MCDONALDS CORP
Form DEF 14A
April 09, 2007
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SCHEDULE 14A INFORMATION

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

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-12

McDonald s Corporation

(Name of Registrant as Specified In Its Charter)

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To McDonald s Corporation Shareholders:

McDonald s Corporation will hold its 2007 Annual Shareholders Meeting on Thursday, May 24, 2007, at 9:00 a.m. Central Time, in the Prairie Ballroom at The Lodge at McDonald s Office Campus, Oak Brook, Illinois. The registration desk will open at 7:30 a.m.

At the meeting, shareholders will be asked to:

1. Elect four Directors;

2. Approve the appointment of an independent registered public accounting firm to serve as independent auditors for 2007;

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

4. Transact other business properly presented at the meeting.

Your Board of Directors recommends that you vote FOR all nominees for Director, FOR the approval of the independent auditors, and AGAINST the shareholder proposals. Your vote is important.

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

Please consider the issues presented in this Proxy Statement and vote your shares as promptly as possible. This Notice of the Annual Shareholders Meeting and Proxy Statement and proxy or voting instruction card are being sent to shareholders beginning on or about April 9, 2007.

By order of the Board of Directors,

Gloria Santona

Secretary

Oak Brook, Illinois

April 9, 2007

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

Corporate governance

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

We believe good governance starts with a Board of Directors whose independence ensures candid and constructive engagement with management about all aspects of our business. Our Board has only one management member, the Chief Executive Officer, and all other Directors are independent. Our Director nomination process seeks persons with the initiative, time, skills and experience to be effective contributors, particularly in light of the Company s challenges.

In 2006, our Board adopted a majority voting standard for uncontested Director elections. We believe this gives shareholders an even greater voice in our governance. To be elected under this standard, Director nominees must receive more votes for than against their election.

Our Corporate Governance Principles address other matters relating to Board operations that are fundamental to shareholder interests. Directors must, for example, limit outside activities and abide by a specific code of conduct so that we can be confident about their commitment. To underscore that commitment and alignment with shareholders, Directors receive stock-based compensation and must own a specified level of McDonald s common stock. Since early 2004, our Board has also been led by an independent Chairman, Andrew McKenna. He and our other independent Directors meet regularly without management present to evaluate the Company s results, plans and challenges, as well as management s performance and the strength and development of our leadership bench. In 2006, the full Board met nine times. In addition, our independent Directors met in executive session nine times. Directors are expected to attend the Company s Annual Meeting of Shareholders, and all or substantially all Board meetings and meetings of the Committees of the Board on which they serve. In 2006, all of the Directors attended the Annual Meeting of Shareholders.

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

The Audit Committee oversees financial reporting matters and is responsible for selecting McDonald s independent auditors. The Audit Committee is critical in setting the right tone at the top and in that role reviews communications we receive about accounting or control matters and receives regular reports about the Company s ethics and compliance programs. The Committee also reviews related person transactions and makes recommendations to the Board about those matters and McDonald s major risk exposures. Its report on activities in 2006 begins on page 36 of this Proxy Statement.

The Compensation Committee reviews compensation levels for our officers worldwide, but has special responsibility for establishing goals and compensation levels for our Chief Executive Officer and other key executives. As recommended by shareholders in 2006, the Committee approved a new policy to limit future severance agreements with our executives. This year, we are also providing more detail about executive compensation, as required by SEC rules, and the Compensation Committee has special oversight responsibility for this disclosure. The Committee s report is set forth on page 14 of this Proxy Statement and is followed by management s Compensation Discussion and Analysis and related information.

The Governance Committee monitors our Board structure and operations. Among its most important functions are the identification, evaluation and recruitment of Director candidates, whether they are suggested by Directors, management or shareholders. The Committee makes a recommendation to the Board with respect to all Director nominees, including those you will vote on this year. In addition, under our new majority voting standard for uncontested Director elections, if an incumbent Director fails to be elected, the Governance Committee is responsible for making a recommendation to the Board about whether to accept the Director s resignation.

