
**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 March 31, 2010

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.)

One 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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

1,075,797,083
(Number of shares of common stock
outstanding as of March 31, 2010)

McDONALD'S CORPORATION

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEET

In millions, except per share data	(unaudited) March 31, 2010	December 31, 2009
Assets		
Current assets		
Cash and equivalents	\$ 2,007.3	\$ 1,796.0
Accounts and notes receivable	930.0	1,060.4
Inventories, at cost, not in excess of market	99.3	106.2
Prepaid expenses and other current assets	435.7	453.7
Total current assets	3,472.3	3,416.3
Other assets		
Investments in and advances to affiliates	1,157.2	1,212.7
Goodwill	2,471.1	2,425.2
Miscellaneous	1,655.0	1,639.2
Total other assets	5,283.3	5,277.1
Property and equipment		
Property and equipment, at cost	32,915.1	33,440.5
Accumulated depreciation and amortization	(11,845.1)	(11,909.0)
Net property and equipment	21,070.0	21,531.5
Total assets	\$ 29,825.6	\$ 30,224.9
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 472.1	\$ 636.0
Income taxes	362.9	202.4
Other taxes	262.0	277.4
Accrued interest	149.7	195.8
Accrued payroll and other liabilities	1,304.5	1,659.0
Current maturities of long-term debt	18.1	18.1
Total current liabilities	2,569.3	2,988.7
Long-term debt	10,482.6	10,560.3
Other long-term liabilities	1,408.6	1,363.1
Deferred income taxes	1,248.3	1,278.9
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	4,960.6	4,853.9
Retained earnings	31,769.3	31,270.8
Accumulated other comprehensive income	512.9	747.4
Common stock in treasury, at cost; 584.8 and 583.9 million shares	(23,142.6)	(22,854.8)
Total shareholders' equity	14,116.8	14,033.9
Total liabilities and shareholders' equity	\$ 29,825.6	\$ 30,224.9

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In millions, except per share data	Quarters Ended	
	2010	2009
Revenues		
Sales by Company-operated restaurants	\$3,803.1	\$3,484.7
Revenues from franchised restaurants	1,807.0	1,592.7
Total revenues	5,610.1	5,077.4
Operating costs and expenses		
Company-operated restaurant expenses	3,110.9	2,920.5
Franchised restaurants – occupancy expenses	339.3	296.7
Selling, general & administrative expenses	546.3	497.3
Impairment and other charges (credits), net	30.8	1.2
Other operating (income) expense, net	(91.3)	(38.7)
Total operating costs and expenses	3,936.0	3,677.0
Operating income	1,674.1	1,400.4
Interest expense	111.0	120.9
Nonoperating (income) expense, net	6.2	(16.4)
Gain on sale of investment		(76.5)
Income before provision for income taxes	1,556.9	1,372.4
Provision for income taxes	467.1	392.9
Net income	\$1,089.8	\$ 979.5
Net income per common share–basic:	\$ 1.01	\$ 0.88
Net income per common share–diluted:	\$ 1.00	\$ 0.87
Dividends declared per common share	\$ 0.55	\$ 0.50
Weighted-average shares outstanding–basic	1,076.0	1,109.6
Weighted-average shares outstanding–diluted	1,090.1	1,124.4

See Notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In millions	Quarters Ended	
	2010	March 31, 2009
Operating activities		
Net income	\$1,089.8	\$ 979.5
Adjustments to reconcile to cash provided by operations		
Charges and credits:		
Depreciation and amortization	317.9	282.2
Deferred income taxes	(6.3)	50.3
Gain on sale of investment		(76.5)
Share-based compensation	25.9	30.4
Impairment and other charges (credits), net	30.8	1.2
Other	36.2	79.8
Changes in working capital items	(71.6)	(216.2)
Cash provided by operations	1,422.7	1,130.7
Investing activities		
Property and equipment expenditures	(401.8)	(413.7)
Purchases and sales of restaurant businesses and property sales	34.8	54.1
Proceeds on sale of investment, net		9.8
Other	(23.4)	(18.8)
Cash used for investing activities	(390.4)	(368.6)
Financing activities		
Notes payable and long-term financing issuances and repayments	49.2	467.1
Treasury stock purchases	(477.2)	(812.5)
Common stock dividends	(592.0)	(553.4)
Proceeds from stock option exercises	160.7	37.5
Excess tax benefit on share-based compensation	40.9	15.5
Other	10.0	26.1
Cash used for financing activities	(808.4)	(819.7)
Effect of exchange rates on cash and cash equivalents	(12.6)	(27.1)
Cash and equivalents increase (decrease)	211.3	(84.7)
Cash and equivalents at beginning of period	1,796.0	2,063.4
Cash and equivalents at end of period	\$2,007.3	\$1,978.7

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, 2009 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 ended March 31, 2010 do not necessarily indicate the results that may be expected for the full year.

The results of operations of McDonald's restaurant businesses purchased and sold were not material, on either an individual or aggregate basis, to the condensed consolidated financial statements for periods prior to purchase and sale.

Restaurant Information

The following table presents restaurant information by ownership type:

Restaurants at March 31,	2010	2009
Conventional franchised	19,021	18,487
Developmental licensed	3,206	2,957
Affiliated	4,020	4,134
Total Franchised	26,247	25,578
Company-operated	6,241	6,482
Systemwide restaurants	32,488	32,060

Comprehensive Income

The following table presents the components of comprehensive income for the quarters ended March 31, 2010 and 2009:

In millions	Quarters Ended March 31,	
	2010	2009
Net income	\$1,089.8	\$ 979.5
Other comprehensive income (loss):		
Foreign currency translation adjustments	(242.8)	(398.4)
Deferred hedging adjustments	7.5	(6.8)
Pension liability adjustment	0.8	0.3
Total other comprehensive income (loss)	(234.5)	(404.9)
Total comprehensive income	\$ 855.3	\$ 574.6

Per Common Share Information

Diluted net income per common share is calculated using net income divided by diluted weighted-average shares. Diluted weighted-average shares include weighted-average shares outstanding plus the dilutive effect of share-based compensation calculated using the treasury stock method, of 14.1 million shares and 14.8 million shares for the first quarter 2010 and 2009, respectively. Stock options that were not included in diluted weighted-average shares because they would have been antidilutive were 10.1 million shares for the first quarter 2009.

Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, and certain non-financial assets and liabilities on a nonrecurring basis. The guidance provided by the Financial Accounting Standards Board (FASB) in the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (ASC) defines fair value 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. The guidance 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. Derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the counterparty or the Company.

• *Certain Financial Assets and Liabilities Measured at Fair Value*

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2010 by the valuation hierarchy as defined in the fair value guidance:

In millions	Level 1	Level 2	Level 3	Carrying Value
Cash equivalents	\$ 292.9			\$ 292.9
Investments	119.8*			119.8
Derivative receivables	85.1*	\$ 112.8		197.9
Total assets at fair value	\$ 497.8	\$ 112.8		\$ 610.6
Derivative payables		\$ (2.4)		\$ (2.4)
Total liabilities at fair value		\$ (2.4)		\$ (2.4)

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

• *Certain Financial Assets and Liabilities not Measured at Fair Value*

At March 31, 2010, the fair value of the Company's debt obligations was estimated at \$11.3 billion, compared to a carrying amount of \$10.5 billion. This fair value was estimated using various pricing models or discounted cash flow analyses that incorporated quoted market prices, and is similar to Level 2 within the valuation hierarchy. The Company has no current plans to retire a significant amount of its debt prior to maturity. The carrying amount for both cash and equivalents and notes receivable approximate fair value.

• *Non-Financial Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis*

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). At March 31, 2010, no material fair value adjustments or fair value measurements were required for non-financial assets or liabilities.

Financial Instruments and Hedging Activities

The FASB guidance on disclosures in the Derivatives and Hedging Topic of the FASB ASC requires qualitative and quantitative information on how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows.

The Company is exposed to global market risks, including the effect of changes in interest rates and foreign currency fluctuations. The Company uses foreign currency denominated debt and derivative instruments to mitigate the impact of these changes. The Company does not use derivatives with a level of complexity or with a risk higher than the exposures to be hedged and does not hold or issue derivatives for trading purposes.

The Company documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedging transactions. The Company's derivatives that are designated as hedging instruments consist mainly of interest rate exchange agreements, forward foreign currency exchange agreements and foreign currency options. Interest rate exchange agreements are entered into to manage the interest rate risk associated with the Company's fixed and floating-rate borrowings. Forward foreign currency exchange agreements and foreign currency options are entered into to mitigate the risk that forecasted foreign currency cash flows (such as royalties denominated in foreign currencies) will be adversely affected by changes in foreign currency exchange rates. Certain foreign currency denominated debt is used, in part, to protect the value of the Company's investments in certain foreign subsidiaries and affiliates from changes in foreign currency exchange rates.

