

"Ever tried a McFlurry?" asks Andy McKenna with a welcoming smile. "If not, let's get one for you!"

Andy McKenna likes McFlurries, especially McDonald's Oreo McFlurry. More importantly, McKenna likes the trip upstairs from the executive suite to the in-house McDonald's restaurant to buy one of the soft ice cream treats. And the McDonald's employees that he encounters on the way look forward to his forays. That's because Andy McKenna has become McDonald's paterfamilias — a role the longtime director has settled into easily since stepping up as chairman of the fast food giant.

"Andy is in the middle of everything, to everyone's benefit," says fellow McDonald's director Rick Hernandez, CEO of Inter-Con Security Systems. "He is the perfect blend of professional and personal in all of his dealings," adds John Madigan, retired chairman and CEO of Tribune Corporation. Madigan reports that as a Tribune director for 20 years, McKenna "made it his business to know and understand every member of my management team." Similar accolades are heard from Patrick Ryan, the CEO of Aon, upon whose board McKenna has also sat for more than 30 years, as well as from his peers on the many charitable and civic organizations that enjoy his support.

"Everyone brings something, Andy ties it all together," explains former Banana Republic and Walmart.com chief Jeanne Jackson. Jackson speaks from experience. She has sat on the McDonald's board with McKenna for the past five years and has seen McKenna step up to the plate and "tie it all together" not once but twice in her tenure. His fellow directors credit him with successfully shepherding the board and the company through a difficult transition both times.

The first story begins in late 2002 with Jack Greenberg at the helm and McDonald's performance on a yearlong slide. Looking for growth, McDonald's had opened too many stores, and the new

ones were cannibalizing older ones. The stock was down 39% for the year and profits had declined for two years straight. An expensive food system implemented to improve taste had slowed service. "We all knew something had to change but were not at all agreed on what," Jackson explains. McKenna, McDonald's lead director and a board member since 1991, devised a deliberative decision-making process that diffused the emotions and replaced them with reason.

To begin, McKenna and fellow senior board member Ed Brennan saddled up their ponies and interviewed every member of the leadership team. "He wanted to understand the positives and the negatives of the business situation from each of their perspectives," explains Jackson. He then synthesized the interview results and

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evaluated them in light of McDonald's corporate objectives and strategic plan. "When he presented the findings to the board, everyone clearly saw a mismatch," says Jackson. Greenberg, an accountant who rose up through the financial ranks at McDonald's to become CFO and then CEO, had proven to be insufficiently in touch with operations to be effective. McDonald's needed new leadership. Once the decision was made, McKenna closed the loop by circling back with the management team, explaining how their input had been used, what had been decided and why.

James Cantalupo agreed to return to the company as chairman and CEO. A 28-year McDonald's veteran, Cantalupo had taken early retirement from McDonald's a year earlier after being passed over for the top job at the time of Greenberg's appointment. Although an accountant by training, Cantalupo was the ultimate operations guy, having opened thousands of stores as longtime head of McDonald's International.

In April 2004 the McDonald's board suddenly found itself facing another CEO succession, this one wrought with considerably more drama. The morning before a 14,000-person McDonald's conference was to begin, Cantalupo suffered a fatal heart attack in his hotel room in Orlando, Fla. McKenna, in Orlando for the occasion, was already up and ready to begin his daily workout when he got the call. After notifying the necessary authorities, he set a board meeting for 6:45 a.m. Eight directors were already there for the conference. The remaining four joined by phone.

McKenna, despite his personal grief, led the board smoothly through their paces that morning. The succession plan was well known and needed only to be confirmed. "Charlie Bell was handpicked and had been working absolutely side by side with Jim for 16 months," says McKenna. Fellow board member John Rogers, chairman and CEO of Ariel Capital Management, remembers how McKenna pulled the group together that morning. "It wasn't just that he was lead director but that he was Andy McKenna," says Rogers. "He shepherded us through a discussion about Charlie that involved and included everyone."