While not mandated by law, our other Board Committees figure prominently in our vision of corporate governance, which includes responsible corporate citizenship. Our Corporate Responsibility Committee, established in 2000, is charged with oversight of our approach to many social, health and environmental issues that confront our industry. These issues are important to our customers and to the McDonald s System, which includes franchisees and suppliers as well as the Company, its subsidiaries and joint ventures, and we acknowledge the benefits of dialogue about them.

To ensure that McDonald s significant financial policies and plans, such as its dividend policy and share repurchase program, are considered in appropriate detail in light of its overall strategy and performance, we established a fully independent Finance Committee charged with review of these and similar matters that are beyond the scope of the Audit Committee s responsibilities.

McDonald s is proud of its governance structure, but mindful that governance is a journey, not a destination. We refine our practices continuously to promote an effective collaboration of management and our Board that yields value for our shareholders. We welcome shareholder communications about our practices, which can be sent as described on page 6 of this Proxy Statement. Good governance is critical to fulfilling our obligations to shareholders McDonald s will continue to strive to be a leader in adopting sound practices for the oversight of our business.

Director independence

Our Corporate Governance Principles require that all Directors except the Chief Executive Officer be independent. The Board is responsible for determining the independence of our Directors, and the Board has adopted Standards on Director Independence for these purposes, which are attached as Appendix A to this

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Proxy Statement. The Board considers relationships involving Directors and their immediate family members that may implicate any of these Standards or other applicable law or the listing standards of the NYSE and relies on information derived from Company records, questionnaires completed by Directors and inquiries of other relevant parties.

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

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

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

- in which Board members or their immediate family members then held an aggregate 10% or more direct or indirect interest (Prairie Packaging, Inc. and Schwarz Paper Company).

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

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

Based on its review of the above relationships, the Board determined that none of its non-management Directors has a material relationship with the Company and that all of them are independent within the meaning of the Board s Standards on Director Independence, as well as applicable law and listing standards. The non-management Directors are Hall Adams, Jr., Edward A. Brennan, Robert A. Eckert, Enrique Hernandez, Jr., Jeanne P. Jackson, Richard H. Lenny, Walter E. Massey, Andrew J. McKenna, Cary D. McMillan, Sheila A. Penrose, John W. Rogers, Jr. and Roger W. Stone. Anne-Marie Slaughter, who served as a Director until March 31, 2006, was independent during the time she served.

Financial experts, Audit Committee independence and financial literacy

The Board of Directors determined that Enrique Hernandez, Jr., Cary D. McMillan and Roger W. Stone qualify as audit committee financial experts and that each member of the Audit Committee is independent and financially literate, all within the meaning of applicable rules of the SEC and the listing standards of the NYSE.

Board Committees

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

The **Audit Committee** appoints the Company s independent auditors and evaluates their independence and performance. The Audit Committee reviews with the internal auditors and the independent auditors the overall scope and results of their respective audits, the internal accounting and financial controls, and the steps management has taken to monitor and control the Company s major risk exposures. The Audit Committee also reviews the Company s material financial disclosures and pre-approves all audit and permitted non-audit services. In addition, the Audit Committee annually reviews the adequacy and appropriateness of the Company s compliance programs including the Company s disclosure controls and procedures. Members of the Committee are Directors Hernandez (Chairperson), Adams, Massey, McMillan, Penrose and Stone. All members of the Audit Committee are independent within the meaning of the listing standards of the NYSE. In 2006, the Audit Committee met ten times, including meetings to review the Company s annual and quarterly financial reports prior to filing with the SEC.

The Audit Committee Report, a discussion of the Policy For Pre-Approval of Audit and Permitted Non-Audit Services and a summary of Auditor Fees and Services can be found on pages 36 and 37 of this Proxy Statement.

The **Compensation Committee** evaluates the performance of the Company s Chief Executive Officer and approves his compensation in consultation with the non-management Directors. Based on recommendations from management, the Committee also reviews and approves senior management s compensation and approves compensation guidelines for all other officers of the Company. The Committee administers the Company s incentive and equity compensation plans and, in consultation with senior management, reviews and approves compensation policies. Members of the Committee are Directors Brennan (Chairperson), Eckert, Jackson, Lenny and Rogers. All members of the Compensation Committee are independent within the meaning of the listing standards of the NYSE. In 2006, the Compensation Committee met eight times.

The Compensation Committee Report can be found on page 14 of this Proxy Statement.

