



**IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE**

TEAMSTERS LOCAL 237	)	
ADDITIONAL SECURITY	)	C.A. NO. _____
FUND, TEAMSTERS LOCAL 237	)	
SUPPLEMENTAL FUND FOR	)	
HOUSING AUTHORITY	)	
EMPLOYEES, AND	)	
TEAMSTERS LOCAL 237	)	
WELFARE FUND,	)	
	)	
Plaintiffs,	)	
	)	
v.	)	
	)	
MCDONALD’S CORPORATION,	)	
	)	
Defendant.	)	
_____	)	

**VERIFIED COMPLAINT FOR INSPECTION  
OF BOOKS AND RECORDS PURSUANT TO 8 DEL. C. § 220**

Teamsters Local 237 Additional Security Fund, Teamsters Local 237 Supplemental Fund for Housing Authority Employees and Teamsters Local 237 Welfare Fund (“Stockholder”), by and through its undersigned counsel, alleges on personal knowledge as to its own conduct, and upon information and belief as to all other matters, for its Verified Complaint to Compel Inspection of Books and Records under 8 *Del. C.* § 220 against McDonald’s Corporation (“McDonald’s” or the “Company”), as follows:

## **NATURE OF THE ACTION**

1. This is an action under 8 *Del. C.* § 220 (“Section 220”) to compel McDonald’s to make its books and records available for inspection and copying by Stockholder as a stockholder of the Company. Appended as *Exhibit A* is Stockholder’s April 24, 2020 inspection demand to McDonald’s (“the Demand”).

## **THE PARTIES**

2. Stockholder is the owner of 7,111 common shares of McDonald’s.

3. McDonald’s is a corporation organized and existing under the General Corporation Law of the State of Delaware. The Delaware registered agent of McDonald’s is The Prentice-Hall Corporation System, Inc., 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808.

## **FACTUAL BACKGROUND**

### **A. McDonald’s Suffers from a Pervasive Sexual Harassment and Gender Discrimination Problem**

4. McDonald’s is a global company that operates and franchises approximately 36,000 fast food restaurants in more than 100 countries. Approximately 93% of McDonald’s restaurants in the United States are currently owned and operated by independent franchisees. In 2019, the Company had 205,000 employees worldwide and reported consolidated revenues of \$21.1 billion. McDonald’s is a Delaware company headquartered in Chicago, Illinois.

5. McDonald's suffers from a toxic work culture marked by sexual harassment, bullying, and abuse of the Company's female employees at the hands of their supervisors, co-workers, and customers. Countless stories have surfaced in recent years, painting a picture of the Company's intimidating, hostile, and offensive work environment, in which female workers are regularly subjected to groping, physical assaults, sexually charged crude jokes and epithets. That offensive behavior reaches even the most vulnerable group — teenage female workers. To make matters worse, victims who object to sexual harassment are ignored, mocked, and otherwise retaliated against, including being terminated, while their abusers continue working with impunity. The widespread misconduct occurs at all corporate levels, including within the Company's highest ranks.

6. A review of public news reports and court records suggests that the pervasive sexual harassment problem at McDonald's has persisted for at least a decade, and is well-known to the Company's management and the Board. In 2012, the U.S. Equal Employment Opportunity Commission ("EEOC") brought suit against the Company alleging sexual harassment, which a Company franchisee settled for \$1 million.<sup>1</sup> The suit alleged that since at least 2006, several male

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<sup>1</sup> U.S. Equal Employment Opportunity Commission, *Owner of 25 McDonald's Restaurants to Pay \$1 Million in EEOC Sexual Harassment Suit*, July 18, 2012, available at <https://www.eeoc.gov/eeoc/newsroom/release/7-18-12a.cfm> (last accessed on August 10, 2020).

employees subjected female co-workers, including teenage female workers, to sexual harassment, including sexual comments, kissing, touching of their private areas, and forcing their hands onto the men's private parts. Despite the fact that the franchisee was notified of the harassment and abuse, it failed and refused to take prompt and appropriate remedial action.

7. Again, in October 2016, more than a dozen McDonald's workers from restaurants across the nation filed complaints with the EEOC, complaining of unwanted sexual comments, touching, and kissing, including outrageous acts of groping and sexual assaults taking place on a daily basis.<sup>2</sup> The complaint alleged that victims who protested the mistreatment were ignored — or worse — retaliated against, including having their hours cut, thereby forcing them to quit.