The Company also enters into certain derivatives that are not designated as hedging instruments. The Company has entered into derivative contracts to hedge market-driven changes in certain of its supplemental benefit plan liabilities. Changes in the fair value of these derivatives are recorded in selling, general & administrative expenses. In addition, the Company uses forward foreign currency exchange agreements and foreign currency exchange agreements to mitigate the change in fair value of certain foreign currency denominated assets and liabilities. Since these derivatives are not designated as hedging instruments, the changes in the fair value of these hedges are recognized immediately in nonoperating (income) expense together with the translation gain or loss from the hedged balance sheet position. A portion of the Company's foreign currency options (more fully described in the Cash Flow Hedging Strategy section) are undesignated as hedging instruments as the underlying foreign currency royalties are earned.

All derivative instruments designated as hedging instruments are classified as fair value, cash flow or net investment hedges. All derivatives (including those not designated as hedging instruments) are recognized on the Consolidated balance sheet at fair value and classified based on the instruments' maturity date. Changes in the fair value measurements of the derivative instruments are reflected as adjustments to other comprehensive income (OCI) and/or current earnings.

The following table presents the fair values of derivative instruments included on the Consolidated balance sheet:

In millions	Asset Derivatives			Liability Derivatives		
	Balance Sheet Classification	March 31, 2010	December 31, 2009	Balance Sheet Classification	March 31, 2010	December 31, 2009
Derivatives designated as hedging instruments						
Foreign currency options	Prepaid expenses and other current assets	\$ 18.2	\$ 13.2	Accrued payroll and other liabilities	\$ (0.2)	
Interest rate exchange agreements	Prepaid expenses and other current assets	1.0	1.4	Accrued payroll and other liabilities		
Forward foreign currency exchange agreements	Prepaid expenses and other current assets	0.1	0.3	Accrued payroll and other liabilities	(0.5)	(0.1)
Foreign currency options	Miscellaneous other assets	4.1	5.4	Other long-term liabilities		
Interest rate exchange agreements	Miscellaneous other assets	76.7	67.3	Other long-term liabilities	(0.6)	(3.4)
Total derivatives designated as hedging instruments		\$ 100.1	\$ 87.6		\$ (1.3)	\$ (3.5)
Derivatives not designated as hedging instruments						
Forward foreign currency exchange agreements	Prepaid expenses and other current assets	\$ 13.0	\$ 9.3	Accrued payroll and other liabilities	\$ (1.1)	\$ (5.4)
Derivatives hedging supplemental benefit plan liabilities	Miscellaneous other assets	85.1	79.6	Other long-term liabilities		
Foreign currency exchange agreements	Miscellaneous other assets			Other long-term liabilities	(0.3)	(0.5)
Total derivatives not designated as hedging instruments		\$ 98.1	\$ 88.9		\$ (1.4)	\$ (5.9)
Total derivatives ⁽¹⁾		\$ 198.2	\$ 176.5		\$ (2.7)	\$ (9.4)

⁽¹⁾ The fair value of derivatives is presented on a gross basis. Accordingly, the total asset and liability fair values at March 31, 2010 do not agree with the values provided in the Fair Value Measurements note, because that disclosure reflects netting adjustments of \$0.3 million.

The following table presents the pretax amounts affecting income and OCI for the three months ended March 31, 2010 and 2009, respectively:

In millions

Derivatives in Fair Value Hedging Relationships	(Gain) Loss Recognized in Income on Derivative		Hedged Items in Fair Value Hedging Relationships		(Gain) Loss Recognized in Income on Related Hedged Items	
	2010	2009			2010	2009
Interest rate exchange agreements	\$(11.8)	\$(3.8)	Fixed-rate debt		\$11.8	\$3.8
Derivatives in Cash Flow Hedging Relationships	(Gain) Loss Recognized in Accumulated OCI on Derivative (Effective Portion)		(Gain) Loss Reclassified from Accumulated OCI into Income (Effective Portion)		(Gain) Loss Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing and Ineffective Portion)	
	2010	2009	2010	2009	2010	2009
Foreign currency options	\$(10.3)	\$(16.0)	\$(1.5)	\$(21.7)	\$8.8	\$11.3
Interest rate exchange agreements ⁽¹⁾		(0.9)	(0.2)	(0.6)		
Forward foreign currency exchange agreements	(2.5)	5.4	0.5	(2.4)		0.1
Total	\$(12.8)	\$(11.5)	\$(1.2)	\$(24.7)	\$8.8	\$11.4
Derivatives in Net Investment Hedging Relationships	(Gain) Loss Recognized in Accumulated OCI on Derivative (Effective Portion)					
	2010	2009				
Foreign currency denominated debt	\$(116.9)	\$(188.3)				
Derivatives Not Designated as Hedging Instruments	(Gain) Loss Recognized in Income on Derivative					
	2010	2009				
Forward foreign currency exchange agreements	\$(4.7)	\$(7.9)				
Derivatives hedging supplemental benefit plan liabilities ⁽²⁾	(6.0)	10.0				
Foreign currency options	(0.4)	0.4				
Foreign currency exchange agreements	(0.2)					
Total	\$(11.3)	\$2.5				

(Gains) losses recognized in income on derivatives are recorded in nonoperating (income) expense unless otherwise noted.

⁽¹⁾ The amount of (gain) loss reclassified from accumulated OCI into income is recorded in interest expense.

⁽²⁾ The amount of (gain) loss recognized in income on the derivatives used to hedge the supplemental benefit plan liabilities is recorded in selling, general & administrative expenses.

• **Fair Value Hedging Strategy**

The Company enters into fair value hedges to reduce the exposure to changes in the fair values of certain liabilities. The fair value hedges the Company enters into consist of interest rate exchange agreements which convert a portion of its fixed-rate debt into floating-rate debt. All of the Company's interest rate exchange agreements meet the shortcut method requirements. Accordingly, changes in the fair values of the interest rate exchange agreements are exactly offset by changes in the fair value of the underlying debt. No ineffectiveness has been recorded to net income related to interest rate exchange agreements designated as fair value hedges for the three months ended March 31, 2010. A total of \$2.1 billion of the Company's outstanding fixed-rate debt was effectively converted to floating-rate debt resulting from the use of interest rate exchange agreements.

• **Cash Flow Hedging Strategy**

The Company enters into cash flow hedges to reduce the exposure to variability in certain expected future cash flows. The types of cash flow hedges the Company enters into include interest rate exchange agreements, forward foreign currency exchange agreements and foreign currency options.

The Company periodically uses interest rate exchange agreements to effectively convert a portion of floating-rate debt into fixed-rate debt, and the agreements are designed to reduce the impact of interest rate changes on future interest expense. At March 31, 2010, none of the Company's outstanding floating-rate debt was effectively converted to fixed-rate debt resulting from the use of interest rate exchange agreements.

To protect against the reduction in value of forecasted foreign currency cash flows (such as royalties denominated in foreign currencies), the Company uses forward foreign currency exchange agreements and foreign currency options to hedge a portion of anticipated exposures.

When the U.S. dollar strengthens against foreign currencies, the decline in present value of future foreign denominated royalties is offset by gains in the fair value of the forward foreign currency exchange agreements and/or foreign currency options. Conversely, when the U.S. dollar weakens, the increase in the present value of future foreign denominated royalties is offset by losses in the fair value of the forward foreign currency exchange agreements and/or foreign currency options.

Although the fair value changes in the foreign currency options may fluctuate over the period of the contract, the Company's total loss on a foreign currency option is limited to the upfront premium paid for the contract. However, the potential gains on a foreign currency option are unlimited as the settlement value of the contract is based upon the difference between the exchange rate at inception of the contract and the spot exchange rate at maturity. In limited situations, the Company uses foreign currency option collars, which limit the potential gains and lower the upfront premium paid, to protect against currency movements.

The hedges typically cover the next 12-15 months for certain exposures and are denominated in various currencies. As of March 31, 2010, the Company had derivatives outstanding with an equivalent notional amount of \$563.9 million that were used to hedge a portion of forecasted foreign currency denominated royalties.

The Company excludes the time value of foreign currency options, as well as the discount or premium points on forward foreign currency exchange agreements from its effectiveness assessment on its cash flow hedges. As a result, changes in the fair value of the derivatives due to these components, as well as the ineffectiveness of the hedges, are recognized in earnings currently. The effective portion of the gains or losses on the derivatives is reported in the deferred hedging adjustment component of OCI in shareholders' equity and reclassified into earnings in the same period or periods in which the hedged transaction affects earnings.

The Company recorded after-tax adjustments related to cash flow hedges to the deferred hedging adjustment component of accumulated OCI in shareholders' equity. The Company recorded a net increase of \$7.5 million for the three months ended March 31, 2010 and a net decrease of \$6.8 million for the three months ended March 31, 2009. Based on interest rates and foreign currency exchange rates at March 31, 2010, approximately half of the \$24.0 million in cumulative deferred hedging gains at March 31, 2010, will be recognized in earnings over the next 12 months as the underlying hedged transactions are realized.