The **Governance Committee** sets criteria for Board membership; searches for and screens candidates to fill Board vacancies; recommends appropriate candidates for election each year and, in this regard, evaluates individual Director performance; assesses overall Board performance; considers Board composition and size; recommends to the Board the compensation paid to non-management Directors and evaluates the Company s corporate governance process. The Committee also considers and makes recommendations to the Board regarding shareholder proposals for inclusion in the Company s annual proxy statement. Members of the Committee are Directors McKenna (Chairperson), Brennan, Eckert, Hernandez and Stone. All members of the Governance Committee are independent within the meaning of the listing standards of the NYSE. In 2006, the Governance Committee met nine times.

The **Corporate Responsibility Committee** acts in an advisory capacity to the Company s management with respect to policies and strategies that affect the Company s role as a socially responsible organization, including issues pertaining to health

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and safety, the environment, employee opportunities, consumers and the communities in which the Company does business. Members of the Committee are Directors Massey (Chairperson), Adams, Penrose and Rogers. In 2006, the Corporate Responsibility Committee met three times.

The **Finance Committee** has principal oversight responsibility with respect to certain material financial matters that are outside the purview of the Audit Committee, including the Company s treasury activities as well as acquisitions and divestitures that are significant to the Company s business. This Committee annually reviews the Company s worldwide insurance program, banking and trading arrangements, and policies with respect to dividends and share repurchase. Members of the Committee are Directors Jackson (Chairperson), Lenny, McKenna, McMillan and Stone. In 2006, the Finance Committee met five times.

The **Executive Committee** may exercise most Board powers during the period between Board meetings. Members of this Committee are Directors Skinner (Chairperson), Brennan, Hernandez and McKenna. In 2006, the Executive Committee met twice.

Director compensation

Under McDonald s Corporate Governance Principles, the Governance Committee recommends to the Board the form and amount of compensation for non-management Directors. Only non-management Directors are paid for their service on the Board.

The following table summarizes the compensation earned by the non-management Directors in 2006:

Name (a)	*Fees earned or paid in cash ($)(1)(2)* (b)	*Stock awards ($)(3)(4)* (c)	*Option awards ($)(5)(6)* (d)	*Total ($)* (h)
Hall Adams, Jr.	$ 84,000	$ 60,000	$ 20,123	$ 164,123
Edward A. Brennan	109,000	60,000	22,421	191,421
Robert A. Eckert	88,000	60,000	25,150	173,150
Enrique Hernandez, Jr.	111,000	60,000	20,123	191,123
Jeanne P. Jackson	90,000	60,000	20,123	170,123
Richard H. Lenny	85,000	60,000		145,000
Walter E. Massey	94,000	60,000	20,123	174,123
Andrew J. McKenna *(7)*	106,000	461,467	20,123	587,590
Cary D. McMillan	84,000	60,000	25,150	169,150
Sheila A. Penrose	48,934	36,329		85,263
John W. Rogers, Jr.	82,000	60,000	25,150	167,150
Anne-Marie Slaughter	18,000	14,795	53,617	86,412
Roger W. Stone	96,000	60,000	20,123	176,123

(1) Non-management Directors who served throughout 2006 earned: an annual retainer of $60,000; a $1,000 fee for each Board meeting attended; a $1,000 fee for each Committee meeting attended; and a $1,000 fee for each executive session not held in conjunction with a Board meeting. In addition, in 2006, the Chairperson of each of the Audit, Compensation and Governance Committees (Directors Hernandez, Brennan and McKenna, respectively) received an annual retainer fee of $20,000 and the Chairperson of each of the Corporate Responsibility and Finance Committees (Directors Massey and Jackson, respectively) received an annual retainer fee of $10,000 for service in these capacities. Director Penrose was elected to the Board on May 25, 2006 and Director Slaughter resigned from the Board on March 31, 2006. The cash fees earned by Directors Penrose and Slaughter in 2006 reflect their service in the portion of the year during which each of them served on the Board. The Governance Committee recommended and the Board of Directors approved the following compensation for non-management Directors effective January 1, 2007: annual cash retainer, $90,000; annual stock equivalent benefit, $90,000; Board meeting fee, $2,000; and Committee meeting fee, $1,500. Reimbursement for physical examinations has been eliminated.

