

STABIO VICTOR P
Form 4
January 20, 2010

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
STABIO VICTOR P

2. Issuer Name and Ticker or Trading Symbol
HALLADOR ENERGY CO [HPCO]

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)

(Last) (First) (Middle)
1660 LINCOLN STREET, SUITE 2700
(Street)

3. Date of Earliest Transaction (Month/Day/Year)
12/16/2009

Director 10% Owner
 Officer (give title below) Other (specify below)
CEO

DENVER, CO 80264
(City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D) Code V Amount (D) Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
restricted stock unit	(1) (2)	12/16/2009	(1)(2)	A	330,000				12/16/2010	(2)	Common Stock, par value \$.01	330,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
STABIO VICTOR P 1660 LINCOLN STREET SUITE 2700 DENVER, CO 80264	X		CEO	

Signatures

Victor P. Stabio 01/20/2010
 **Signature of Date
 Reporting Person

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Each restricted stock unit represents a contingent right to receive one share of Hallador Energy Company common stock.
 The restricted stock units vest 25% each year starting in 2010. If employment terminates prior to vesting, the restricted stock units shall
- (2) be immediately cancelled and the reporting person shall cease to have any right or entitlement to receive any shares under those cancelled units.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ally be Bank One, N.A. In order to determine the equivalent amount in connection with offerings in a foreign currency, the paying agent will use the noon buying rate in The City of New York for cable transfers in foreign currencies as certified for customs purposes by The Federal Reserve Bank of New York. The total price of the notes we are authorized to offer may be reduced due to our sale of other debt securities. If payments on any series of notes must be made in the currency of a country that adopts the Euro, then we may redenominate all of the notes of that series into Euros by giving holders notice of the redenomination as described under "Description of Notes--Redenomination" below. The notes will be issued in fully registered form only, without coupons. Each note will be issued either as a "book-entry" note, represented by a permanent global note registered in the name of The Depository Trust Company ("DTC"), or its nominee, or as a certificate issued in temporary or definitive form. Except as described below under "Book-Entry System," book-entry notes will not be issuable in certificated form. The authorized denominations for notes denominated in U.S. dollars will be \$1,000 and any larger amount that is a multiple of \$1,000. The authorized denominations of notes denominated in some other specified currency will be described in the pricing supplement. Each note will mature on any day from 1 year to 60 years from its date of issue. However, each note may also be subject to redemption at our option or repayment at the option of the holder. The

pricing supplement relating to a note will describe the following terms: (a) the specified currency; (b) whether the note is a fixed rate note, a floating rate note, an indexed note or an amortizing note; (c) the issue price; (d) the original issue date; S-5 (e) the stated maturity date; (f) for a fixed rate note, the rate per year at which it will bear interest, if any, and the dates on which interest will be payable if other than February 15 and August 15; (g) for a floating rate note, the base rate, the initial interest rate, the interest reset period, the interest payment dates, the Index Maturity, the maximum interest rate, if any, the minimum interest rate, if any, the Spread and/or Spread Multiplier, if any, and any other terms relating to the particular method of calculating the interest rate for the note; (h) whether the note is an Original Issue Discount Note; (i) for an indexed note, the manner in which the principal amount payable at the stated maturity date will be determined; (j) whether the note may be redeemed at our option, or repaid at the holder's option prior to the stated maturity date as described further under "Optional Redemption, Repayment and Repurchase" below, and if so, the terms of the redemption or repayment; and (k) any other terms that do not conflict with the provisions of the Senior Indenture. Interest rates that we offer with respect to the notes may differ depending on, among other things, the aggregate principal amount of the notes purchased in any single transaction. Except as described in this prospectus supplement, there are no covenants specifically designed to protect you against a reduction in our creditworthiness in the event of a highly leveraged transaction or to prohibit other transactions that may adversely affect you. **PAYMENT OF PRINCIPAL AND INTEREST** We will make payments on each note in a currency that we specify. If the specified currency is other than U.S. dollars, either we or the paying agent will (unless the note provides otherwise) arrange to convert all payments in respect of the note into U.S. dollars as described in the following paragraph. If you hold a note denominated in a currency other than U.S. dollars and the pricing supplement and note so allow, you may elect to receive all payments in the foreign currency by sending a written notice to the paying agent not later than 15 days before the applicable payment date, except under the circumstances described in "Risk Factors--Foreign Currency Notes are Subject to Exchange Rate and Exchange Control Risks." Your election will remain in effect until you revoke it by written notice to the paying agent received not later than 15 days before the applicable payment date. The paying agent will determine the amount of any U.S. dollar payment on a note denominated in a currency other than U.S. dollars based on the highest firm bid quotation, expressed in U.S. dollars, that it receives at approximately 11:00 a.m., New York City time two Business Days before the applicable payment date (if no rate is quoted on that date, the paying agent will use the last date on which the rate was quoted). To determine the highest quote, the paying agent will request quotes from three (or, if three are not available, then two) recognized foreign exchange dealers in The City of New York (which may include the agents, their affiliates or the paying agent) for the purchase, and settlement on the applicable payment date, of the total amount of the specified currency then payable. You will be responsible for all currency exchange costs, such amount to be deducted from your U.S. dollar payments. If no bid quotations are available, we will make payments in the foreign currency, unless the currency is unavailable due to the imposition of exchange controls or other circumstances beyond our control. Any pricing supplement relating to notes having a specified currency other than U.S. dollars will contain information concerning historical exchange rates for that currency against the U.S. dollar and a brief description of any relevant exchange controls. S-6 If the note is a certificated security, U.S. dollar payments of interest on notes are generally payable to the person in whose name the note is registered at the close of business on the record date before each interest payment date. However, interest will be payable at Maturity to the person to whom principal is payable. The first interest payment on any note originally issued between a record date and an interest payment date or on an interest payment date will be made on the interest payment date after the next record date. If you hold at least \$10,000,000 (or the equivalent thereof in a specified currency other than U.S. dollars) in aggregate principal amount of notes of like tenor and term, you will be entitled to receive your U.S. dollar interest payments by wire transfer, but only if the paying agent has received your wire transfer instructions not later than 15 days before the applicable interest payment date. Simultaneously with your election to receive payments in a currency other than U.S. dollars, as discussed earlier, you must provide wire transfer payment instructions to the paying agent, and all payments made in that currency will be made by wire transfer to an account maintained by you with a bank located outside the United States. Any payment due at Maturity will be paid in immediately available funds upon surrender of your note at the corporate trust office or an agency of the paying agent located in the City of Chicago. The corporate trust office for Bank One, N.A. is located at One First National Plaza, Chicago, Illinois. If the note is a global security, beneficial owners will be paid in accordance with DTC's and its participants' procedures. Unless otherwise specified in the applicable pricing supplement, if the principal of any Original Issue Discount Note is declared to be due and payable