- ***Hedge of Net Investment in Foreign Operations Strategy***

The Company uses foreign currency denominated debt to hedge its investments in certain foreign subsidiaries and affiliates. Realized and unrealized translation adjustments from these hedges are included in shareholders' equity in the foreign currency translation component of OCI and offset translation adjustments on the underlying net assets of foreign subsidiaries and affiliates, which also are recorded in OCI. As of March 31, 2010, a total of \$3.3 billion of the Company's outstanding foreign currency denominated debt was designated to hedge investments in certain foreign subsidiaries and affiliates.

- ***Credit Risk***

The Company is exposed to credit-related losses in the event of non-performance by the counterparties to its hedging instruments. The counterparties to these agreements consist of a diverse group of financial institutions. The Company continually monitors its positions and the credit ratings of its counterparties and adjusts positions as appropriate. The Company did not have significant exposure to any individual counterparty at March 31, 2010 and has master agreements that contain netting arrangements. Some of these agreements also require each party to post collateral if credit ratings fall below, or aggregate exposures exceed, certain contractual limits. At March 31, 2010, neither the Company nor its counterparties were required to post collateral on any derivative position, other than on hedges of certain of the Company's supplemental benefit plan liabilities where our counterparty was required to post collateral on its liability positions.

Impairment and Other Charges (Credits), Net

McDonald's Japan (a 50%-owned affiliate) plans to close approximately 430 restaurants by mid-2011 in conjunction with the strategic review of the market's restaurant portfolio. These actions are designed to enhance the customer experience, overall profitability and returns of the market. For the first quarter 2010, the Company recorded after tax impairment charges of \$30.0 million related to its share of restaurant closing costs in Japan. These charges primarily consist of asset writeoffs and lease termination costs.

Gain on Sale of Investment

In 2009, the Company sold its minority ownership interest in Redbox Automated Retail, LLC to Coinstar, Inc. (Coinstar), the majority owner, for total consideration of \$139.8 million. In connection with the sale, in first quarter, the Company received initial consideration valued at \$51.6 million consisting of 1.5 million shares of Coinstar common stock at an agreed to value of \$41.6 million and \$10 million in cash with the balance of the purchase price deferred. In second quarter 2009, the Company sold all of its holdings in the Coinstar common stock for \$46.8 million and received \$78.4 million in cash from Coinstar as deferred consideration, and in third quarter, the Company received \$9.8 million in cash from Coinstar as final consideration. As a result of the transaction, the Company recognized a nonoperating pretax gain of \$76.5 million (after tax—\$47.4 million or \$0.04 per share) for the first quarter 2009 and \$94.9 million cumulative gain (after tax—\$58.8 million or \$0.05 per share) for the full year 2009.

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.

In millions	Quarters Ended	
	March 31,	
	2010	2009
Revenues		
U.S.	\$1,876.7	\$1,876.4
Europe	2,245.4	1,948.2
APMEA	1,191.3	1,009.1
Other Countries & Corporate	296.7	243.7
Total revenues	\$5,610.1	\$5,077.4
Operating income		
U.S.	\$ 809.4	\$ 725.5
Europe	601.0	489.9
APMEA	272.1	213.6
Other Countries & Corporate	(8.4)	(28.6)
Total operating income	\$1,674.1	\$1,400.4

Variable Interest Entities and Consolidation

In June 2009, the FASB issued amendments to the guidance on variable interest entities and consolidation, codified primarily in the Consolidation Topic of the FASB ASC. This guidance modifies the method for determining whether an entity is a variable interest entity as well as the methods permitted for determining the primary beneficiary of a variable interest entity. In addition, this guidance requires ongoing reassessments of whether a company is the primary beneficiary of a variable interest entity and enhanced disclosures related to a company's involvement with a variable interest entity. The Company adopted this guidance as of January 1, 2010.

The Company evaluates its business relationships such as those with franchisees, joint venture partners, developmental licensees, suppliers, and advertising cooperatives to identify potential variable interest entities. Generally, these businesses qualify for a scope exception under the consolidation guidance. The Company has concluded that consolidation of any such entities is not appropriate for the periods presented. As a result, the adoption did not have any impact on our consolidated financial statements.

Subsequent Events

The Company evaluated subsequent events through the date the financial statements were issued and filed with the Securities and Exchange Commission. There were no subsequent events that required recognition or disclosure.

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 32,488 restaurants in 117 countries at March 31, 2010, 26,247 were operated by franchisees (including 19,021 operated by conventional franchisees, 3,206 operated by developmental licensees and 4,020 operated by foreign affiliated markets (affiliates) – primarily in Japan) and 6,241 were operated by the Company. Under our conventional franchise arrangement, franchisees provide a portion of the capital required 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 maintains long-term occupancy rights, helps control related costs and assists in alignment with franchisees. In certain circumstances, the Company participates in reinvestment for conventional franchised restaurants. Under our developmental license arrangement, licensees provide capital for the entire business, including the real estate interest, and the Company has no capital invested. In addition, the Company has an equity investment in a limited number of affiliates that invest in real estate and operate or franchise restaurants within a market.

We view ourselves primarily as a franchisor and believe franchising is important to delivering great, locally-relevant customer experiences and driving profitability. However, directly operating restaurants is paramount to being a credible franchisor and is essential to providing Company personnel with restaurant operations experience. In our Company-operated restaurants, and in collaboration with 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. Accordingly, we continually review our mix of Company-operated and franchised restaurants to help maximize overall performance.

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., Europe and APMEA segments account for 33%, 40% and 21% of total revenues, respectively.

In 2010, McDonald's Japan (a 50%-owned affiliate) approved plans to close approximately 430 restaurants by mid-2011 in conjunction with the strategic review of the market's restaurant portfolio. These actions are designed to enhance the customer experience, overall profitability and returns of the market. For the first quarter 2010, the Company recorded after tax impairment charges of \$30.0 million related to its share of restaurant closing costs in Japan.

In 2009, the Company sold its minority ownership interest in Redbox Automated Retail, LLC (Redbox) to Coinstar, Inc., the majority owner, and recognized a nonoperating pretax gain of \$76.5 million for first quarter 2009. The Company disposed of all non-McDonald's restaurant businesses as of December 31, 2009.

Strategic Direction and Financial Performance

The strength of the alignment between the Company, its franchisees and suppliers (collectively referred to as the System) has been key to McDonald's success over the years. This business model enables McDonald's to consistently deliver locally-relevant restaurant experiences to customers and be an integral part of the communities we serve. In addition, it facilitates our ability to identify, implement and scale innovative ideas that meet customers' changing needs and preferences.

McDonald's customer-focused Plan to Win – which is centered around being better, not just bigger – provides a common framework for our global business yet allows for local adaptation. Through the execution of multiple initiatives surrounding the five key drivers of exceptional customer experiences – People, Products, Place, Price and Promotion – we have enhanced the restaurant experience for customers worldwide and grown sales and customer visits in each of the last six years. This Plan, coupled with financial discipline, has delivered strong results for shareholders.

The Company is pursuing initiatives in three key areas: service enhancement, restaurant reimagining and menu innovation. These initiatives include leveraging technology to make it easier for restaurant staff to quickly and accurately serve customers, accelerating our interior and exterior reimagining efforts and innovating at every tier of our menu to deliver great taste and value to customers. These efforts successfully resonated with consumers driving increases in sales and customer visits in many countries despite challenging global economies and a contracting informal eating-out market. As a result, every area of the world contributed to first quarter 2010 comparable sales and guest counts increasing 4.2% and 3.3%, respectively.

The U.S. business drove sales and market share increases during the quarter with a balanced approach to providing outstanding value across all levels of the menu, contributing to the segment's positive comparable sales and operating income increase. Consumers visited McDonald's more often to enjoy a wide range of beverage offerings, everyday value menu options and classic core favorites. Ongoing U.S. strategies include strengthening the core menu and value offerings; aggressively pursuing new growth opportunities in beverages, breakfast, chicken and snacking options; elevating the brand experience by updating technology with a new point of sale system, and enhancing restaurant employee retention and productivity; and initiating a multi-year program to contemporize the interiors and exteriors of our restaurants through reimagining.

Europe delivered strong comparable sales of 5.2% and an operating income increase of 23% (14% in constant currencies) for the first quarter driven by themed food events, three- and four-price tier menus, restaurant reimagining and daypart expansion. Europe's strategic priorities include upgrading the customer and employee experience, enhancing local relevance and building brand transparency.