The Company reimburses non-management Directors for expenses incurred in connection with attending Board, Committee and shareholder meetings as well as attending McDonald s business meetings at management s invitation. On limited occasions, the Company may determine that for business reasons it is appropriate for non-management Directors to be accompanied by their spouses at these meetings or at other events related to their service on the Board. In these circumstances, the Company also reimburses the spouses travel expenses. In addition, in accordance with our Corporate Governance Principles, the Company reimburses reasonable expenses related to continuing education for our Directors.

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

(3) Represents the expense to the Company in 2006, as reported in our financial statements pursuant to Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* (FAS No. 123(R)), of (i) common stock equivalent units granted under the Directors Deferred Compensation Plan on December 31, 2006 to each non-management Director who was serving at the end of the year; and (ii) in the case of Director McKenna, restricted stock units, including a special grant of 15,000 restricted stock units on May 25, 2006 awarded in recognition of Director McKenna s service as non-executive Chairman of the Board, as described in note 7 below. Directors Penrose and Slaughter received pro rata credits to their accounts under the Directors Deferred Compensation Plan on December 31, 2006, reflecting the portion of the year during which each of them served.

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(4) The aggregate number of outstanding stock awards held by each of the non-management Directors as of December 31, 2006 is set forth in the table below. Stock awards include common stock equivalent units under the Directors Deferred Compensation Plan and, in the case of Director McKenna, both common stock equivalent units and restricted stock units:

Name	*Aggregate number of outstanding stock awards as of December 31, 2006*
Hall Adams, Jr.	12,987
Edward A. Brennan	21,780
Robert A. Eckert	14,207
Enrique Hernandez, Jr.	35,550
Jeanne P. Jackson	24,323
Richard H. Lenny	4,960
Walter E. Massey	14,824
Andrew J. McKenna	98,355
Cary D. McMillan	13,994
Sheila A. Penrose	820
John W. Rogers, Jr.	13,744
Anne-Marie Slaughter	5,756
Roger W. Stone	71,124

(5) Represents the expense to the Company in 2006 under FAS 123(R), as reported in our financial statements, of stock options granted in prior years. The Company has not granted any stock options to non-management Directors since May 20, 2004. At the time of Director Slaughter s resignation, the Compensation Committee unanimously resolved to accelerate the vesting of her outstanding unvested stock options. This acceleration was reflected in the Company s expense in 2006 under FAS 123(R) in respect of Director Slaughter s stock options.

(6) The aggregate number of outstanding stock options held by each of the non-management Directors as of December 31, 2006 is set forth in the table below:

Name	*Aggregate number of outstanding stock options as of December 31, 2006*
Hall Adams, Jr.	28,000
Edward A. Brennan	20,000
Robert A. Eckert	15,000
Enrique Hernandez, Jr.	28,000
Jeanne P. Jackson	24,000
Richard H. Lenny	
Walter E. Massey	28,000
Andrew J. McKenna	10,998
Cary D. McMillan	15,000
Sheila A. Penrose	
John W. Rogers, Jr.	15,000
Anne-Marie Slaughter	10,000
Roger W. Stone	25,666

(7) The amount reported in the Stock Awards column for Director McKenna represents the sum of (i) the $60,000 credit to his account under the Directors Deferred Compensation Plan on December 31, 2006; and (ii) the 2006 expense to the Company under FAS 123(R), as reported in our financial statements, of the special awards of 10,000 restricted stock units granted on May 10, 2005 and 15,000 restricted stock units granted on May 25, 2006, in recognition of his service as non-executive Chairman of the Board. These restricted stock units will vest on the later of one year from the date of grant or Director McKenna s retirement date. The 2006 expense under FAS 123(R) of Director McKenna s restricted stock units was $401,467.