immediately as described under "Description of Debt Securities--Events of Default" in the accompanying prospectus, the amount of principal due and payable will be limited to the principal amount of the note multiplied by the sum of its issue price (expressed as a percentage of the principal amount) plus the original issue discount amortized from the date the note was issued to the date of declaration, which amortization shall be calculated using the "interest method" (computed in accordance with generally accepted accounting principles in effect on the date of declaration). Unless otherwise specified in the applicable pricing supplement, the record date for any interest payment date for a floating rate note will be the date (whether or not a Business Day) 15 calendar days immediately before the interest payment date, and for a fixed rate note will be the February 1 or August 1 (whether or not a Business Day) immediately before the interest payment date or Maturity, as the case may be. Interest payments on the notes will equal the amount of interest accrued from and including the immediately preceding interest payment date on which interest was paid or made available for payment (or from and including the date of issue, if no interest has been paid) to but excluding the related interest payment date or Maturity, as the case may be.

FIXED RATE NOTES Each fixed rate note will bear interest from the date it is originally issued at the rate per year stated on its face until the principal amount is paid or made available for payment. Unless otherwise set forth in the applicable pricing supplement, we will pay interest on each fixed rate note semiannually in arrears on each February 15 and August 15 and at Maturity. Each payment of interest on an interest payment date will include interest accrued to but excluding such interest payment date. Unless otherwise specified in the applicable pricing supplement, interest on fixed rate notes will be computed using a 360-day year of twelve 30-day months. If any payment date for a fixed rate note falls on a day that is not a Business Day, we will make the payment on the next Business Day, without additional interest.

FLOATING RATE NOTES Each floating rate note will have an interest rate formula. The formula may be based on: (a) the CD Rate; (b) the CMT Rate; (c) the Commercial Paper Rate; (d) the Federal Funds Rate; S-7 (e) LIBOR; (f) the Prime Rate; (g) the Treasury Rate; or (h) another Base Rate or formula described in the pricing supplement. The pricing supplement will also indicate any Spread and/or Spread Multiplier, which would be applied to the interest rate formula to determine the interest rate. Any floating rate note may have a maximum or minimum interest rate limitation. We have appointed a calculation agent to calculate interest rates on the floating rate notes. Unless we choose a different party in the pricing supplement, the paying agent will be the calculation agent for each note. Upon request, the calculation agent will provide the current interest rate and, if different, the interest rate that will become effective on the next Interest Reset Date. The interest rate on each floating rate note may be reset daily, weekly, monthly, quarterly, semiannually or annually (this period is the "Interest Reset Period", and the first day of each Interest Reset Period is an "Interest Reset Date"), as specified in the pricing supplement. Unless otherwise specified in the pricing supplement, the Interest Reset Dates will be: (a) for floating rate notes that reset daily, each Business Day; (b) for floating rate notes (other than Treasury Rate notes) that reset weekly, Wednesday of each week; (c) for Treasury Rate notes that reset weekly, Tuesday of each week (except as provided below under "Treasury Rate Notes"); (d) for floating rate notes that reset monthly, the third Wednesday of each month; (e) for floating rate notes that reset quarterly, the third Wednesday of March, June, September and December of each year; (f) for floating rate notes that reset semiannually, the third Wednesday of each of the two months of each year specified in the pricing supplement; and (g) for floating rate notes that reset annually, the third Wednesday of one month of each year specified in the pricing supplement. If an Interest Reset Date for any floating rate note falls on a day that is not a Business Day, it will be postponed to the following Business Day, except that, in the case of a LIBOR note, if that Business Day is in the next calendar month, the Interest Reset Date will be the immediately preceding Business Day. Unless otherwise specified on the applicable pricing supplement, floating rate notes will accrue interest from and including the original issue date or the last date to which interest has been paid or provided for, as the case may be, to but excluding the applicable Interest Payment Date, as described below, or Maturity, as the case may be. Unless otherwise specified on the applicable pricing supplement, accrued interest on floating rate notes will be calculated by multiplying the principal amount of such note (or, in the case of an indexed note, unless otherwise specified in the pricing supplement, the face amount of such indexed note) by an accrued interest factor. The accrued interest factor will be computed by adding the interest factors calculated for each day in the period for which accrued interest is being calculated. Unless we state otherwise in the applicable pricing supplement, the interest factor (expressed as a decimal calculated to seven decimal places without rounding) for each day will be computed by dividing the interest rate in effect on that day by 360, in the case of CD Rate notes, Commercial Paper Rate notes, Federal Funds Rate notes, LIBOR notes and Prime Rate notes, or by the actual number of days in the year, in the case of Treasury Rate notes or CMT Rate notes. For these calculations, the interest rate in