APMEA's compelling everyday value, locally-relevant products and emphasis on operations excellence drove positive comparable sales in virtually all markets and an operating income increase of 27% (9% in constant currencies) for the first quarter. APMEA will continue to execute initiatives that best support the goal to be customers' first choice for eating out: convenience, core menu, branded affordability, improved operations and reimagining.

Operating Highlights Included:

- Global comparable sales increased 4.2%
- Combined operating margin improved 220 basis points to 29.8%
- Diluted net income per share was \$1.00, up 15% (9% in constant currencies) including a \$0.05 per share currency benefit
- Repurchased 6.7 million shares for \$427.1 million and paid a quarterly dividend of \$0.55 per share or \$592.0 million

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 nearly 2 percentage points to 2010 Systemwide sales growth (in constant currencies), most of which will be due to the 609 net traditional restaurants added in 2009.
- 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 comparable sales for either the U.S. or Europe would increase annual diluted net income per share by about 3 cents.
- With about 75% of McDonald's grocery bill comprised of 10 different commodities, a basket of goods approach is the most comprehensive way to look at the Company's commodity costs. For the full year 2010, the total basket of goods cost is expected to decrease 2-3% in the U.S. and decrease slightly in Europe. Some volatility may be experienced between quarters in the normal course of business, with more favorable comparisons in the first half of this year.
- The Company expects full year 2010 selling, general & administrative expenses to be relatively flat, in constant currencies, although fluctuations will be experienced between quarters due to certain items in 2010 such as the Vancouver Winter Olympics in February and the biennial Worldwide Owner/Operator Convention in April.
- Based on current interest and foreign currency exchange rates, the Company expects interest expense for full year 2010 to decrease slightly compared with 2009.
- A significant part of the Company's operating income is generated outside the U.S., and about 45% of its total debt is denominated in foreign currencies. Accordingly, earnings are affected by changes in foreign currency exchange rates, particularly the Euro, British Pound, Australian Dollar and Canadian Dollar. Collectively, these currencies represent approximately 70% of the Company's operating income outside the U.S. If all four of these currencies moved by 10% in the same direction compared with 2009, the Company's annual diluted net income per share would change by about 17 to 19 cents. At current foreign currency rates, the Company expects foreign currency translation to have minimal or no impact on full year diluted net income per share.
- The Company expects the effective income tax rate for the full year 2010 to be approximately 29% to 31%. Some volatility may be experienced between the quarters resulting in a quarterly tax rate that is outside the annual range.
- The Company expects capital expenditures for 2010 to be approximately \$2.4 billion. About half of this amount will be reinvested in existing restaurants, including the reimagining of over 2,000 locations worldwide. The rest will primarily be used to open about 1,000 restaurants. These restaurant numbers include new unit openings (about 350 restaurants) in affiliated and developmental licensed markets, such as Japan and Latin America, where the Company does not fund any capital expenditures. The Company expects net additions of about 325 restaurants, which reflects the strategic closing of restaurants by McDonald's Japan.

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 or by franchisees. While franchised sales are not recorded as revenues by the Company, management believes the information is important in understanding the Company's financial performance because these sales are the basis on which the Company calculates and records franchised revenues and are indicative of the financial health of the franchisee base.
- Comparable sales represent sales at all restaurants and comparable guest counts represent the number of transactions at all restaurants, including those operated by the Company or by franchisees, in operation at least thirteen months including those temporarily closed. Some of the reasons restaurants may be temporarily closed include reimaging or remodeling, rebuilding, road construction and natural disasters. Comparable sales exclude the impact of currency translation. Management reviews the increase or decrease in comparable sales and comparable guest counts compared with the same period in the prior year to assess business trends. The number of weekdays and weekend days, referred to as the calendar shift/trading day adjustment, can impact comparable sales and guest counts. In addition, the timing of holidays can also impact comparable sales and guest counts.

CONSOLIDATED OPERATING RESULTS

Dollars in millions, except per share data	Quarter Ended March 31, 2010	
	Amount	% Increase / (Decrease)
Revenues		
Sales by Company-operated restaurants	\$3,803.1	9
Revenues from franchised restaurants	1,807.0	13
Total revenues	5,610.1	10
Operating costs and expenses		
Company-operated restaurant expenses	3,110.9	7
Franchised restaurants – occupancy expenses	339.3	14
Selling, general & administrative expenses	546.3	10
Impairment and other charges (credits), net	30.8	n/m
Other operating (income) expense, net	(91.3)	n/m
Total operating costs and expenses	3,936.0	7
Operating income	1,674.1	20
Interest expense	111.0	(8)
Nonoperating (income) expense, net	6.2	n/m
Gain on sale of investment		n/m
Income before provision for income taxes	1,556.9	13
Provision for income taxes	467.1	19
Net income	\$1,089.8	11
Net income per common share–basic:	\$ 1.01	15
Net income per common share–diluted:	\$ 1.00	15

n/m Not meaningful

Impact of Foreign Currency Translation

While changes in foreign currency exchange rates affect reported results, McDonald's mitigates exposures, where practical, by financing in local currencies, hedging certain foreign-denominated cash flows, and purchasing goods and services in local currencies. Management reviews and analyzes business results excluding the effect of foreign currency translation and bases certain incentive compensation plans on these results because they believe this better represents the Company's underlying business trends. Results excluding the effect of foreign currency translation (also referred to as constant currency) are calculated by translating current year results at prior year average exchange rates.

IMPACT OF FOREIGN CURRENCY TRANSLATION			
<i>In millions, except per share data</i>			
Quarters Ended March 31,	2010	2009	Currency Translation Benefit / (Cost) 2010
Revenues	\$5,610.1	\$5,077.4	\$ 334.9
Company-operated margins	692.2	564.2	45.7
Franchised margins	1,467.7	1,296.0	64.3
Selling, general & administrative expenses	546.3	497.3	(24.7)
Operating income	1,674.1	1,400.4	87.6
Net income	1,089.8	979.5	57.7
Net income per common share – diluted	1.00	0.87	0.05

Foreign currency translation had a positive impact on consolidated operating results for the quarter, primarily driven by the Australian Dollar, Euro and Canadian Dollar.

Net Income and Diluted Net Income per Common Share

For the first quarter 2010, net income was \$1,089.8 million and diluted net income per share was \$1.00. Results included after tax impairment charges of \$30.0 million or \$0.03 per share related to restaurant closings in Japan in conjunction with the previously announced strategic review of the market's restaurant portfolio. Results were positively impacted by \$0.05 per share due to the effect of foreign currency translation.

For the first quarter 2009, net income was \$979.5 million and diluted net income per share was \$0.87. Results benefited by an after tax gain of \$47.4 million or \$0.04 per share due to the sale of the Company's minority interest in Redbox.

During the first quarter 2010, the Company repurchased 6.7 million shares of its stock for \$427.1 million and paid a quarterly dividend of \$0.55 per share or \$592.0 million.

Revenues

Revenues consist of sales by Company-operated restaurants and fees from restaurants operated by franchisees. Revenues from conventional franchised restaurants include rent and royalties based on a percent of sales along with minimum rent payments, and initial fees. Revenues from franchised restaurants that are licensed to affiliates and developmental licensees include a royalty based on a percent of sales, and generally include initial fees.

REVENUES				
<i>Dollars in millions</i>				
Quarters Ended March 31,	2010	2009	% Inc / (Dec)	% Inc / (Dec) Excluding Currency Translation
<i>Company-operated sales</i>				
U.S.	\$ 987.3	\$1,043.5	(5)	(5)
Europe	1,622.6	1,413.7	15	6
APMEA	1,017.9	875.7	16	5
Other Countries & Corporate	175.3	151.8	15	(3)
Total	\$3,803.1	\$3,484.7	9	2
<i>Franchised revenues</i>				
U.S.	\$ 889.4	\$ 832.9	7	7
Europe	622.8	534.5	17	9
APMEA	173.4	133.4	30	7
Other Countries & Corporate	121.4	91.9	32	19
Total	\$1,807.0	\$1,592.7	13	8
<i>Total revenues</i>				
U.S.	\$1,876.7	\$1,876.4	0	0
Europe	2,245.4	1,948.2	15	7
APMEA	1,191.3	1,009.1	18	6
Other Countries & Corporate	296.7	243.7	22	5
Total	\$5,610.1	\$5,077.4	10	4

Consolidated revenues increased 10% (4% in constant currencies) for the quarter. The constant currency growth was driven by positive comparable sales and expansion, partly offset by the impact of the refranchising strategy in certain of the Company's major markets. The Company continues to optimize its restaurant ownership mix, cash flow and returns through its refranchising strategy. The shift to a greater percentage of franchised restaurants negatively impacts consolidated revenues as Company-operated sales shift to franchised sales, where the Company receives rent and/or royalties based primarily on a percent of sales. Franchised restaurants represent 81% of Systemwide restaurants at March 31, 2010.