Board and Committee evaluations

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

Code of Conduct for the Board of Directors

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

Director selection process

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

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

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

The Governance Committee also evaluates sitting Directors whose terms are nearing expiration and who are being considered for renomination in light of the above considerations and their past contributions to the Board. *Shareholders who wish to nominate Director candidates should follow the procedures described in the section on Consideration of Director nominations which can be found on page 6 of this Proxy Statement.*

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COMMUNICATIONS

Shareholder communications with the Board of Directors and non-management Directors

Interested persons wishing to communicate directly with the Board or the non-management Directors, individually or as a group, may do so by sending written communications addressed to them at McDonald s Corporation, P.O. Box 4837, Oak Brook, IL 60522-4837. Under the Board s policy for shareholder communications addressed to the Board, the Company s Secretary collects mail from the Directors post office box, forwards correspondence directed to an individual Director to that Director, and screens correspondence directed to multiple Directors or the full Board in order to forward it to the most appropriate Committee Chairperson, the Chairman or the full Board. Communications to the Board, the non-management Directors or to any individual Director that relate to the Company s accounting, internal accounting controls or auditing matters are referred to the Chairperson of the Audit Committee.

Consideration of Director nominations

Shareholders can suggest Director candidates for consideration by writing to the Governance Committee, c/o The Secretary, McDonald s Corporation, McDonald s Plaza, Oak Brook, IL 60523-1928. Shareholders should provide the candidate s name, biographical data, qualifications and the candidate s written consent to being named as a nominee in the Company s Proxy Statement and to serve as a Director, if elected. To be eligible to be a nominee for election as a Director, the shareholder must also deliver statements to the Secretary indicating whether the candidate: (a) will deliver a resignation effective upon failure to receive the required vote for election; (b) is a party to any voting commitment that could limit the nominee s ability to carry out his/her fiduciary duties; (c) intends to refrain from entering into voting commitments; (d) is a party to any arrangements for compensation, reimbursement or indemnification in connection with service as a Director, or intends to enter into any such arrangement; and (e) intends to comply with the Company s publicly disclosed policies and guidelines.

The By-Law provisions relating to Director nominations are attached as Appendix B to this Proxy Statement. The Company s By-Laws are available on the Company s website at www.governance.mcdonalds.com.

For Director nominations to be properly brought before an annual meeting by a shareholder, timely notice must be given by the shareholder to the Company s Secretary. To be timely, the notice must be delivered to the Secretary at the above address not less than 90 days nor more than 120 days before the one-year anniversary of the preceding year s annual meeting. With respect to the 2008 Annual Shareholders Meeting, notice will be timely if it is delivered between January 25, 2008 and February 22, 2008.

Shareholder proposals for inclusion in next year s Proxy Statement

To be considered for inclusion in next year s Proxy Statement, shareholder proposals must be received by the Company s Secretary no later than December 11, 2007. These proposals should be sent to the Secretary by fax at 1-630-623-0497 or by mail to The Secretary, McDonald s Corporation, McDonald s Plaza, Oak Brook, IL 60523-1928. This notice requirement is separate from and in addition to the SEC s requirements that a shareholder must meet in order to have a shareholder proposal included in the Company s Proxy Statement.

Other shareholder proposals for presentation at the 2008 Annual Shareholders Meeting

For any proposal that is not submitted for inclusion in next year s Proxy Statement, but is instead sought to be presented directly from the floor of the 2008 Annual Shareholders Meeting, the Company s By-Laws require that timely notice must be given to the Company s Secretary. To be timely, the notice must be delivered to the Secretary at the above address between January 25, 2008 and February 22, 2008. The By-Laws also provide that the proposal, as determined by the Chairman of the meeting, must be a proper subject for shareholder action under Delaware corporation law.

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PROPOSALS TO BE VOTED ON

Proposal No. 1. Election of Directors

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

Nominees

The nominees for Director are: Edward A. Brennan, Walter E. Massey, John W. Rogers, Jr., and Roger W. Stone.

The four nominees are standing for election as Directors at the 2007 Annual Shareholders Meeting to hold office for three-year terms expiring in 2010.

Your shares will be voted according to your instructions. If you return your signed proxy card but do not provide voting instructions, your shares will be voted FOR the election of the four nominees named above. To be elected to the Board, the nominee for Director must receive more votes for than against. Abstentions will have no effect on the outcome of an election. If a nominee is not reelected, he will remain in office until a successor is elected or until his earlier resignation or removal. Each of the nominees has agreed to tender an irrevocable resignation that will be effective (i) if the nominee is not reelected at the Annual Shareholders Meeting and (ii) if the Board accepts such resignation following the meeting. The Governance Committee will act on an expedited basis to determine whether or not to accept the nominee s resignation and will submit such recommendation for prompt consideration by the Board. The Governance Committee and the Board may consider any factors they deem appropriate and relevant in deciding whether or not to accept a nominee s resignation.