effect on any Interest Reset Date will be the new reset rate. The calculation agent will round all percentages resulting from any calculation of the rate of interest on a floating rate note, if necessary, to the nearest 1/100,000 of 1% (.0000001), with five one-millionths of a percentage point rounded upward, and all currency amounts used in or resulting from any calculation on floating rate notes will be rounded to the nearest one-hundredth of a unit (with .005 of a unit being rounded upward). S-8 Unless we state otherwise in the applicable pricing supplement, we will pay interest on floating rate notes as follows: (a) for notes that reset daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year as specified in the applicable pricing supplement; (b) for notes that reset quarterly, on the third Wednesday of March, June, September, and December of each year; (c) for notes that reset semiannually, on the third Wednesday of each of two months of each year specified in the pricing supplement; and (d) for notes that reset annually, on the third Wednesday of one month of each year specified in the pricing supplement. Each of the above dates is an "Interest Payment Date." We will also pay interest on all notes at Maturity. If an Interest Payment Date (other than at Maturity) for any floating rate note falls on a day that is not a Business Day, it will be postponed to the following Business Day, except that, in the case of a LIBOR note, if that Business Day would fall in the next calendar month, the Interest Payment Date will be the immediately preceding Business Day. If the Maturity for a floating rate note falls on a day that is not a Business Day, we will make the payment on the next Business Day, without additional interest. References below to information services include any successor information services. CD Rate Notes Each CD Rate note will bear interest at a specified rate that will be reset periodically based on the CD Rate and any Spread and/or Spread Multiplier. CD Rate notes, like other notes, are not deposit obligations of a bank and are not insured by the Federal Deposit Insurance Corporation. "CD Rate" means: (1) the rate on the particular Interest Determination Date for negotiable U.S. dollar certificates of deposit having the Index Maturity specified in the applicable pricing supplement as published in H.15(519) under the caption "CDs (secondary market)", or (2) if the rate referred to in clause (1) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on the particular Interest Determination Date for negotiable United States dollar certificates of deposit of the particular Index Maturity as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "CDs (secondary market)", or (3) if the rate referred to in clause (2) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on the particular Interest Determination Date calculated by the calculation agent as the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on that Interest Determination Date, of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York (which may include the agents or their affiliates) selected by the calculation agent for negotiable U.S. dollar certificates of deposit of major United States money market banks for negotiable U.S. certificates of deposit with a remaining maturity closest to the particular Index Maturity in an amount that is representative for a single transaction in that market at that time, or (4) if the dealers so selected by the calculation agent are not quoting as mentioned in clause (3), the CD Rate in effect on the particular Interest Determination Date or, if none, the initial interest rate. S-9 Commercial Paper Rate Notes Each Commercial Paper Rate note will bear interest at a specified rate that will be reset periodically based on the Commercial Paper Rate and any Spread and/or Spread Multiplier. "Commercial Paper Rate" means: (1) the Money Market Yield on the particular Interest Determination Date of the rate for commercial paper having the Index Maturity specified in the applicable pricing supplement as published in H.15(519) under the caption "Commercial Paper--Nonfinancial", or (2) if the rate referred to in clause (1) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the Money Market Yield of the rate on the particular Interest Determination Date for commercial paper of the Index Maturity specified in the applicable pricing supplement as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "Commercial Paper--Nonfinancial", or (3) if the rate referred to in clause (2) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on the particular Interest Determination Date shall be the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 A.M., New York City time, on that Interest Determination Date of three leading dealers of U.S. dollar commercial paper in The City of New York (which may include the Agents or their affiliates) selected by the calculation agent for commercial paper of the particular Index Maturity specified in the applicable pricing supplement placed for industrial issuers whose bond rating is "AA", or the equivalent, from a nationally recognized statistical rating organization, or (4) if the dealers so selected by the calculation agent are not quoting as mentioned in clause (3), the Commercial Paper Rate in effect on the particular

Interest Determination Date or, if none, the initial interest rate. Federal Funds Rate Notes Each Federal Funds Rate note will bear interest at a specified rate that will be reset periodically based on the Federal Funds Rate and any Spread and/or Spread Multiplier. "Federal Funds Rate" means: (1) the rate on the particular Interest Determination Date for U.S. dollar federal funds as published in H.15(519) under the caption "Federal Funds (Effective)" and displayed on Bridge Telerate, Inc. (or any successor service) on page 120 (or any other page as may replace the specified page on that service) ("Telerate Page 120"), or (2) if the rate referred to in clause (1) does not so appear on Telerate Page 120 or is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on the particular Interest Determination Date for United States dollar federal funds as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "Federal Funds (Effective)", or (3) if the rate referred to in clause (2) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on the particular Interest Determination Date shall be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds arranged by three leading brokers of U.S. dollar federal funds transactions in The City of New York (which may include the Agents or their affiliates), selected by the calculation agent prior to 9:00 A.M., New York City time, on that Interest Determination Date, or (4) if the brokers so selected by the calculation agent are not quoting as mentioned in clause (3), the Federal Funds Rate in effect on the particular Interest Determination Date, or, if none, the initial interest rate. S-10 LIBOR Notes Each LIBOR note will bear interest at a specified rate that will be reset periodically based on LIBOR and any Spread and/or Spread Multiplier. If LIBOR is indexed to the offered rates for deposits in a currency other than U.S. dollars, the method for determining such rate will be specified in the pricing supplement. If LIBOR is indexed to the offered rate for U.S. dollar deposits, "LIBOR" shall be determined by the calculation agent as described below. "LIBOR" means: (1) if "LIBOR Telerate" is specified in the applicable pricing supplement or if neither "LIBOR Reuters" nor "LIBOR Telerate" is specified as the method for calculating LIBOR, the rate for deposits in the Index Currency having the Index Maturity designated on the Interest Determination Date, that appears on the Designated LIBOR Page as of 11:00 A.M., London time, on the particular Interest Determination Date, or (2) if "LIBOR Reuters" is specified in the applicable pricing supplement, the arithmetic mean of the offered rates or the offered rate, if the LIBOR Page by its terms provides only for a single rate, calculated by the calculation agent, for deposits in the Index Currency having the Index Maturity designated on the pricing supplement, that appear on the Designated LIBOR Page as of 11:00 A.M., London time, on the particular Interest Determination Date, or (3) if fewer than two offered rates appear, or no rate appears, as the case may be, on the particular Interest Determination Date on the LIBOR Page as specified in clause (1) or (2), as applicable, the arithmetic mean calculated by the calculation agent of at least two offered quotations obtained by the calculation agent after requesting the principal London offices of each of four major reference banks (which may include the Agents or affiliates), in the London interbank market to provide the calculation agent with its offered quotation for deposits in the Index Currency for the period of the particular Index Maturity, commencing on the related Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on that Interest Determination Date and in a principal amount that is representative for a single transaction in the LIBOR Currency in that market at that time, or (4) if fewer than two offered quotations referred to in clause (3) are provided as requested, the arithmetic mean calculated by the calculation agent of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center, on the particular Interest Determination Date by three major banks (which may include the Agents or their affiliates), in that Principal Financial Center selected by the calculation agent for loans in the Index Currency to leading European banks, having the Index Maturity specified in the pricing supplement and in a principal amount that is representative for a single transaction in the Index Currency in that market at that time, or (5) if the banks so selected by the calculation agent are not quoting as mentioned in clause (4), LIBOR in effect on the particular Interest Determination Date. Treasury Rate Notes Each Treasury Rate note will bear interest at a specified rate that will be reset periodically based on the Treasury Rate and any Spread and/or Spread Multiplier. "Treasury Rate" means: (1) the rate from the auction (the "Auction") held on the Treasury Rate Determination Date of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified in the applicable pricing supplement, under the caption "INVESTMENT RATE" on the display on Bridge Telerate, Inc. (or any successor service) on page 56 (or any other page as may replace that page on that service) ("Telerate Page 56") or page 57 (or any other page as may replace that page on that service) ("Telerate Page 57"), or (2) if the rate referred to in clause (1) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the Bond Equivalent Yield of the rate for the applicable Treasury Bills as S-11 published in H.15 Daily Update, or another