In the U.S., revenues were flat for the quarter as positive comparable sales were offset by the impact of the refranchising strategy. Comparable sales were driven by a wide range of beverage offerings, including value-based drinks, frappés and the entire McCafé line-up, everyday value menu options, led by the recently introduced Breakfast Dollar Menu, and classic core favorites like Chicken McNuggets.

In Europe, the constant currency increase in revenues was primarily driven by comparable sales increases in the U.K., France and Russia (which is entirely Company-operated) as well as expansion in Russia. These increases were partly offset by the impact of the refranchising strategy, primarily in the U.K. and Germany.

In APMEA, the constant currency increase in revenues was primarily driven by comparable sales increases in Australia and virtually all other markets, as well as expansion in China.

The following table presents the percent change in comparable sales for the quarters ended March 31, 2010 and 2009:

COMPARABLE SALES	% Increase	
	Quarters Ended March 31,*	
	2010	2009
U.S.	1.5	4.7
Europe	5.2	3.2
APMEA	5.7	5.5
Other Countries & Corporate	12.3	4.4
Total	4.2	4.3

* On a consolidated basis, comparable guest counts increased 3.3% and 1.0% for the quarters ended March 31, 2010 and 2009, respectively.

The following table presents the percent change in Systemwide sales for the quarter ended March 31, 2010:

SYSTEMWIDE SALES	Quarter Ended March 31, 2010	
	% Inc	% Inc Excluding Currency Translation
	U.S.	2
Europe	15	8
APMEA	19	8
Other Countries & Corporate	22	14
Total	11	6

The following table presents franchised sales, which are not recorded in the income statement, and the related percentage change for the quarters ended March 31, 2010 and 2009:

FRANCHISED SALES				
<i>Dollars in millions</i>				
Quarters Ended March 31,	2010	2009	% Inc	% Inc Excluding Currency Translation
U.S.	\$ 6,463.5	\$ 6,253.9	3	3
Europe	3,550.8	3,067.5	16	8
APMEA	2,737.2	2,280.4	20	10
Other Countries & Corporate	1,452.4	1,177.9	23	16
Total*	\$14,203.9	\$12,779.7	11	7

* Included \$3,066.4 million and \$2,729.0 million of sales in 2010 and 2009, respectively, derived from developmental licensee restaurants or foreign affiliated markets where the Company earns a royalty based on sales. The remaining balance of franchised sales is derived from conventional franchised restaurants where the Company earns rent and royalties based primarily on a percent of sales.

Restaurant Margins

FRANCHISED AND COMPANY-OPERATED RESTAURANT MARGINS						
<i>Dollars in millions</i>						
Quarters Ended March 31,	Percent		Amount		% Inc	% Inc Excluding Currency Translation
	2010	2009	2010	2009		
<i>Franchised</i>						
U.S.	82.3	82.5	\$ 732.1	\$ 686.9	7	7
Europe	76.7	76.7	478.0	410.3	17	9
APMEA	88.8	90.2	154.0	120.3	28	7
Other Countries & Corporate	85.4	85.4	103.6	78.5	32	20
Total	81.2	81.4	\$1,467.7	\$1,296.0	13	8
<i>Company-operated</i>						
U.S.	20.4	18.3	\$ 201.3	\$ 190.8	6	6
Europe	17.3	15.3	280.0	216.4	29	20
APMEA	18.0	15.8	183.0	138.4	32	18
Other Countries & Corporate	15.9	12.2	27.9	18.6	50	25
Total	18.2	16.2	\$ 692.2	\$ 564.2	23	15

Franchised margin dollars increased \$171.7 million or 13% (8% in constant currencies) for the quarter. Positive comparable sales and the refranchising strategy were the primary drivers of the constant currency growth in franchised margin dollars.

- In the U.S., the franchised margin percent declined primarily due to additional depreciation related to the Company's investment in the beverage initiative.
- In Europe, the franchised margin percent remained flat as positive comparable sales were offset by higher occupancy expenses, the refranchising strategy and the cost of strategic brand and sales building initiatives.
- In APMEA, the franchised margin percent declined primarily driven by foreign currency translation, mostly due to the stronger Australian Dollar.

Company-operated margin dollars increased \$128.0 million or 23% (15% in constant currencies) for the quarter. The refranchising strategy negatively impacted Company-operated margin dollars and had a slightly positive impact on the Company-operated margin percent.

- In the U.S., the Company-operated margin percent increased primarily due to lower commodity costs.
- Europe's Company-operated margin percent increased due to positive comparable sales and, to a lesser extent, lower commodity costs partly offset by higher labor and occupancy & other costs.
- In APMEA, the Company-operated margin percent increased primarily due to lower commodity costs and positive comparable sales.

The following table presents Company-operated restaurant margin components as a percent of sales:

CONSOLIDATED COMPANY-OPERATED RESTAURANT EXPENSES AND MARGINS AS A PERCENT OF SALES		
	Quarters Ended March 31,	
	2010	2009
Food & paper	32.9	34.7
Payroll & employee benefits	26.0	26.0
Occupancy & other operating expenses	22.9	23.1
Total expenses	81.8	83.8
Company-operated margins	18.2	16.2

Selling, General & Administrative Expenses

Selling, general & administrative expenses increased 10% (5% in constant currencies) for the quarter. In 2010, expenses included costs related to the Vancouver Winter Olympics. For the first quarter, selling, general & administrative expenses as a percent of revenues decreased to 9.7% for 2010 compared with 9.8% for 2009 and as a percent of Systemwide sales decreased to 3.0% for 2010 compared with 3.1% for 2009.

Impairment and Other Charges (Credits), Net

McDonald's Japan (a 50%-owned affiliate) plans to close approximately 430 restaurants by mid-2011 in conjunction with the strategic review of the market's restaurant portfolio. These actions are designed to enhance the customer experience, overall profitability and returns of the market. For the first quarter 2010, the Company recorded after tax impairment charges of \$30.0 million related to its share of restaurant closing costs in Japan, which represents the majority of the impairment charges that the Company expects to record related to these restaurant closings.

Other Operating (Income) Expense, Net

OTHER OPERATING (INCOME) EXPENSE, NET		
<i>In millions</i>		
	Quarters Ended March 31,	
	2010	2009
Gains on sales of restaurant businesses	\$(27.6)	\$(23.8)
Equity in earnings of unconsolidated affiliates	(46.1)	(29.4)
Asset dispositions and other (income) expense	(17.6)	14.5
Total	\$(91.3)	\$(38.7)

Equity in earnings of unconsolidated affiliates for the quarter reflected improved operating performance in Japan (impairment charges relating to Japan are recorded separately in Impairment and Other Charges (Credits), Net).

Asset dispositions and other income increased for the quarter due to gains on partnership dissolutions in the U.S. as the Company continues to optimize its restaurant ownership mix.

Operating Income

OPERATING INCOME				
<i>Dollars in millions</i>				
Quarters ended March 31,	2010	2009	% Inc	% Inc Excluding Currency Translation
U.S.	\$ 809.4	\$ 725.5	12	12
Europe	601.0	489.9	23	14
APMEA	272.1	213.6	27	9
Other Countries & Corporate	(8.4)	(28.6)	71	44
Total	\$1,674.1	\$1,400.4	20	13

In the U.S., operating results increased primarily due to higher margin dollars and gains on partnership dissolutions.

In Europe, constant currency operating results reflected strong operating performance in France, Russia and the U.K.

In APMEA, constant currency operating results were driven primarily by stronger results in Australia, China and most other markets. Equity in earnings from improved operating performance in Japan was offset by the Company's share of impairment charges related to restaurant closings in the market.

- **Combined Operating Margin**

Combined operating margin is defined as operating income as a percent of total revenues. Combined operating margin for the first quarter 2010 and 2009 was 29.8% and 27.6%, respectively.

Interest Expense

Interest expense for the quarter decreased primarily due to lower average interest rates.

Nonoperating (Income) Expense, Net

NONOPERATING (INCOME) EXPENSE, NET		
<i>In millions</i>		
	Quarters Ended March 31,	
	2010	2009
Interest income	\$ (4.6)	\$ (5.7)
Translation and hedging activity	3.5	(12.1)
Other expense	7.3	1.4
Total	\$ 6.2	\$ (16.4)

Translation and hedging activity for first quarter 2009 included higher gains on the hedging of certain foreign denominated cash flows.

Gain on Sale of Investment

In 2009, the Company sold its minority ownership interest in Redbox to Coinstar, Inc., the majority owner, and recognized a nonoperating pretax gain of \$76.5 million for first quarter 2009.

Income Taxes

The effective income tax rate was 30.0% for first quarter 2010 compared with 28.6% for first quarter 2009.

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 \$1.4 billion and exceeded capital expenditures by \$1.0 billion for the first quarter 2010. Cash provided by operations increased \$292.0 million compared with first quarter 2009, primarily due to stronger operating results and changes in working capital, primarily related to income taxes.