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

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

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

Adams	***Brennan*** *Nominee*	***Eckert***
Hernandez	***Jackson***	***Lenny***
Massey *Nominee*	***McKenna***	***McMillan***
Penrose	***Rogers*** *Nominee*	***Skinner***
Stone *Nominee*		

Biographical information

Hall Adams, Jr. Mr. Adams was the Chief Executive Officer of Leo Burnett & Co., Inc., an advertising firm, from 1987 until his retirement in 1992. Mr. Adams, 73, has served as a Director of McDonald s since 1993 and is a member of the class of 2008.

Edward A. Brennan *Nominee.* Mr. Brennan is the retired Chairman, President and Chief Executive Officer of Sears, Roebuck and Co., a merchandising company. He retired from Sears in 1995. From April 2003 to May 2004, Mr. Brennan served as Executive Chairman of AMR Corporation, the parent company of American Airlines, and Executive Chairman of American Airlines, Inc., a scheduled passenger airline and scheduled air freight carrier. Mr. Brennan, 73, joined McDonald s Board in 2002 and is a nominee for the class of 2010. He also serves on the boards of AMR Corporation and Exelon Corporation.

Robert A. Eckert Mr. Eckert is Chairman and Chief Executive Officer of Mattel, Inc., a designer, manufacturer and marketer of family products, a post he has held since May 2000. He joined the Board of McDonald s in 2003 and is a member of the class of 2009. Mr. Eckert is 52 years old.

Enrique Hernandez, Jr. Mr. Hernandez has been Chairman and Chief Executive Officer of Inter-Con Security Systems, Inc., a provider of high-end security and facility support services to government, utilities and industrial customers, since 1986. He joined the Board in 1996 and is a member of the class of 2009. Mr. Hernandez, 51, also serves as the non-executive Chairman of the Board of Nordstrom, Inc. and as a director of Tribune Company and Wells Fargo & Company.

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Jeanne P. Jackson Ms. Jackson is the General Partner of MSP Capital, a consulting and investment firm she founded in 2003. Ms. Jackson was Chief Executive Officer of Walmart.com from March 2000 to January 2002. Ms. Jackson, 55, joined McDonald s Board in 1999 and is a member of the class of 2009. She also serves on the boards of NIKE, Inc. and Nordstrom, Inc.

Richard H. Lenny Mr. Lenny has been Chairman, President and Chief Executive Officer of The Hershey Company, a manufacturer, distributor and marketer of chocolate and non-chocolate candy, snacks and candy-related grocery products, since January 2002. From March 2001 to December 2001, he was President and Chief Executive Officer of The Hershey Company. From January 2001 until March 2001, he was Group Vice President of Kraft Foods, Inc. and President of its Nabisco Biscuit and Snack business. Mr. Lenny, 55, joined McDonald s Board in 2005 and is a member of the class of 2008.

Walter E. Massey *Nominee.* Dr. Massey is President of Morehouse College, a post to which he was named in 1995, and expects to retire in June 2007. He also serves as a director of Bank of America Corporation and BP p.l.c. Dr. Massey, 69, joined McDonald s Board in 1998 and is a nominee for the class of 2010.

Andrew J. McKenna Mr. McKenna has been the non-executive Chairman of the Board since 2004 and is also the Chairman of Schwarz Paper Company, a printer, converter, producer and distributor of packaging and promotional materials. Mr. McKenna, 77, joined McDonald s Board in 1991 and is a member of the class of 2009. He is also a director of Aon Corporation and Skyline Corporation.

Cary D. McMillan Mr. McMillan has been Chief Executive Officer of True Partners Consulting, LLC, a professional services firm providing tax and other financial services, since December 2005. From October 2000 to May 2004, he was the Chief Executive Officer of Sara Lee Branded Apparel, and Executive Vice President, from January 2000 to May 2004, of Sara Lee Corporation, a branded consumer packaged goods company. Mr. McMillan, 49, joined McDonald s Board in 2003 and serves in the class of 2008. He also serves as a director of Hewitt Associates, Inc.

