YOUR LONG TERM INCENTIVES

Comparing Stock Options and Restricted Stock Units

Your LTI Award comprises stock options and Restricted Stock Units, which provide you with the opportunity to obtain an ownership interest in McDonald's. However, there are important differences between these two award types. Here's an overview of how they're different.

	STOCK OPTIONS	RESTRICTED STOCK UNITS
Provide…	Right to purchase shares of McDonald's stock at a fixed price (the grant price) over a period of time. The grant price is the price of McDonald's stock when the options are granted to you.	Right to receive shares of stock (or the equivalent cash value) at the time they vest.
Why we grant them	Provide significant upside earning opportunity when the stock price increases.	Balance upside opportunity with greater stability and less risk.
Typical vesting period	25% of the options from a given LTI award vest each year over 4 years.	100% of RSUs from a given LTI award vest all at once on the 3-year anniversary of the grant date.
When they expire	Generally 10 years from the grant date.	RSUs do not expire. They lapse when the 3-year vesting period ends and you receive shares of stock (or the equivalent cash value).
What you do with them	When you exercise your option to purchase shares of McDonald's stock, you will pay the grant price for the stock that you buy rather than the current market price.	There's nothing you need to do when the RSUs vest, the shares of stock (or equivalent cash value) automatically become yours. You can sell or hold onto the shares of stock you receive.
What determines their value to you	The value of each option is the difference between McDonald's stock price when you exercise the options and the grant price. Options have value only when McDonald's stock price is higher than the grant price.	The value of each RSU is equal to McDonald's stock price when they vest. RSUs have value as long as McDonald's stock has value.
When you pay taxes	Income taxes are payable when you exercise stock options. Option proceeds are paid via Payroll so that the income tax is automatically accounted for.	Income taxes are payable when RSUs vest. To make this as simple as possible, the appropriate number of RSUs are withheld at vest and sold in order to pay the income tax. This leaves you with a net number of shares of stock and the income tax accounted for via Payroll.
What happens if you leave McDonald's	Generally, you will have 90 days after termination to exercise vested, unexercised stock options. You may qualify for different treatment based upon the reason for termination.	Generally, you forfeit your RSUs if you leave McDonald's before they vest. You may qualify for different treatment based upon the reason for termination.