8. Over the years, hundreds of additional charges were filed with the EEOC, and countless federal and state lawsuits were commenced, all detailing the alarming working conditions female workers at McDonald's have been forced to endure. Most recently, in April 2020, McDonald's workers filed a \$500 million sexual harassment lawsuit, accusing McDonald's of fostering "systemic sexual harassment" at its own corporate-run restaurants that employ at least 5,000 workers.

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<sup>2</sup> Leslie Patton, Bloomberg.com, *McDonald's Workers File EEOC Sexual Harassment Complaints*, October 5, 2016, available at <https://www.bloomberg.com/news/articles/2016-10-05/mcdonald-s-workers-file-eeoc-complaints-over-sexual-harassment> (last accessed on August 10, 2020).

Among other things, the lawsuit alleges that female workers in Florida were subject to “pervasive sexual harassment and a hostile work environment, including groping, sexual assault and sexually-charged comments.”

**B. McDonald’s Sexual Harassment and Gender Discrimination Problem Attracted Regulatory Scrutiny**

9. Fed up with their unfair treatment and frustrated by the Company’s persistent ignoring of their grievances, McDonald’s employees from 10 cities across the United States went on a one-day strike to protest the culture of sexual harassment and McDonald’s management’s failure to remedy the ongoing problem. On the heels of the employee’s protest, and in response to other alarming events, regulators were moved to make formal inquiries into McDonald’s sexual harassment and gender discrimination issues. For example, on December 11, 2018, United States Senator Tammy Duckworth sent McDonald’s then-CEO, Steve Easterbrook an inquiry regarding the “multiple sexual harassment complaints made by employees who work at McDonald’s Restaurants in Detroit, Chicago, Los Angeles, and six other cities.”<sup>3</sup> An additional seven senators soon joined in, and, on June 11, 2019, jointly sent a letter to Mr. Easterbrook insisting that the Company “must do more to combat workplace harassment, abuse and retaliation suffered by McDonald’s

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<sup>3</sup> Letter to Steve Easterbrook, CEO of McDonald’s, from U.S. Sen. Tammy Duckworth (Dec. 11, 2018), available at <https://www.duckworth.senate.gov/download/senator-duckworths-letter-to-mcdonalds-ceo> (last visited August 10, 2020).

workers across the country.”<sup>4</sup> The Senators observed that “[a]fter carefully reviewing [McDonald’s] public statements and documents, *we remain troubled that the procedures, policies and activities outlined fall short of providing a safe and respectful work environment* for all workers who wear the McDonald’s uniform.”

10. The Senators observed bluntly that “*continued reports of workplace misconduct are unacceptable.*” The Senators stated:

[s]ince independently owned operations make up the vast majority of the over 14,000 McDonald’s locations across the U.S., it is imperative that the McDonald’s Corporation require all franchise locations to adopt the updated policies to guarantee that all workers will be covered by the new protections and support services.

**C. The Board Failed to Exercise its Authority to Claw Back Former CEO’s Compensation**

11. On November 3, 2019, McDonald’s announced that its then-CEO, Steve Easterbrook was being terminated for having a romantic relationship with another employee.<sup>5</sup> The Board concluded that Easterbrook “violated company policy and demonstrated poor judgment involving a recent consensual relationship

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<sup>4</sup> Letter to Steve Easterbrook, CEO of McDonald’s, from U.S. Sen. Tammy Duckworth, U.S. Sen. Richard Blumenthal, U.S. Sen. Sharrod Brown, U.S. Sen. Bernard Sanders, U.S. Senator Elizabeth Warren, U.S. Sen. Kamala D. Harris, U.S. Sen. Amy Klobuchar, U.S. Sen. Chris Van Hollen (Jun. 11, 2019), available at <https://www.duckworth.senate.gov/download/letter-to-mcdonalds-on-workplace-harassment> (last visited August 10, 2020) (the “Senators’ June 11, 2019 Letter”).