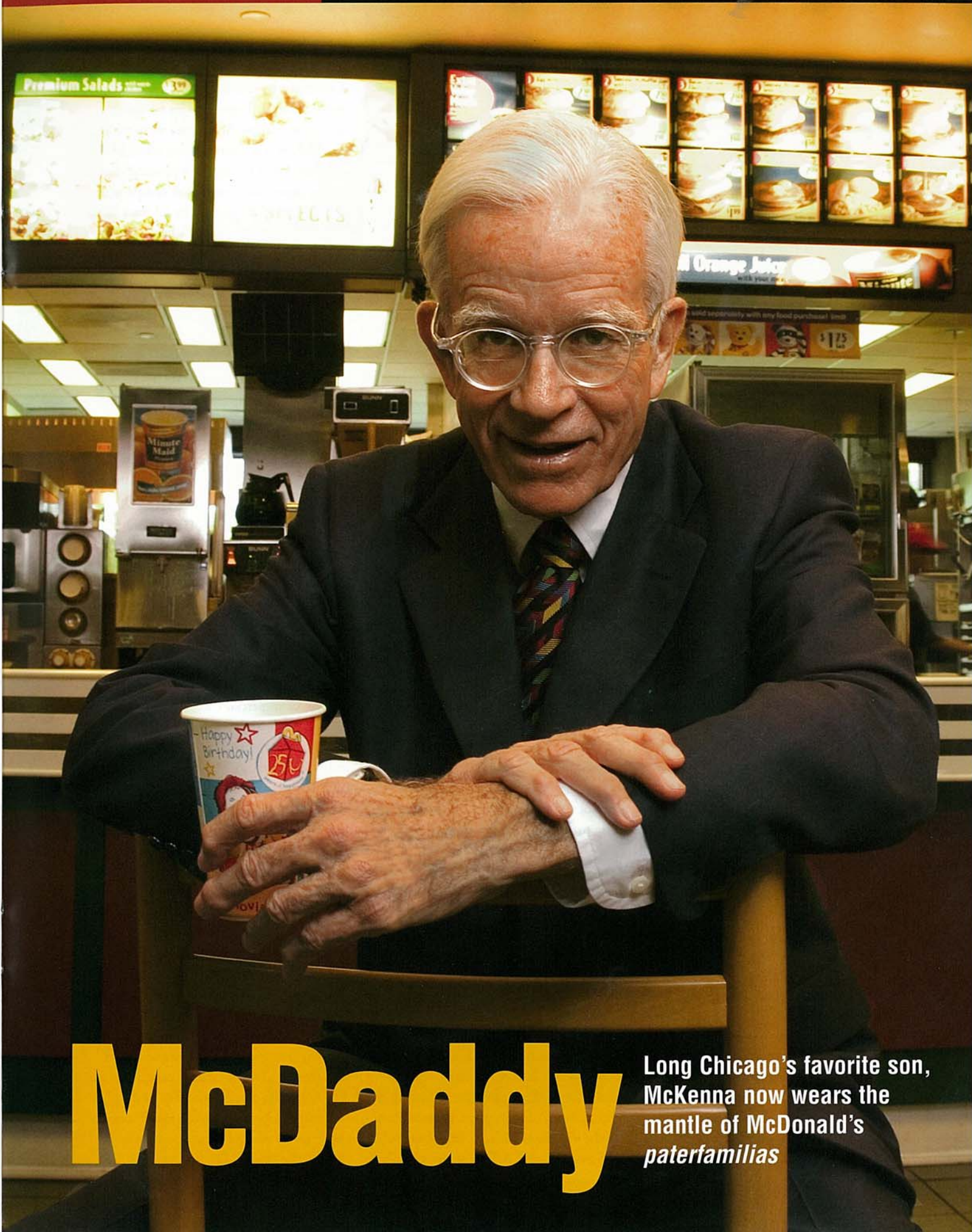
Bell, just 43 years old and not long out of his native Australia, was the clear choice, but not one without risk. He had done great things for McDonald's in

Chicago's

OUTSTANDING DIRECTORS 2004

ANDREW J. MCKENNA

Outstanding Director for guiding McDonald's through two CEO successions



McDaddy

Long Chicago's favorite son, McKenna now wears the mantle of McDonald's *paterfamilias*

BORN: September 17, 1929, in Chicago, Ill.