recognized electronic source used for the purpose of displaying the applicable rate, under the caption "U.S. Government Securities/Treasury Bills/Auction High", or (3) if the rate referred to in clause (2) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the Bond Equivalent Yield of the auction rate of the applicable Treasury Bills as announced by the U.S. Department of the Treasury, or (4) if the rate referred to in clause (3) is not so announced by the U.S. Department of the Treasury, or if the Auction is not held, the Bond Equivalent Yield of the rate on the Treasury Rate Determination Date of the applicable Treasury Bills as published in H.15(519) under the caption "U.S. Government Securities/Treasury Bills/Secondary Market," or (5) if the rate referred to in clause (4) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on the Treasury Rate Determination Date of the applicable Treasury Bills as published in H.15 Daily Update, or another recognized electronic source used for the purpose of displaying the applicable rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market", or (6) if the rate referred to in clause (5) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on the Treasury Rate Determination Date calculated by the calculation agent as the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on the Treasury Rate Determination Date, of three leading primary U.S. government securities dealers (which may include the Agents or their affiliates) selected by the calculation agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified in the applicable pricing supplement, or (7) if the dealers so selected by the calculation agent are not quoting as mentioned in clause (6), the Treasury Rate in effect on the Treasury Rate Determination Date, or if none, the initial interest rate.

Prime Rate Notes Each Prime Rate note will bear interest at a specified rate that will be reset periodically based on the Prime Rate and any Spread and/or Spread Multiplier. "Prime Rate" means: (1) the rate on the particular Interest Determination Date as published in H.15(519) under the caption "Bank Prime Loan", or (2) if the rate referred to in clause (1) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on the particular Interest Determination Date as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying the applicable rate, under the caption "Bank Prime Loan", or (3) if the rate referred to in clause (2) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on the particular Interest Determination Date calculated by the calculation agent as the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME 1 Page as the applicable bank's prime rate or base lending rate as of 11:00 A.M., New York City time, on the particular Interest Determination Date, or (4) if fewer than four rates referred to in clause (3) are so published by 3:00 p.m., New York City time, on the related Calculation Date, the rate calculated by the calculation agent on the particular Interest Determination Date as the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on the particular Interest Determination Date by three major banks (which may include the Agents or their affiliates) in The City of New York selected by the calculation agent, or (5) if the banks so selected by the calculation agent are not quoting as mentioned in clause (4), the Prime Rate in effect on the particular Interest Determination Date or, if none, the initial interest rate.

S-12 CMT Rate Notes Each CMT Rate note will bear interest at a specified rate that will be reset periodically based on the CMT Rate and any Spread or Spread Multiplier. "CMT Rate" means: (1) if CMT Telerate Page 7051 is specified in the applicable pricing supplement: (a) the percentage equal to the yield for United States Treasury securities at "constant maturity" having the Index Maturity specified in the applicable pricing supplement as published in H.15(519) under the caption "Treasury Constant Maturities", as the yield is displayed on Bridge Telerate, Inc. (or any successor service) on page 7051 (or any other page as may replace the specified page on that service) ("Telerate Page 7051"), for the particular Interest Determination Date, or (b) if the rate referred to in clause (a) does not so appear on Telerate Page 7051, the percentage equal to the yield for United States Treasury securities at "constant maturity" having the particular Index Maturity and for the particular Interest Determination Date as published in H.15(519) under the caption "Treasury Constant Maturities", or (c) if the rate referred to in clause (b) does not so appear in H.15(519), the rate on the particular Interest Determination Date for the period of the particular Index Maturity as may then be published by either the Federal Reserve System Board of Governors or the United States Department of the Treasury that the calculation agent determines to be comparable to the rate which would otherwise have been published in H.15(519), or (d) if the rate referred to in clause (c) is not so published, the rate on the particular Interest Determination Date calculated by the calculation agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 P.M., New York City time, on that Calculation Date of three leading primary U.S.