Cash used for investing activities totaled \$390.4 million in first quarter 2010, an increase of \$21.8 million. Cash used for financing activities totaled \$808.4 million for first quarter 2010, a decrease of \$11.3 million, primarily due to lower treasury stock purchases and higher proceeds from stock option exercises, mostly offset by lower net debt issuances.

Debt obligations at March 31, 2010 totaled \$10.5 billion compared with \$10.6 billion at December 31, 2009. The decrease in 2010 was primarily due to the impact of changes in exchange rates on foreign currency denominated debt of \$136.6 million, partly offset by net borrowings of \$49.2 million.

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. 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 (IEO) segment of the restaurant industry, although largely mature in our major markets, is highly fragmented and competitive. The current economic environment has caused the IEO segment to contract in many markets, including some of our major markets, and this may continue. The current environment has also increased consumer focus on value, heightening pricing pressures across the industry, which could affect our ability to continue to grow sales despite the strength of our Brand and value proposition. We have the added challenge of the cultural, economic and regulatory differences that exist among the more than 100 countries where we operate. 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.

The risks we face 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, particularly as the global economy emerges from recession.

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 effectively to trends or other factors that affect the IEO segment 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 popular perceptions of our business or affect the willingness of other companies to enter into site, supply or other arrangements or alliances with us;
- 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;
- Whether our restaurant remodeling and rebuilding efforts, which remain a priority notwithstanding the current challenging economic and operating environment, 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;
- Our ability to maintain alignment with franchisees on operating, promotional and capital-intensive initiatives, particularly in the current challenging economic and operating environment;
- 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 trust and confidence;

- Our ability to respond effectively to adverse perceptions about the quick-service category of the IEO segment, 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, particularly in markets where pricing or cost pressures are significant or have been exacerbated by the current challenging economic and operating environment;
- The impact of our and our franchisees' pricing, marketing and promotional plans on sales and margins and our ability to adjust our plans to respond quickly to changing economic conditions;
- The impact of events such as 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;
- The risks to our Brand if a franchisee defaults in its obligations (particularly requirements to pay royalties, make capital investments and open new restaurants), experiences food safety or other operational problems or projects a brand image inconsistent with our values, all of which are more significant risks if a franchisee controls a large number of restaurants as is the case in Latin America; 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 or daypart (e.g., breakfast). To mitigate the impact of these conditions, we may take promotional or other actions that adversely affect our margins, limit our operating flexibility or result in charges, restaurant closings or sales of Company-operated restaurants. Some macroeconomic conditions could have an even more wide-ranging and prolonged impact. The current environment has been characterized by slowing economies, rising unemployment, declining wages, constrained credit and volatile financial markets. These conditions have significantly affected consumer spending and habits. Moreover, the timing and strength of a recovery is uncertain in many of our most important markets, and growth in consumer spending generally lags improvement in the broader economy. The key factors that affect our ability to manage the impact of these conditions are the following:

- Whether our strategies will permit us to compete effectively and make continued market share gains, while at the same time achieving sales and operating income within our targeted long-term average annual range of growth;
- The effectiveness of our supply chain management, including hedging strategies, to preserve and, where possible, expand our margins;
- Our ability to manage the impact of fluctuations in foreign exchange rates, changes in interest rates and governmental actions to manage national economic conditions such as credit availability, consumer spending, unemployment levels and inflation rates;
- The impact on our margins of labor costs given our labor-intensive business model, the long-term 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 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.

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 popular perceptions of our business 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 popular opinion, litigation and regulation, including taxation, 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 practices within the restaurant industry with respect to testing and disclosure, ordinary variations in food preparation among our own restaurants, and the need to rely on the accuracy and completeness of information obtained from third party suppliers;
- The risks and costs to us, our franchisees and our supply chain of increased focus by U.S. and overseas governmental authorities on environmental matters, such as climate change, the reduction of greenhouse gases and water consumption, including as a result of initiatives that effectively impose a tax on carbon emissions, such as the proposed "cap and trade" legislation pending in the U.S. Congress;
- The impact of litigation trends, particularly in our major markets, including class actions, labor and employment claims 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 U.S. and overseas regulations affecting our workforce and labor practices, including regulations relating to wage and hour practices, immigration, mandatory healthcare benefits and unlawful workplace discrimination;
- The impact of the current economic conditions on unemployment levels and consumer confidence and the effect of initiatives to stimulate economic recovery and to further regulate financial markets (including through changes in taxation) on the cost and availability of funding for the Company and its franchisees, inflation and foreign exchange rates;
- Disruptions in our operations or price volatility in a market that can result from governmental actions, such as price or import- export controls, increased tariffs or government-mandated closure of our or our vendors' operations, and the cost and disruption of responding to governmental investigations or proceedings, whether or not they have merit;
- 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 Internal Revenue Service or other taxing authorities 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:

- The current uncertain global economic conditions and market volatility;
- Governmental action or inaction in light of key indicators of economic activity or events that can significantly influence financial markets, particularly in the United States which is the principal trading market for our common stock, and media reports and commentary about economic or other matters, even when the matter in question does not directly relate to our business;

- Trading activity in our common stock or trading activity in derivative instruments with respect to our common stock or debt securities, which can reflect market commentary (including commentary that may be unreliable or incomplete in some cases) or expectations about our business, our creditworthiness or investor confidence generally; actions by shareholders and others seeking to influence our business strategies; portfolio transactions in our stock by significant shareholders; 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;
- The impact of our stock repurchase program, dividend rate or changes in our debt levels on our credit ratings, interest expense, ability to obtain funding on favorable terms or our operating or financial flexibility, especially if lenders impose new operating or financial covenants; and
- The impact on our results of other corporate actions, such as those we may take from time to time as part of our continuous review of our corporate structure in light of business, legal and tax considerations.

Our results and financial condition are affected by our ownership mix.

Our refranchising strategy involves a shift to a greater percentage of franchised restaurants. The decision to own restaurants or to operate under franchise or license agreements is driven by many factors whose interrelationship is complex and changing. When we refranchise a restaurant, it reduces consolidated revenues as Company-operated sales shift to franchised sales, where we receive rent and/or royalties. It also reduces Company-operated margin dollars while increasing franchised margin dollars, with the impact on margin percentages varying based on sales and operating costs of the refranchised restaurants. Our refranchising strategy can also expose us to risks, including the following:

- Whether the franchisees we select will have the experience and financial resources in the relevant markets to be effective operators of McDonald's restaurants;
- Potential ongoing payment obligations as a result of our retention of any contingent liabilities in connection with refranchising transactions; and
- 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.

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

Severe weather conditions, natural disasters, 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, 2009 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 March 31, 2010. 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 March 31, 2010 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, 2009 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

Issuer Purchases of Equity Securities*

The following table presents information related to repurchases of common stock the Company made during the three months ended March 31, 2010:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
January 1-31, 2010	2,356,617	\$ 62.71	2,356,617	\$ 9,387,114,000
February 1-28, 2010	2,503,153	\$ 63.72	2,503,153	\$ 9,227,614,000
March 1-31, 2010	1,855,610	\$ 64.59	1,855,610	\$ 9,107,760,000
Total	6,715,380	\$ 63.60	6,715,380	\$ 9,107,760,000

* 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.

(1) On September 24, 2009, the Company's Board of Directors approved a share repurchase program that authorizes the purchase of up to \$10 billion of the Company's outstanding common stock with no specified expiration date.

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 January 21, 2010, incorporated herein by reference from Form 8-K, dated January 20, 2010.
(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.
(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, 2011, as amended and restated March 22, 2010, 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) McDonald's Corporation Executive Retention Replacement Plan, effective as of December 31, 2007 (as amended and restated on December 31, 2008), incorporated herein by reference from Form 10-K, for the year ended December 31, 2008.**
	(h) McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, effective July 1, 2008, incorporated herein by reference from Form 10-Q for the quarter ended June 30, 2009.**