<sup>5</sup> See Ex. 99.1 to McDonald’s Form 8-K filed with the SEC on Nov. 4, 2019.

with an employee.”<sup>6</sup> As such, Easterbrook’s misconduct constituted grounds for termination “for cause,” which is defined in the Company’s Officer Severance Plan, as “serious, reckless or material violation of McDonald’s Standard of Business Conduct or other employment policies.” That Easterbrook’s conduct warranted “for cause” classification is particularly obvious in light of the widespread sexual harassment and gender discrimination problem at McDonald’s which resulted in dozens of lawsuits filed in federal and state courts by the EEOC and by workers across the nation, and the years of public outrage and criticism the Company was subjected to in the recent years.

12. Under these circumstances, the Board had the authority to terminate Easterbrook “for cause,” and consequently, to claw back at least portion of his exit compensation. Instead of doing that, however, the Board failed to fire Easterbrook “for cause,” and failed to claw back the compensation he received while committing acts detrimental to the Company’s well-being. By terminating Easterbrook “without cause,” the Board allowed him to unjustly receive a lucrative exit package that could be worth up to \$85 million dollars. Pursuant to the separation agreement entered into between Easterbrook and the Company, Easterbrook would receive twenty-six

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<sup>6</sup> Heather Haddon, the Wall Street Journal, *McDonald’s Fires CEO Steve Easterbrook Over Relationship With Employee*, available at <https://www.wsj.com/articles/mcdonalds-fires-ceo-steve-easterbrook-over-relationship-with-employee-11572816660> (last accessed on August 10, 2020).

weeks of pay (or \$670,000), retain \$42 million in unexercised vested options, 18 months of health insurance, and remain eligible for pro-rated bonuses for fiscal year 2019.

13. Most recently, on August 10, 2020, McDonald's announced that the Company filed a lawsuit against Mr. Easterbrook, seeking to claw back Mr. Easterbrook's severance compensation. In its complaint against Mr. Easterbrook, McDonald's alleges that Mr. Easterbrook lied about relationships he had and destroyed records in order to cover it up.<sup>7</sup> The new investigation, which reportedly commenced in July 2020, also uncovered an "extraordinary stock grant, worth hundreds of thousands of dollars" made to an employee during their relationship.<sup>8</sup>

### **THE DEMAND**

14. On April 24, 2020, Stockholder served McDonald's with the Demand pursuant to Section 220, seeking to inspect certain books and records of McDonald's.

15. The Demand complied in all respects with Section 220 as to the form and manner of making a demand for the inspection of McDonald's books and records.

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<sup>7</sup> Alesci & Wiener-Bronner, *McDonald's is Suing Ousted CEO for Ling About Sexual Relationships with Employees*, available at <https://www.cnn.com/2020/08/10/business/mcdonalds-steve-easterbrook-ceo-lawsuit/index.html>

<sup>8</sup> *Id.*



16. The purposes of the Demand were to (1) investigate potential wrongdoing and mismanagement in connection with McDonald's persistent problem with sexual harassment and gender discrimination; (2) investigate the independence and disinterestedness of the Board; (3) determine whether the Board properly discharged its duties as they relate to McDonald's sexual harassment and gender discrimination policies; (4) investigate the circumstances surrounding the dismissal of McDonald's CEO, Steve Easterbrook; and (5) assess the propriety of the Board's decision to enter into the separation agreement with Mr. Easterbrook under the circumstances.

17. The records that Stockholder presently seeks and which were requested in the Demand are as follows for the period January 1, 2006, through the present, unless otherwise indicated:

- a. All Board Materials<sup>9</sup> concerning issues of sexual harassment and gender discrimination;

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<sup>9</sup> "Board Materials" means all minutes of and documents provided at, considered at, discussed at, or prepared or disseminated, in draft or final form, in connection with, in anticipation of, or as a result of any meeting, whether formal or informal, of the members of the Board, or any regular or specially created committee thereof, including, without limitation, all presentations, Board packages, recordings, agendas, preparation materials, summaries, memoranda, charts, transcripts, notes, minutes of meetings, drafts of minutes of meetings, exhibits distributed at meetings, summaries of meetings, and resolutions. Board Materials include documents hosted on electronic portals or platforms, including, without limitation, any edits, notes, comments, or communications, hosted on such portal or platform.