government securities dealers in The City of New York (which may include the Agents or their affiliates) (each, a "Reference Dealer"), selected by the calculation agent from five Reference Dealers selected by the calculation agent and eliminating the highest quotation, or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for U.S. Treasury securities with an original maturity equal to the particular Index Maturity, a remaining term to maturity no more than one year shorter than that Index Maturity and in a principal amount that is representative for a single transaction in the securities in that market at that time, or (e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the calculation agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or (f) if fewer than three prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the calculation agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 P.M., New York City time, on that Interest Determination Date of three Reference Dealers selected by the calculation agent from five Reference Dealers selected by the calculation agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for U.S. Treasury securities with an original maturity greater than the particular Index Maturity, a remaining term to maturity closest to that Index Maturity and in a principal amount that is representative for a single transaction in the securities in that market at that time, or (g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate on the particular Interest Determination Date calculated by the calculation agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations will be eliminated, or S-13 (h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on the particular Interest Determination Date or, if none, the initial interest rate. (2) if CMT Telerate Page 7052 is specified in the applicable pricing supplement: (a) the percentage equal to the one-week or one-month, as specified in the applicable pricing supplement, average yield for U.S. Treasury securities at "constant maturity" having the Index Maturity specified in the applicable pricing supplement as published in H.15(519) opposite the caption "Treasury Constant Maturities", as the yield is displayed on Bridge Telerate, Inc. (or any successor service) (on page 7052 or any other page as may replace the specified page on that service) ("Telerate Page 7052"), for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the particular Interest Determination Date falls, or (b) if the rate referred to in clause (a) does not so appear on Telerate Page 7052 by 3:00 P.M., New York City time, on the related Calculation Date, the percentage equal to the one-week or one-month, as specified in the applicable pricing supplement, average yield for U.S. Treasury securities at "constant maturity" having the particular Index Maturity and for the week or month, as applicable, preceding the particular Interest Determination Date as published in H.15(519) opposite the caption "Treasury Constant Maturities," or (c) if the rate referred to in clause (b) does not so appear in H.15(519) by 3:00 P.M., New York City time, on the related Calculation Date, the one-week or one-month, as specified in the applicable pricing supplement, average yield for U.S. Treasury securities at "constant maturity" having the particular Index Maturity as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which the particular Interest Determination Date falls, or (d) if the rate referred to in clause (c) is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on the particular Interest Determination Date calculated by the calculation agent as a yield to maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 P.M., New York City time, on that Interest Determination Date of three Reference Dealers selected by the calculation agent from five Reference Dealers selected by the calculation agent and eliminating the highest quotation, or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for U.S. Treasury securities with an original maturity equal to the particular Index Maturity, a remaining term to maturity no more than one year shorter than that Index Maturity and in a principal amount that is representative for a single transaction in the securities in that market at that time, or (e) if fewer than five but more than two of the prices referred to in clause (d) are provided as requested, the rate on the particular Interest Determination Date calculated by the calculation agent based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of the quotations shall be eliminated, or (f) if fewer than three prices referred to in clause (d) are provided as requested, the rate calculated by the calculation agent shall be a yield to maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 P.M., New York City time, on that Interest Determination Date of three Reference Dealers selected by the calculation agent from five

Reference Dealers selected by the calculation agent and eliminating the highest quotation or, in the event of equality, one of the highest and the lowest quotation or, in the event of equality, one of the lowest, for Treasury Notes with an original maturity of the number of years that is the next highest to the Index Maturity specified in the applicable pricing supplement and a remaining term to maturity closest to that Index Maturity and in an amount of at least \$10 million, or (g) if fewer than five but more than two prices referred to in clause (f) are provided as requested, the rate calculated by the calculation agent based on the arithmetic mean of the offer prices obtained and neither the highest or the lowest of the quotations will be eliminated, or S-14 (h) if fewer than three prices referred to in clause (f) are provided as requested, the CMT Rate in effect on that Interest Determination Date or, if none, the initial interest rate. If two U.S. Treasury securities with an original maturity greater than the Index Maturity specified in the applicable pricing supplement have remaining terms to maturity equally close to the particular Index Maturity, the quotes for the U.S. Treasury security with the shorter original remaining term to maturity will be used. EUROPEAN MONETARY UNION Unless we state otherwise in a pricing supplement, to the extent legally permissible, neither the occurrence or non-occurrence of an EMU Event, nor the entry into force of any law, regulation, directive or order that requires us to redenominate or consolidate on terms different from those we describe below, will alter any term of, or discharge or excuse performance under, the Senior Indenture or the notes, nor would it permit the Trustee, the holders of the notes or us the right unilaterally to alter or terminate the Senior Indenture or the notes or give rise to any event of default or otherwise be the basis for any rescission or renegotiation of the Senior Indenture or the notes. To the extent legally permissible, the occurrence or non-occurrence of an EMU Event will be considered to occur automatically pursuant to the terms of the notes. An "EMU Event" means any event associated with the European Monetary Union in the European Community, including: (a) the fixing of exchange rates between the currency of a Participating Member State and the Euro or between the currencies of Participating Member States; (b) the introduction of the Euro as the lawful currency in a Participating Member State; (c) the withdrawal from legal tender of any currency that, before the introduction of the Euro, was the lawful currency in any of the Participating Member States; (d) the disappearance or replacement of a relevant rate option or other price source for the currency of any Participating Member State or the failure of the agreed price or rate sponsor or screen provider to publish or display the required information; or (e) any combination of the above. REDENOMINATION If payments on the notes of a series are to be made in a foreign currency and the issuing country of that currency becomes a Participating Member State, then we may, solely at our option and without the consent of holders or the need to amend the Senior Indenture or the notes, redenominate all of the notes of that series into Euros (whether or not any other similar series of notes are so redenominated) on any interest payment date and after the date on which that country became a Participating Member State. We will give holders at least 30 days' notice of the redenomination, including a description of the way we will implement it. If we elect to redenominate a series of notes, it will be redenominated either: (a) in a manner and subject to such procedures as we determine to be in compliance with all requirements of relevant monetary, stock exchange or other authorities and existing or expected market practices consistent with the requirements for debt obligations issued in the Euromarkets that are held in international clearing systems; or (b) if we do not implement the redenomination as described above, we will convert the nominal specified currency amount of each note of the series into Euros by using the fixed conversion rate adopted by the Council of the European Union for the affected currency, and the series will be replaced either (1) by notes of the same series equal in value to the amount redenominated, but denominated in Euros and each with a denomination of one cent; or (2) if the international clearing systems for the notes do not then accept for clearance and settlement redenominated Euromarket debt obligations, each of that denomination, by notes of the same series equal in value to the amount redenominated, but denominated in Euros and each with a denomination of one Euro. S-15 We will pay any balance remaining from a redenomination in cash. The cash adjustment will be payable in Euros to or on the order of holders of the affected series in the same way interest is paid. Despite the above procedures, solely at our option and without the consent of holders or the need to amend the Senior Indenture or the notes, we may elect that, beginning on the date of redenomination of a series of notes or any later interest payment date as we may specify, the denominations of the notes of that series will be one cent (if applicable), Euro 1, Euro 10, Euro 100, Euro 1,000, Euro 10,000, Euro 100,000 and Euro 1,000,000. The minimum denominations of the notes after redenomination will not be lower than the equivalent of any minimum denominations of the notes required by law, regulation or market practice. We may elect to permit holders to exchange then-existing Euro-denominated notes of a series for notes of the new denominations having the same aggregate nominal amount as the notes being exchanged. We will give holders at least 30 days' irrevocable notice if we make this election. Solely at

