2004	2003
Earnings available for fixed charges							
- Income from continuing operations before provision for income taxes and cumulative effect of accounting changes	\$3,062.0	\$ 834.2 ⁽¹⁾	\$3,572.1 ⁽¹⁾	\$4,154.4 ⁽²⁾	\$3,660.2	\$3,217.0 ⁽³⁾	\$2,349.4 ⁽⁴⁾
- Minority interest expense in operating results of majority-owned subsidiaries, including fixed charges related to redeemable preferred stock, less equity in undistributed operating results of less than 50%-owned affiliates	4.3	3.3	7.2	5.5	1.2	4.4	18.6
- Income tax provision (benefit) of 50% owned affiliates included in income from continuing operations before provision for income taxes	15.0	10.1	22.4	5.9	(3.5)	13.1	(28.6)
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	160.7	155.4	312.8	304.0	292.8	272.2	257.6
- Interest expense, amortization of debt discount and issuance costs, and depreciation of capitalized interest*	292.1	216.7	442.7	437.4	392.2	394.2	427.2
	<u>\$3,534.1</u>	<u>\$1,219.7</u>	<u>\$4,357.2</u>	<u>\$4,907.2</u>	<u>\$4,342.9</u>	<u>\$3,900.9</u>	<u>\$3,024.2</u>
Fixed charges							
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	\$ 160.7	\$ 155.4	\$ 312.8	\$ 304.0	\$ 292.8	\$ 272.2	\$ 257.6
- Interest expense, amortization of debt discount and issuance costs, and fixed charges related to redeemable preferred stock*	283.5	207.1	425.9	418.4	373.4	375.6	408.7
- Capitalized interest*	3.8	2.2	7.0	5.5	5.0	4.1	7.9
	<u>\$ 448.0</u>	<u>\$ 364.7</u>	<u>\$ 745.7</u>	<u>\$ 727.9</u>	<u>\$ 671.2</u>	<u>\$ 651.9</u>	<u>\$ 674.2</u>
Ratio of earnings to fixed charges	<u>7.89</u>	<u>3.34</u>	<u>5.84</u>	<u>6.74</u>	<u>6.47</u>	<u>5.98</u>	<u>4.49</u>

* Includes amounts of the Registrant and its majority-owned subsidiaries, and one-half of the amounts of 50%-owned affiliates. The Company records interest expense on unrecognized tax benefits in the provision for income taxes. This interest is not included in the computation of fixed charges.

- (1) Includes pretax charges of \$1.6 billion for the six months and \$1.7 billion for the year, primarily related to impairment in connection with the Company's sale of Latam to a developmental licensee.
- (2) Includes pretax charges of \$134.2 million primarily related to impairment.
- (3) Includes pretax charges of \$232.1 million consisting of \$130.5 million related to impairment and \$150.9 million related to the correction in the Company's lease accounting practices and policies as well as a \$49.3 million gain relating to the sale of the Company's interest in a U.S. real estate partnership.
- (4) Includes pretax charges of \$407.6 million primarily related to the disposition of certain non-McDonald's brands and impairment.

Exhibit 31.1. Rule 13a-14(a) Certification of Chief Executive Officer

I, James A. Skinner, Vice Chairman and Chief Executive Officer of McDonald's Corporation, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2008

/s/ James A. Skinner

James A. Skinner

Vice Chairman and Chief Executive Officer

Exhibit 31.2. Rule 13a-14(a) Certification of Chief Financial Officer

I, Peter J. Bensen, Corporate Executive Vice President and Chief Financial Officer of McDonald's Corporation, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of McDonald's Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2008

/s/ Peter J. Bensen

Peter J. Bensen

*Corporate Executive Vice President and
Chief Financial Officer*

**Exhibit 32.1. Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2008

/s/ James A. Skinner

James A. Skinner

Vice Chairman and Chief Executive Officer

**Exhibit 32.2. Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of McDonald's Corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2008

/s/ Peter J. Bensen

Peter J. Bensen

*Corporate Executive Vice President and
Chief Financial Officer*