Press Release

SEC Charges McDonald’s Former CEO for Misrepresentations About His Termination

Fast Food Company Charged for Public Disclosure Violations

FOR IMMEDIATE RELEASE
2023-4

Washington D.C., Jan. 9, 2023 — The Securities and Exchange Commission today charged Stephen J. Easterbrook, former CEO of McDonald’s Corporation, with making false and misleading statements to investors about the circumstances leading to his termination in November 2019. McDonald’s also was charged for shortcomings in its public disclosures related to Easterbrook’s separation agreement.

According to the SEC’s order, McDonald’s terminated Easterbrook for exercising poor judgment and engaging in an inappropriate personal relationship with a McDonald’s employee in violation of company policy. However, McDonald’s and Easterbrook entered into a separation agreement that concluded his termination was without cause, which allowed him to retain substantial equity compensation that otherwise would have been forfeited. In making this conclusion, McDonald’s exercised discretion that was not disclosed to investors.

Subsequently, in July 2020, McDonald’s discovered through an internal investigation that Easterbrook had engaged in other undisclosed, improper relationships with additional McDonald’s employees. According to the SEC’s order, Easterbrook knew or was reckless in not knowing that his failure to disclose these additional violations of company policy prior to his termination would influence McDonald’s disclosures to investors related to his departure and compensation.

"When corporate officers corrupt internal processes to manage their personal reputations or line their own pockets, they breach their fundamental duties to shareholders, who are entitled to transparency and fair dealing from executives," said Gurbir S. Grewal, Director of the Division of Enforcement. "By allegedly concealing the extent of his misconduct during the company’s internal investigation, Easterbrook broke that trust with – and ultimately misled – shareholders."

"Public issuers, like McDonalds’s, are required to disclose and explain all material elements of their CEO’s compensation, including factors regarding any separation agreements," said Mark Cave, Associate Director of the Division of Enforcement. "Today’s order finds that McDonald’s failed to disclose that the company exercised discretion in treating Easterbrook’s termination as without cause in conjunction with the execution of a separation agreement valued at more than $40 million."

The SEC’s order finds that Easterbrook violated the anti-fraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. Without admitting or denying its findings, Easterbrook has consented to entry of the SEC’s cease-and-desist order, which imposes a five-year officer and director bar and a $400,000 civil penalty.

The SEC’s order also finds that McDonald’s violated Section 14(a) of the Exchange Act and Exchange Act Rule 14a-3. Without admitting or denying its findings, McDonald’s has consented to the SEC’s cease-and-desist order. The Commission determined not to impose a financial penalty on McDonald’s in light of the substantial cooperation it provided to SEC staff during the course of its investigation, including voluntarily providing information not otherwise required to be produced in response to the staff's requests, as well as the remedial measures undertaken by McDonald's, including seeking and ultimately recovering the compensation Easterbrook received pursuant to the separation agreement.

The SEC's investigation was conducted by Bobby Gray and Fernando Campoamor, under the supervision of Mr. Cave.

###

Related Materials

- SEC Order