our option and without the consent of holders, references in the notes to any other convention (whether for the calculation of interest, determination of payment dates or otherwise) may be amended, with effect from (1) the date of redenomination; (2) the interest payment date following the substitution of the Euro for the specified currency; or (3) any later interest payment date that we may specify to comply with conventions applicable to Euro-denominated Euromarket debt obligations under requirements of relevant monetary, stock exchange or other authorities, and any market practices consistent with those requirements as we, in our discretion, determine to apply to other Euromarket debt obligations that have also been redenominated. The terms of the notes will be deemed to be amended accordingly. If we elect to consolidate the notes of a series with other similar series of notes by reference to the same interest payment date as a redenomination of the notes of that series into Euros or to a later interest payment date, we will apply the provisions of "Description of Notes--Consolidation" below with effect from the date of consolidation. If a redenominated note is a floating rate note, the rate of interest that will apply to the note beginning on the interest payment date falling on or immediately prior to the redenomination date will be (1) the interest rate that applied prior to redenomination, with Euros substituted for the specified currency, unless that interest rate is inconsistent with then-existing or expected market practices for Euro-denominated Euromarket debt obligations with floating rate interest payments of frequencies identical or substantially similar to the frequency of interest payments under the note, as we determine; or (2) if that interest rate is so inconsistent, the interest rate that would be consistent with then-existing or expected market practices for Euro-denominated Euromarket debt obligations, in each case with such interest rate equal to the interest rate applicable to the note (adjusted as described above), plus or minus any Spread or Spread Multiplier indicated in the pricing supplement, as we determine. Unless and until the notes of a redenominated series are consolidated with similar series of other securities as described under "Description of Notes--Consolidation" below, the interest accrual basis and the provisions of the notes of that series relating to the source and determination of the interest accrual basis that will begin on the interest payment date falling on or immediately prior to the date of redenomination will be: (a) the interest accrual basis and those provisions that applied prior to redenomination, unless that interest accrual basis is and/or those provisions are inconsistent with then-existing or expected market practices for Euro-denominated Euromarket debt obligations with fixed rate or floating rate interest payments of frequencies identical or substantially similar to the frequency of interest payments under those notes, based, in the case of floating interest rate payments, on the reference rate for the notes prior to the date of redenomination and held in international clearing systems, as we determine; or (b) if the interest accrual basis that applied previously is and/or those provisions are so inconsistent, the interest accrual basis and/or the provisions of the notes of that series relating to the source and determination of that interest accrual basis, as the case may be, which is consistent with the then-existing or expected market practices for Euro-denominated Euromarket debt obligations with fixed rate or floating rate interest payments of frequencies identical or substantially similar to the frequency of interest payments under those notes, based, in the case of floating interest rate payments, on the reference rate applicable to the notes (adjusted as described above) and held in international clearing systems, as we determine. We may, with the consent of the Trustee but without consent of the holder of any note, make any change or addition to the terms of the notes of a series if we and the Trustee believe it is necessary or appropriate to facilitate the implementation of the practical aspects of the introduction of the Euro or to correct any clear error or any ambiguity or any defective provisions of the notes, so long as we and the Trustee believe the change or addition is not materially prejudicial to the interests of the holders of the affected series. Any change or addition will be binding on the holders of the notes of that series, the Trustee, the paying agents, us and any of our other agents. Any change or addition will be considered to be made by operation of the terms of the relevant notes. We will promptly notify holders of any change or addition. CONSOLIDATION If (1) the payments on the notes of a series are to be made in any specified currency other than U.S. dollars; and (2) the issuing country of that currency becomes a Participating Member State, then, subject to the provisions below, we may, without the consent of the holders of those notes or the need to amend the Senior Indenture, consolidate the notes of that series with one or more other similar series of notes on any interest payment date (or if that day is not a Business Day in any location that we determine to be necessary or appropriate for the consolidation, the next day that is a Business Day in that location). We will give holders at least 30 days' notice of the consolidation, including a description of the way we will implement it. A consolidation may only be carried out if all of the affected notes have been redenominated in Euros on or before the interest payment date falling on or immediately prior to the date of the proposed consolidation (if not already so denominated), and no default or event of default under any of the notes is continuing. We may exercise our right referred to above if we determine that the