- (i) First amendment to the McDonald's Corporation Amended and Restated 2001 Omnibus Stock Ownership Plan, incorporated herein by reference from Form 10-K, for the year ended December 31, 2008.**
- (i) Form of McDonald's Corporation Tier I Change of Control Employment Agreement, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2008.**
- (j) McDonald's Corporation 2009 Cash Incentive Plan, effective as of May 27, 2009, incorporated herein by reference from Form 10-Q for the quarter ended June 30, 2009.**
- (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.**
 - (i) First Amendment of McDonald's Corporation Severance Plan, effective as of October 1, 2008, incorporated herein by reference from Form 10-Q, for the quarter ended September 30, 2008.**
- (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.**
 - (i) 2009 Amendment to the Amended Assignment Agreement between Timothy Fenton and the Company, effective as of January 1, 2009, incorporated herein by reference from Form 10-Q, for the quarter ended March 31, 2009.**
- (p) Description of Restricted Stock Units granted to Andrew J. McKenna, incorporated herein by reference from Form 10-Q for the quarter ended June 30, 2009.**
- (q) Terms of the Restricted Stock Units granted pursuant to the Company's Amended and Restated 2001 Omnibus Stock Ownership Plan, filed herewith.**
- (r) McDonald's Corporation Target Incentive Plan, effective as of January 1, 2008, incorporated herein by reference from Form 8-K, dated January 23, 2008.**
- (s) European Prospectus Supplement describing the terms of equity compensation awards granted in the European Union pursuant to the Company's Amended and Restated 2001 Omnibus Stock Ownership Plan, filed herewith.**
- (t) Letter Agreement between Ralph Alvarez and the Company dated December 18, 2009, incorporated herein by reference from Form 8-K, dated December 18, 2009.**
- (u) McDonald's Corporation Cash Performance Unit Plan 2010-2012, effective as of February 9, 2010, incorporated herein by reference from Form 8-K, dated February 9, 2010.**
- (v) Executive Supplement describing the special terms of equity compensation awards granted to certain executive officers, pursuant to the Company's Amended and Restated 2001 Omnibus Stock Ownership Plan, filed herewith.**

- (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.
- (101.INS) XBRL Instance Document.***
- (101.SCH) XBRL Taxonomy Extension Schema Document.***
- (101.CAL) XBRL Taxonomy Extension Calculation Linkbase Document.***
- (101.LAB) XBRL Taxonomy Extension Label Linkbase Document.***
- (101.PRE) XBRL Taxonomy Extension Presentation Linkbase Document.***

* 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.

*** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be “furnished” and not “filed”.

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)

May 6, 2010

/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, 2011 (the "Plan"). The Plan was initially established effective January 1, 2005 as a successor plan to the McDonald's Corporation Supplemental Profit Sharing and Savings Plan (the "Supplemental Plan"). The Plan, as initially established, has been amended and restated effective as of January 1, 2005 and as of January 1, 2008. 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, 2011; 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. The Company and the Adopting Subsidiaries shall furnish the Committee or its delegate such evidence, data and information as the Committee or its delegate may reasonably request in the discharge of its duties. Participants and Beneficiaries shall also furnish the Committee or its delegate such evidence, data and information (including, without limitation, current address, phone numbers, Social Security numbers, death certificates, etc.) as the Committee or its delegate may reasonably request in the discharge of its duties.

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 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 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) paid by the Company or any Adopting Subsidiary and no compensation paid by any affiliate of the Company that is not an Adopting Subsidiary 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 2010 that, in the absence of a Bonus Deferral Election, would be paid in the first quarter of 2011. 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 2010-2012 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 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 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 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 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 Profit Sharing Plan for the Specified Year. The first Specified Year under this restatement of the Plan shall be the 2011 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 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 (with a minimum of 2 years and a maximum of 15 years). Except as provided in Section 6.6, 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 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 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.

6.6 Section 409A Transition Elections. Pursuant to the transition relief granted under Section 409A of the Internal Revenue Code, each Participant who is an employee of Company or an Adopting Subsidiary may make a one-time irrevocable election (a "Section 409A Transition Election") to request a lump sum distribution of the Participant's Account in accordance with paragraph (a) below and/or to change the duration and/or frequency of installment payments in accordance with paragraph (b) below. A Participant's Section 409A Transition Election must be made no later than November 14, 2008 or such later date designated by the Company provided that such date shall be no later than December 1, 2008 (the "Section 409A Transition Election Date"). If a Participant makes a Section 409A Transition Election on or after the date on which such Participant has a Separation from Service, his or her Section 409A Transition Election shall be null and void and distribution of the Participant's Account will be made in accordance the terms of the Plan without regard to this Section 6.6. A Participant's Section 409A Transition Election will be subject to the following terms and conditions:

- (a) **Lump Sum Payment Election.** A Participant who is eligible to make a Section 409A Transition Election may elect under this paragraph (a) to receive a distribution of all amounts credited to his or her Account under this Plan as of December 31, 2008 (as adjusted for investment earnings, gains and losses through the date of distribution) in a single lump sum payment on January 8, 2009. A Section 409A Transition Election made under this paragraph (a) shall not apply to amounts credited to the Participant's Account after December 31, 2008 and shall not affect the Participant's continued participation in the Plan. Except as provided in paragraph (b) below, all amounts credited to the Participant's Account under the Plan on or after January 1, 2009 shall be distributed in accordance with the terms of the Plan without regard to this Section 6.6.
- (b) **Change in Installment Payment Period.** A Participant who is eligible to make a Section 409A Transition Election may elect to change the duration and/or the frequency of any installment payments previously elected by such Participant pursuant to Section 4.2. An election made under this paragraph (b) must specify the duration of installment payments (from 2 to 15

years) and the frequency of installment payments (monthly, quarterly or annual). Such an election shall replace the duration and frequency elected by the Participant when the Participant made his or her initial installment payment election under Section 4.2 and apply to all amounts distributable to the Participant in the form of installments. Except as provided in paragraph (a), in no event shall a Section 409A Transition Election made under this Section 6.6 cause any amounts that the Participant previously elected to receive in a lump sum to be paid in the form of installments or any amounts that the Participant previously elected to receive in the form of installments to be paid in a lump sum.

If a Participant makes an election under both paragraph (a) and paragraph (b), the election under paragraph (a) shall apply to all amounts credited to the Participant's Account as of December 31, 2008 (as adjusted for investment earnings, gains and losses through the date of distribution) and the election under paragraph (b) will apply to all amounts credited to the Participant's on or after January 1, 2009 that the Participant elects to receive in form of installments pursuant to Section 4.2.

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, 2010. 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 may 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 22nd day of March, 2010.

McDONALD'S CORPORATION

By: /s/ Richard Floersch
Name: Richard Floersch
Title: Corporate Executive Vice President and Chief
Human Resources Officer

EXHIBIT A

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EXHIBIT B

Adopting Subsidiaries

McDonald's USA, LLC

McDonald's Latin America, LLC

McDonald's AMEA, LLC

McDonald's International, LLC

McDonald's Europe, Inc.

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 grant materials provided to you with respect to 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. Each reference herein to the payout of RSUs “as soon as administratively practicable” following termination of employment or another event shall require the RSUs to be paid out within ninety (90) days following the specified event.

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. Each reference herein to the payout of RSUs "as soon as administratively practicable" following termination of employment or another event shall require the RSUs to be paid out within ninety (90) days following the specified event.

- 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, (ii) you provide six months prior written notice of your intention to terminate employment to Lisa Emerson, Corporate Vice President – Global Total Compensation, and (iii) 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 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.

- Special Terms for Grants to Executive Officers of McDonald's Corporation

For grants on or after February 10, 2010, if you have been appointed by the Board of Directors of McDonald's Corporation as an Executive Officer, please refer to the Executive Supplement for more details on the treatment of your stock options and RSUs upon termination.

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 (but in no event more than 90 days following the change of 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 the Company terminates your employment 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

European Prospectus Supplement

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933, as amended.

February 10, 2010

This European Prospectus Supplement describes the stock ownership plans of McDonald's Corporation. You should read this European Prospectus Supplement as well as the global prospectus, dated February 10, 2010 (the "Global Prospectus"). This European Prospectus Supplement focuses on the treatment of McDonald's stock options and restricted stock units granted on or after February 14, 2007 to recipients in European Markets. In the case of a discrepancy between the Global Prospectus and this European Prospectus Supplement, the terms of this European Prospectus Supplement govern for matters addressed herein. Capitalized terms used and not defined in this European Prospectus Supplement have the meanings given in the Amended and Restated 2001 Omnibus Stock Ownership Plan, unless otherwise noted.

What happens to my stock options and restricted stock units (RSUs) if I no longer work for McDonald's?

- Retirement With At Least 12 Months Notice and Execution of Non-Compete Agreement

If you retire from employment with the Company and you (i) provide 12 months prior written notice of your intention to retire to Lisa Emerson, Corporate Vice President – Global Total Compensation, and such notice is accepted by Ms. Emerson, and (2) execute and deliver to the Company a non-competition agreement satisfactory to the Company the following rules apply.

Stock Options. Options that are either exercisable on the date of your termination or that are scheduled to become exercisable within two (2) years of that date can be exercised immediately or at any time within two (2) years following your termination (but not after the original expiration date of the grant). If you violate the non-competition agreement following your termination, all of your stock options will immediately terminate and will no longer be exercisable.

RSUs. Unless your RSUs are subject to performance-based vesting, you will vest in a pro-rata portion of your RSUs, based on the formula provided in the Global Prospectus, and those vested RSUs will be paid out in shares or cash, at the Company's discretion, as soon as 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") your payment will be deferred until as soon as administratively practicable following the first to occur of the originally scheduled vesting date, the six-month anniversary of your termination of employment, or your death. If the RSUs are subject to performance-based vesting, they will be paid out in shares or cash, at the Company's discretion, 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 provided in the Global Prospectus.