- b. All Board Materials concerning the Board's inquiry and/or assessment of gender pay equity and employment and opportunity equity within McDonald's;
- c. All Board Materials concerning the assessment, evaluation, and analysis of McDonald's franchise agreements as they relate to McDonald's corporate control over: (i) employment practices, human resources, issues of discrimination and harassment; (ii) protocols and policies in place aimed at remediation and mitigation of issues related to workplace harassment and discrimination; (iii) protocols and policies relating to the reporting mechanisms in place through which instances of actual or alleged sexual harassment and gender discrimination are reported to the Company's management and/or the Board;
- d. All Board Materials evidencing and/or reflecting the Board's engagement of or consideration to engage any consultant or third-party entity for the purpose of assessing McDonald's corporate control over the issues subject of Document Request No. 3 above;
- e. Documents concerning McDonald's communication with any regulatory body, agency, and/or state or federal authority relating to sexual harassment and gender discrimination issue at McDonald's;
- f. Any expert's or consultant's reports or opinions concerning Mr. Easterbrook's termination, including books and records the Board relied on to determine that Mr. Easterbrook should be terminated without cause;
- g. All Board Materials and Documents relating to Mr. Easterbrook's job performance at McDonald's, including Board and Compensation Committee minutes relating to Mr. Easterbrook's performance as CEO;
- h. All Board Materials and Documents concerning the termination of Mr. Easterbrook;
- i. All Board Materials and Documents concerning any consideration of a claw back of any portion of any executive's compensation;
- j. All Board Materials and Documents concerning the severance pay and compensation awarded to Mr. Easterbrook upon his termination, including salary, bonus, stock options, severance payments, RSUs, and any other form of compensation;

- k. All Board Materials and Documents related to the Company's assessment of, and response to, the specific questions contained in the Senators' June 11, 2019 Letter, including the answers to those questions and any draft responses;
- l. All internal corporate governance documents relating in any way to sexual harassment and gender discrimination not currently accessible to stockholders via the Company's investor relations website;
- m. All Documents pertaining to the independence of the members of the Board, including, but not limited to, any annual questionnaires and/or documents discussing, describing, concerning, or constituting the determination of director independence pursuant to the pertinent rules of the NYSE;
- n. Documents sufficient to show any and all personal, familial, financial, or business relationships between or among any current director or officer of the Company, other than their service as directors of the Company;
- o. Any demand for inspection of corporate books and records made by any other stockholder(s) relating to the matters subject of this Demand.
- p. All Documents that have been produced or that the Company is planning on producing to any other stockholder(s) making a demand for inspection of corporate books and records under Section 220 related to the matters discussed in this Demand.

18. On May 11, 2020, McDonald's rejected Stockholder's inspection rights by denying Stockholder an inspection within five (5) days of the Demand and erroneously asserting that the Demand "does not establish proper purpose." *See* Response Letter at Response Letter at 2, attached hereto as Exhibit B.

19. Nonetheless, the Response Letter stated that "the Company is willing to discuss producing to Stockholder a targeted set of materials responsive to its demand." Response Letter at 3. A corporation is not entitled to hijack a

stockholder's Section 220 rights by issuing a form response letter summarily rejecting a stockholder's demand and denying inspection within the statutorily mandated time period, and simultaneously making vague overtures to "discuss" the very demand which the corporation unequivocally rejected.

20. Additionally, McDonald's expressly conditioned any production of documents on the parties' "execution of a suitable confidentiality agreement." Response Letter at 3. Accordingly, the parties met and conferred telephonically and via email on a number of occasions during the months of May and June to negotiate the terms of the confidentiality agreement, which the parties finalized on June 26, 2020.

21. In an effort to negotiate an acceptable scope of McDonald's production as to volume and time frame, counsel for Stockholder and McDonald's Board have met and conferred telephonically on at least four occasions, including on July 2, 10, 14, and 22, and via email on numerous other instances.

22. On July 10, 2020, counsel for Stockholder proposed that McDonald's make a rolling production, starting with narrowly tailored categories of documents, consisting mainly of Board minutes, which Stockholder is squarely entitled to inspect under Section 220. Despite the fact that Stockholder's Proposal was tailored to the proper purposes stated in the Demand, McDonald's counsel declined to

entertain any proposals for rolling productions, but rather insisted that the full scope of production be fully negotiated before any documents were produced.