notes that we propose to consolidate (1) may be cleared and settled on an interchangeable basis with the same securities identification numbers through the main clearing systems through which each series of notes was previously cleared and settled unless on the date of the proposed consolidation it will be impossible so to clear and settle the consolidated notes in one or more of those systems, in which case the consolidated notes need not so clear and settle through any unavailable clearing system unless it would be materially prejudicial to the holders of the notes of the affected series; and (2) if any of the series of notes to be consolidated was listed on any European stock exchange on which debt obligations are customarily listed immediately prior to the consolidation, will be listed on at least one of those exchanges. Once we have consolidated two or more series of notes, "Business Day" for those notes will be (1) as defined for fixed or floating rate Euro-denominated Euromarket debt obligations and held in international clearing systems and in a way consistent with existing or anticipated market practices as we determine them to be; or (2) if we do not make the determination described in clause (1), as defined prior to the consolidation; or (3) if we would be unable to make payments on the notes on the required dates if the term were defined as described in clause (2), as defined by us in any other way. From the date of consolidation of any series of notes or any later interest payment date, we may, solely at our option and without the consent of holders, change the nominal amounts in which those notes are denominated as a result of any previous redenomination in each case as described under "Description of Notes--Redenomination". The interest accrual basis and the provisions of a series of notes relating to the source and determination of the interest accrual basis that will apply to the consolidated notes beginning on the interest payment date falling on or immediately prior to the date of consolidation will remain the same if the other securities consolidated had the same interest accrual basis and the same provisions prior to consolidation. If that is not the case, then despite the provisions of "Description of Notes--Redenomination" above, the interest accrual basis or the provisions of the notes of a consolidated series relating to the source and determination of the interest accrual basis that will apply beginning on the interest payment date falling on or immediately prior to the date of consolidation will be: S-17 (a) the interest accrual basis or those provisions that applied to those notes prior to consolidation, unless that interest accrual basis is or those provisions are inconsistent with then-existing or expected market practices for Euro-denominated Euromarket debt obligations with fixed rate or floating rate interest payments of frequencies identical or substantially similar to the frequency of interest payments and held in international clearing systems under those notes, as we determine; or (b) if the interest accrual basis that applied prior to consolidation is and/or those provisions are so inconsistent, the interest accrual basis and/or the provisions of the notes of that series relating to the source and determination of the interest accrual basis that would be consistent with then-existing or expected market practices for Euro-denominated Euromarket debt obligations with fixed rate or floating rate interest payments of frequencies identical or substantially similar to the frequency of interest payments and held in international clearing systems under those notes, as we determine. Upon any consolidation, without the consent of holders of the affected notes, we may change the nominal amounts in which the affected notes are denominated as a result of any previous redenomination. Upon any consolidation of the notes of a series represented by a global note or master note with any other series of other securities so represented, we may change the depositary that holds the notes of either series either physically or on behalf of the clearing system through which the notes of that series are held or we may issue a replacement global note or global notes representing them. Notes of any series represented by certificated notes must be exchanged for notes represented by a global note or master note prior to any consolidation. If an exchange is not possible under the terms of any notes, we will not consolidate those notes with any other series of notes represented by a global note or master note. We may, with the consent of the Trustee but without the consent of the holders of any note, make any change or addition to the terms of the notes of a series if we and the Trustee believe it is necessary or appropriate to implement the relevant consolidation of notes or to correct any clear error or any ambiguity or any defective provisions of the notes, so long as we and the Trustee believe the change or addition is not materially prejudicial to the interests of the holders of the affected series. Any change or addition will be binding on the holders of the notes of that series, the Trustee, the paying agents, us and any of our agents. Any change or addition will be considered to be made by operation of the terms of the relevant notes. We will promptly notify holders of any change or addition. INDEXED NOTES We may offer indexed notes under which principal or interest is determined by reference to an index related to: (a) the rate of exchange between the specified currency for such note and the Index Currency; (b) the difference in the price of a specified commodity on specified dates; (c) the difference in the level of a specified stock index, which may be based on U.S. or foreign stocks, on specified dates; or (d) any other objective price or economic measures described in the pricing supplement. We will describe the manner of determining

principal and interest amounts in the pricing supplement. We will also include historical and other information regarding the index or indexes and information concerning tax consequences to holders of indexed notes. Interest payable on an indexed note will be based on the face amount of the note. The pricing supplement will describe whether the principal payable upon redemption or repayment prior to Maturity will be the face amount, the index principal amount at the time of redemption or repayment or some other amount.

AMORTIZING NOTES We may offer amortizing notes. Unless otherwise specified in the pricing supplement, interest on an amortizing note will be computed using a 360-day year of twelve 30-day months. Payments on amortizing notes S-18 will be applied first to interest due and payable and then to the unpaid principal amount. Further information about amortizing notes will be specified in the pricing supplement.

BOOK-ENTRY SYSTEM Upon issuance, all notes having the same original issue date and otherwise identical terms will be represented by one or more global notes. Each global note representing book-entry notes will be deposited with DTC. This means that we will not issue certificates to each holder. DTC will keep a computerized record of its participants (for example, your broker) whose clients have purchased the notes. Unless it is exchanged in whole or in part for a certificated note, a global note may not be transferred, except that DTC, its nominees and their successors may transfer a global note as a whole to one another. Beneficial interests in global notes will be shown on, and transfers of interests will be made only through, records maintained by DTC and its participants. The laws of some jurisdictions require that certain purchasers take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global note. We will wire principal and interest payments to DTC or its nominee. We and the Trustee will treat DTC or its nominee as the owner of a global note for all purposes. Accordingly, we, the Trustee and any paying agent will have no direct responsibility or liability to pay amounts due on a global note to owners of beneficial interests in a global note. It is DTC's current practice, upon receipt of any payment of principal or interest, to credit participants' accounts on the payment date according to their respective holdings of beneficial interests in the global note as shown on DTC's records. In addition, it is DTC's current practice to assign any consenting or voting rights to participants whose accounts are credited with notes on a record date, by using an omnibus proxy. Payments by participants to owners of beneficial interests in a global note, and voting by participants, will be governed by the customary practices between the participants and owners of beneficial interests, as is the case with notes held for the account of customers registered in "street name." However, payments will be the responsibility of the participants and not our responsibility or that of DTC or the Trustee. Notes represented by a global note will be exchangeable for certificated notes with the same terms in authorized denominations only if: (a) DTC notifies us that it is unwilling or unable to continue as depository or if DTC ceases to be a clearing agency registered under applicable law and a successor depository is not appointed by us within 90 days; or (b) we determine not to require all of the notes of a series to be represented by global notes and notify the Trustee of our decision. DTC has advised us as follows: DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers (including the Agents), banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