In addition to any other requirements, for 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.

- All Other Company Initiated Terminations

If the Company terminates your employment for any reason other than those detailed below, the following rules will apply.

Stock Options. Options that are either exercisable on the date of your termination or that are scheduled to become exercisable within one (1) year of that date can be exercised immediately or at any time within one (1) year following your termination (but not after the original expiration date of the grant).

RSUs. You will vest in a pro-rata portion of your RSUs, based on the formula provided in the Global Prospectus, and, unless the RSUs are subject to performance-based vesting, those vested RSUs will be paid out in shares or cash, at the Company's discretion, as soon as administratively practicable after termination of employment, except that if you are a Specified Employee, your payment will be deferred until as soon as administratively practicable following the first to occur of the originally scheduled vesting date, the six-month anniversary of your termination of employment, or your death. If the RSUs are subject to performance-based vesting, they will be paid out in shares or cash, at the Company's discretion, 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 provided in the Global Prospectus.

For 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.

- Termination As a Result of Death or Disability

If your employment with the Company ends because of Death or Disability, the following rules apply.

Stock Options. All options will be exercisable at any time for three (3) years following termination, regardless of the original expiration date of the options. However, in no event may any option be exercised after the fifteenth anniversary of the grant date.

RSUs. If you terminate employment because of death or Disability before your RSUs vest, they will, unless the award is subject to performance-based vesting, immediately vest and be paid out in shares or in cash, at the Company's discretion, as soon as is administratively practicable after termination of employment, except that if you are a 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 the originally scheduled vesting date, the six-month anniversary of your termination of employment, or your death. If your RSUs are subject to performance-based vesting and you die or terminate employment because of Disability before your RSUs vest, they will be paid out in shares or in cash, at the Company's discretion, 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 Cause or Policy Violation

If you are terminated for Cause your unexercised stock options and unvested RSUs will be terminated immediately. Cause is defined in the 2001 Plan, but generally means any termination based on an act or acts involving dishonesty, fraud or illegality.

However, if the termination for Cause is due solely to a Policy Violation (as determined by the Compensation Committee or its delegate), options exercisable on your termination date may be exercised for 90 days following your termination of employment. All unvested options and RSUs will be forfeited immediately. A Policy Violation means a violation of the Standards of Business Conduct or any underlying policies.

- Employee Initiated Termination

If you choose to terminate your employment with the Company and do not qualify for an extension pursuant to the rules detailed above, the following rules apply.

Stock Options. Any stock options exercisable on the date of your termination may be exercised within ninety (90) calendar days following your termination. Stock options not vested on your termination date will be immediately forfeited (no options will vest post-termination).

RSUs. All unvested RSUs will be immediately forfeited upon your termination.

For grants on or after February 10, 2010, if you have been appointed by the Board of Directors of McDonald's Corporation as an Executive Officer, please refer to the Executive Supplement for more details on the treatment of your stock options and RSUs upon termination.



McDonald's Corporation

Executive Supplement

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933, as amended.

February 10, 2010

This Executive Supplement describes the stock ownership plans of McDonald's Corporation. You should read this Executive Supplement as well as the global prospectus, dated February 10, 2010 (the "Global Prospectus"). This Executive Supplement focuses on the treatment of McDonald's stock options and restricted stock units ("RSUs") granted on or after February 10, 2010 to recipients who are or become designated as Executives. In the case of a discrepancy between the plans, the Global Prospectus and this Executive Supplement, the terms of this Executive Supplement govern for matters addressed herein. Capitalized terms used and not defined in this Executive Supplement have the meanings given in the Amended and Restated 2001 Omnibus Stock Ownership Plan, as amended, unless otherwise noted.

Who is subject to the terms of this Executive Supplement?

Officers who, either at the time of grant or at any time within the six month period prior to termination, are designated as 'Executive Officers' by the McDonald's Corporation Board of Directors, other than the principal accounting officer. Notwithstanding the prior sentence, the terms of this Executive Supplement shall not apply to awards granted to those officers who participate in the Executive Retention Replacement Plan, which includes rules with respect to stock options and RSUs that are substantially identical to the provisions of this Executive Supplement.

What grants are covered by the terms of this Executive Supplement?

Grants made on or after February 10, 2010 are subject to the terms of this Executive Supplement. The terms of this Executive Supplement will not apply to any grants made prior to February 10, 2010.

How do the terms contained in this Executive Supplement change the terms of my stock options upon termination of employment?

Any unvested stock options that are eligible for accelerated vesting and exercisability pursuant to the terms of the 2001 Plan, shall not become exercisable upon your termination of employment but shall instead become exercisable in accordance with their original vesting schedule (25% on each of the first, second, third and fourth anniversaries of the grant date). Any unvested stock options that are not eligible for accelerated vesting pursuant to the 2001 Plan shall be canceled upon your termination. The final day to exercise any stock options shall continue to be governed by the terms of the 2001 Plan and shall not be affected by the terms of this Executive Supplement.

How do the terms contained in this Executive Supplement change the terms of my RSUs upon termination of employment?

RSUs that are eligible for pro-rated vesting pursuant to their terms shall be settled and paid out on the original vesting date instead of upon termination of employment, subject to any applicable performance vesting conditions established at the time of grant.

Can I lose my stock options that will become exercisable in the future or any RSUs that will be paid out in the future?

If your employment terminates in circumstances under which you are entitled to keep your options that were not canceled upon your termination of employment and/or pro-rata RSUs that will be settled in the future (for example, if you are eligible for Retirement or terminated by McDonald's Corporation under Special Circumstances), you will lose those awards if you violate a restrictive covenant to which you agreed to at or before the time of your termination. Restrictive covenants include, but are not limited to a non-competition, non-solicitation, non-disparagement or confidentiality. If you violate any restrictive covenant following your termination, the Company may immediately cancel all outstanding stock options or RSUs.

How do the terms contained in this Executive Supplement impact any terms of my grants that are not specifically addressed in this Executive Supplement?

Except as otherwise provided in this Executive Supplement, the other terms and conditions of the awards (including the termination rules applicable to the employee under the 2001 Plan, the terms of the original grant, and/or any supplemental rules, as applicable) shall continue to apply.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
Dollars in Millions

	Three Months Ended March 31,		Years Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
Earnings available for fixed charges							
- Income from continuing operations before provision for income taxes and cumulative effect of accounting changes	\$1,556.9	\$1,372.4	\$6,487.0	\$6,158.0	\$3,572.1 ⁽¹⁾	\$4,154.4	\$3,660.2
- Noncontrolling 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	2.4	0.5	7.5	10.7	7.2	5.5	1.2
- Income tax provision (benefit) of 50%-owned affiliates included in income from continuing operations before provision for income taxes	(0.4)	11.0	47.7	30.0	22.4	5.9	(3.5)
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	80.0	72.8	302.8	321.3	312.8	304.0	292.8
- Interest expense, amortization of debt discount and issuance costs, and depreciation of capitalized interest*	118.3	129.1	504.5	556.8	442.7	437.4	392.2
	<u>\$1,757.2</u>	<u>\$1,585.8</u>	<u>\$7,349.5</u>	<u>\$7,076.8</u>	<u>\$4,357.2</u>	<u>\$4,907.2</u>	<u>\$4,342.9</u>
Fixed charges							
- Portion of rent charges (after reduction for rental income from subleased properties) considered to be representative of interest factors*	\$ 80.0	\$ 72.8	\$ 302.8	\$ 321.3	\$ 312.8	\$ 304.0	\$ 292.8
- Interest expense, amortization of debt discount and issuance costs, and fixed charges related to redeemable preferred stock*	113.9	124.8	486.9	539.7	425.9	418.4	373.4
- Capitalized interest*	2.3	2.0	11.9	12.5	7.0	5.5	5.0
	<u>\$ 196.2</u>	<u>\$ 199.6</u>	<u>\$ 801.6</u>	<u>\$ 873.5</u>	<u>\$ 745.7</u>	<u>\$ 727.9</u>	<u>\$ 671.2</u>
Ratio of earnings to fixed charges	<u>8.96</u>	<u>7.94</u>	<u>9.17</u>	<u>8.10</u>	<u>5.84</u>	<u>6.74</u>	<u>6.47</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 \$1.7 billion primarily related to impairment in connection with the Company's sale of Latam to a developmental licensee.

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: May 6, 2010

/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: May 6, 2010

/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 March 31, 2010 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: May 6, 2010

/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 March 31, 2010 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: May 6, 2010

/s/ Peter J. Bensen

Peter J. Bensen

*Corporate Executive Vice President and
Chief Financial Officer*