Sheila A. Penrose Ms. Penrose is President of The Penrose Group, a provider of strategic advisory services on financial and organizational strategies. She is also the non-executive Chairman of the Board of Jones Lang LaSalle Incorporated, a real estate services and money management firm, since her election to that post in January 2005. She has served on Jones Lang LaSalle s Board since 2002. Ms. Penrose also serves as Executive Advisor to the Boston Consulting Group and as a director of eFunds Corporation (until May 2007). Ms. Penrose, 61, joined McDonald s Board in 2006 and serves in the class of 2008.

John W. Rogers, Jr. *Nominee.* Mr. Rogers is the Chairman and Chief Executive Officer of Ariel Capital Management, LLC, a privately held institutional money management firm which he founded in 1983. Mr. Rogers, 49, joined the McDonald s Board in 2003 and is a nominee for the class of 2010. Mr. Rogers also serves as a director of Aon Corporation and Exelon Corporation, and as a trustee of Ariel Investment Trust.

James A. Skinner Mr. Skinner is Vice Chairman and Chief Executive Officer, a post to which he was elected in November 2004; he has also served as a Director since that time. He served as Vice Chairman from January 2003 to November 2004 and as President and Chief Operating Officer of the McDonald s Worldwide Restaurant Group from January 2002 to December 2002. Prior to that time, he served as President and Chief Operating Officer of McDonald s Europe/Asia/Pacific from June 2001 to January 2002. Mr. Skinner, 62, has been with the Company for 35 years and serves in the class of 2008. He also serves on the boards of Illinois Tool Works Inc. and Walgreen Co.

Roger W. Stone *Nominee.* Mr. Stone has been Chairman and Chief Executive Officer of KapStone Paper and Packaging Corporation, formerly Stone Arcade Acquisition Corporation, since April 2005. Mr. Stone was manager of Stone-Kaplan Investments, LLC from July 2004 to January 2007 and Chairman and Chief Executive Officer of Stone Arcade Acquisition Corporation. He was Chairman and Chief Executive Officer of Box USA Group, Inc., corrugated box manufacturer, from 2000 to 2004. Mr. Stone, 72, joined McDonald s Board in 1989 and is a nominee for the class of 2010.

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Proposal No. 2. Approval of the appointment of an independent registered public accounting firm to serve as independent auditors for 2007

The Audit Committee is responsible for the appointment of the independent auditors engaged by the Company. The Audit Committee has appointed Ernst & Young LLP as independent auditors for 2007. The Board is asking shareholders to approve this appointment. Ernst & Young LLP audited the Company s financial statements and internal control over financial reporting for 2006. A representative of that firm will be present at the Annual Shareholders Meeting and will have an opportunity to make a statement and answer questions.

See pages 36 through 37 of this Proxy Statement for additional information regarding the independent auditors, including a description of the Audit Committee s Policy for Pre-Approval of Audit and Permitted Non-Audit Services and a summary of Auditor Fees and Services.

The Board of Directors recommends that shareholders vote FOR the appointment of Ernst & Young LLP, an independent registered public accounting firm, to serve as independent auditors for 2007.

Proposal No. 3. Shareholder proposal relating to labeling of genetically modified products

The Camilla Madden Charitable Trust, Bon Secours Health System, Inc., the Congregation of the Sisters of St. Joseph of Springfield, the Sinsinawa Dominicans, The Sisters of St. Francis of Philadelphia, the Sisters of Charity of the Incarnate Word, the Dominican Sisters of Springfield, Illinois and Providence Trust advised the Company that they intend to present the following shareholder proposal at the Annual Shareholders Meeting. The addresses of the proponents and the number of shares they own are available upon request by calling 1-630-623-2553 or by sending a request to McDonald s Corporation, Investor Relations Service Center, Department 300, McDonald s Plaza, Oak Brook, IL 60523-1928.

Shareholder proposal

Resolved: Shareholders request that the Board of Directors adopt a policy to identify and label all food products manufactured or sold by the company under the company s brand names or private labels that may contain genetically engineered (GE) ingredients or products of animal cloning.

Supporting statement

The right to know is a fundamental principle of democratic societies and market economics.