23. Three weeks later, on July 31, 2020 —after several additional rounds of meet and confer meetings — counsel for McDonald’s reversed course and proposed making a rolling production of a limited subset of Board materials for the period between January 1, 2018 and April 30, 2020, while the parties continue to negotiate regarding the remainder of the documents requested in the Demand.

24. Meanwhile—unbeknownst to Stockholder—McDonald’s Board purportedly reopened an investigation into Mr. Easterbrook’s misconduct on the heels of Stockholder’s Sec. 220 efforts, and ultimately filed a lawsuit against Mr. Easterbrook, seeking the return of certain moneys paid to Mr. Easterbrook as part of his severance package. Curiously, the Board’s renewed investigation appears to have commenced during the precise time Stockholder’s counsel was pressing to obtain Board-level documents on this very subject matter but which fall outside of the time period that McDonald’s agreed to produce.

25. McDonald’s refusal to produce any documents past the April 2020 timeframe is particularly dubious and unreasonable in light of the recent developments, which reveal that documents highly relevant to Stockholder’s proper purpose exist in McDonald’s possession. Consequently, McDonald’s refusal to permit inspection of McDonald’s corporate books and records dated after April 2020

demonstrates a deliberate lack of cooperation and bad faith in negotiating with Stockholder over a reasonable scope of production.

26. Furthermore, despite McDonald's counsel's repeated representation that production of documents would be made in a timely fashion, as of the date of this Verified Complaint — and more than three months since the original Demand was served — McDonald's has failed to produce any documents whatsoever, nor has McDonald's specified a date certain on which any production would be made.

27. Consequently, Stockholder is left with no other recourse than to seek the Court's involvement in enforcing its inspection rights under Section 220.

### **COUNT I**

#### **(Demand for Inspection Pursuant to 8 Del. C. § 220)**

28. Stockholder repeats and realleges the foregoing paragraphs of this Verified Complaint as if fully set forth herein.

29. Stockholder has delivered the Demand to inspect books and records of McDonald's. Stockholder has fully complied with the provisions of Section 220 respecting the form and manner of demanding inspection of McDonald's books and records.

30. The Demand was made under penalty of perjury and attached documentary proof of Stockholder's beneficial ownership of McDonald's common stock.

31. The Demand seeks a narrowly-tailored set of documents sufficient to achieve Stockholder's purposes in making the Demand, and states multiple proper purposes for requesting books and records of McDonald's, all of which are reasonably related to Stockholder's interest as a McDonald's stockholder.

32. Stockholder has limited the Demand to materials that this Court has recognized as falling within the legitimate scope of a books and records demand under Section 220 for stockholders to evaluate their interests.

33. McDonald's contends that Stockholder lacks proper purpose, because a "[m]ere 'suspicion of wrongdoing' is insufficient to establish an entitlement to inspection rights under Section 220." Response Letter at 2. Furthermore, McDonald's erroneously posits that the Demand made "no 'credible showing, through documents, logic, testimony or otherwise, that there are legitimate issues of wrongdoing' by the McDonald's Board or by any particular director or officer." Response Letter at 2.

34. In short, Stockholder has stated proper purposes for the Demand, set forth sufficiently specific descriptions of the records sought for inspection, and the records sought are plainly within the scope necessary to serve the purpose for the Demand.

35. McDonald's is therefore in violation of Section 220 by refusing to permit Stockholder inspection within five (5) business days after Stockholder made the Demand.

36. By reason of the foregoing, Stockholder is entitled to an order compelling the inspection and copying of all materials requested in the Demand.

37. Stockholder has no adequate remedy at law.

38. Given the baseless nature of the Company Response, Stockholder seeks recovery from McDonald's of all attorneys' fees and costs associated with enforcing their rights under the Section 220.

WHEREFORE, Stockholder respectfully requests that the Court enter an Order granting the following relief:

- A. Summarily directing McDonald's, its officers, directors, agents, and employees forthwith to permit Stockholder to inspect and make copies of all the materials specified in ¶ 17 of this Verified Complaint;
- B. Awarding Stockholder their costs and expenses incurred in bringing and prosecuting this action, including reasonable attorneys' fees; and
- C. Granting such other and further relief as may be just and equitable under the circumstances.



Dated: August 11, 2020

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