EDUCATION: B.S., Notre Dame; J.D., DePaul University

CAREER HISTORY: Chairman and CEO, Schwarz Paper Company

FAMILY: Married to Joanie for 51 years; seven children, 22 grandchildren

HOMETOWN: Winnetka, Ill.

MOST MEMORABLE SUMMER JOB: Greens cutter at a public golf course

BEST VACATION IN PAST FIVE YEARS: Very few — a couple of family gatherings in Florida

WON'T LEAVE HOME WITHOUT: A key to get back in!

BEST BOOK READ OVER LAST YEAR: *Alexander Hamilton*, by Ron Chernow

MOST ENTERTAINING MOVIE SEEN OVER LAST YEAR: *Chicago* (what else?)

FAVORITE QUOTATION: "Integrity never takes a holiday." —Andrew McKenna (though he can't believe he was the first to say it)

CURRENT CORPORATE BOARDS: McDonald's, Aon, Skyline Corporation, Click Commerce



Asia-Pacific and Europe but he had no experience with Wall Street and was unknown to the all-important U.S. franchisees. A conversation broke out about splitting the role of chairman and CEO. Board members describe what happened next as serendipity. Virtually without debate, the board unanimously concluded that McKenna should become non-executive chairman. "Everyone physically turned to Andy," says Don Lubin, a recently retired McDonald's board director and partner at Sonnenschein, Nath & Rosenthal LLP.

McDonald's turnaround, strongly evident at the time of Cantalupo's death, has continued apace. Its "Plan to Win" program is working, with same-store sales growth up globally for the 15th straight month in July of 2004. At an eight-year low when Cantalupo took over, McDonald's share price has risen by more than 60%. The relationship between

chairman and chief executive is as harmonious and constructive as the board had predicted. "Charlie has visibly grown in Andy's presence," observes Rogers. Jackson adds, "Andy's statesmanship, comfort with Wall Street and mentoring style make a perfect match with Charlie."

Having sat on numerous nominating committees over the years, McKenna has also consistently used his people skills to invigorate the boards on which he serves. "Andy is one of the main reasons I went on my first and second boards," concurs fellow Aon and Tribune board member Robert Morrison, retired vice chairman of PepsiCo and retired chairman and CEO of Quaker Oats. At McDonald's McKenna has been instrumental in getting Bob Eckert, CEO of Mattel; Cary McMillan, former executive at Sara Lee; and Anne-Marie Slaughter, current dean of the Woodrow Wilson School of Public and International Affairs at Princeton

University, to join the board. He also helped recruit Rogers, whom he saw in action as a fellow Aon board member

McKenna is chairman and CEO of Schwarz Paper Company, a printing, packaging, paper and distribution company that he joined at 26, bought 12 years later and still runs, with his son's help. Asked to what he attributes its success, McKenna, who won the Horatio Alger award in 1993, is forthright. He cites superior access to capital, smart diversification and strong management. He is quick to acknowledge that Schwarz does supply items like tray liners and French fry holders to McDonald's, an issue that can stick in the craw of some governance purists. But he points out that McDonald's accounts for less than one half of one percent of Schwarz's business and that the relationship is clearly disclosed.

In addition to his seven children and 22 grandchildren, all of whom dress alike in the annual family Christmas card, he cites his work in the nonprofit sector as his proudest accomplishment. As the "go-to guy" for just about everything, McKenna works and fundraises tirelessly for the betterment of his Chicago community. As chair of the Civic Committee of the Commercial Club of Chicago, he is working with Mayor Richard M. Daley on an initiative to create 100 new schools. Chicago's Museum of Science and Industry, Children's Memorial Hospital, United Way and Notre Dame are all also as firmly on his agenda as his business commitments.

For McKenna, slowing down is out of the question. In reference to Berkshire Hathaway's appointment of two board directors in their late 70s in May of 2003, McKenna says with a big grin, "Warren Buffet says he's even thinking of making 75 the minimum age. Sounds good to me!"

"He is a quiet, humble leader who asks for no credit but receives tons," says Arthur Martinez, a longtime friend and the former CEO of Sears, Roebuck & Co.

"I've been on seven boards to date," sums up Jackson. "You're lucky if once in your career you get someone on your board like Andy." O