OTHER PROVISIONS; ADDENDA We may modify any provisions of a note by using the section marked "Other Provisions" on the face of the note or by providing an addendum to the note. S-19

OPTIONAL REDEMPTION, REPAYMENT AND REPURCHASE The pricing supplement for a note will indicate whether we will have the option to redeem the note before the stated maturity and the price and date or dates on which redemption may occur. If we are allowed to redeem a note, we may exercise the option by causing the Trustee or the paying agent to mail notice of redemption to the holders at least 30 but not more than 60 days before the redemption date. If a note is only redeemed in part, we will issue a new note or notes for the unredeemed portion. The pricing supplement relating to a note will also indicate whether you will have the option to elect repayment by us prior to the stated maturity and the price and the date or dates on which repayment may occur. For a note to be repaid, the paying agent must receive, at least 30 but not more than 45 days prior to an optional repayment date, such note with the form

entitled "Option to Elect Repayment" on the reverse of the note completed. You may also send the paying agent a facsimile or letter from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or trust company in the United States describing the particulars of the repayment including a guarantee that the note and the form entitled "Option to Elect Repayment" will be received by the paying agent no later than five Business Days after such facsimile or letter. If you present a note for repayment, that act will be irrevocable. You may exercise the repayment option for less than the entire principal of the note, provided the remaining principal outstanding is an authorized denomination. If you elect partial repayment, your note will be cancelled, and we will issue a new note or notes for the remaining amount. DTC or its nominee will be the holder of each global note and will be the only party that can exercise a right of repayment. If you are a beneficial owner of a global note and you want to exercise your right of repayment, you must instruct your broker or indirect participant through which you hold your interest to notify DTC. You should consult your broker or such indirect participant to discuss the appropriate cut-off times and any other requirements for giving this instruction. Regardless of anything in this prospectus supplement to the contrary, if a note is an Original Issue Discount Note (other than an indexed note), the amount payable in the event of redemption or repayment prior to its stated maturity will be the amortized face amount on the redemption or repayment date, as the case may be. The amortized face amount of an Original Issue Discount Note will be equal to (1) the issue price plus (2) that portion of the difference between the issue price and the principal amount of the note that has accrued at the yield to maturity described in the pricing supplement (computed in accordance with generally accepted U.S. bond yield computation principles) by the redemption or repayment date. However, in no case will the amortized face amount of an Original Issue Discount Note exceed its principal amount. We may at any time purchase notes at any price in the open market or otherwise. We may hold, resell or surrender for cancellation any notes that we purchase.

UNITED STATES TAX CONSIDERATIONS The following is a summary of certain U.S. federal income tax considerations that may be relevant to a holder of a note that is a U.S. holder. For the purposes of this discussion, a U.S. holder is an individual who is a citizen or resident of the United States, a United States domestic corporation, or any other person that is subject to United States federal income tax on a net income basis in respect of its investment in a note. This summary is based on laws, regulations, rulings and decisions now in effect, which may change. Any change could apply retroactively and could affect the continued validity of this summary. This summary deals only with U.S. holders that hold notes as capital assets. It does not address specific tax considerations applicable to investors that may be subject to special tax rules, such as pass-through entities (e.g. partnerships) or persons who hold the notes through pass-through entities, banks, thrifts, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, traders in securities or commodities that elect mark to S-20 market treatment, persons that will hold notes as a hedge against currency risk or as a position in a "straddle" or conversion transaction, tax exempt organizations, holders who are not U.S. holders, or persons that have a "functional currency" other than the U.S. dollar. You should consult your tax adviser about the tax consequences of holding notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local or other tax laws.

PAYMENTS OR ACCRUALS OF INTEREST Payments of or accruals of "qualified stated interest" (as defined below) on a note will be taxable to a U.S. holder as ordinary interest income at the time that the holder accrues or receives such amounts (in accordance with the holder's method of tax accounting). If a U.S. holder using the cash method of tax accounting receives payments of interest pursuant to the terms of a note in a currency or currency unit other than U.S. dollars (a "foreign currency"), the amount of interest income to be included in income by the holder will be the U.S. dollar value of the foreign currency payment based on the exchange rate in effect on the date of receipt regardless of whether the payment is converted into U.S. dollars. In the case of a U.S. holder who uses the accrual method of accounting or who is otherwise required to accrue interest prior to receipt, the amount of interest income will be based on the average exchange rate in effect during the interest accrual period (or with respect to an interest accrual period that spans two taxable years, at the average exchange rate for the partial period within the taxable year). Alternatively, an accrual basis U.S. holder may elect to translate all interest income on foreign currency-denominated notes at the spot rate on the last day of the accrual period (or the last day of the taxable year, in the case of an accrual period that spans more than one taxable year) or on the date the holder receives the interest payment if that date is within five business days of the end of the accrual period. A U.S. holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service. A U.S. holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of a foreign currency interest

payment if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. This foreign currency gain or loss will be treated as ordinary income or loss, but generally will not be treated as an adjustment to interest income received on the note. PURCHASE, SALE AND RETIREMENT OF NOTES A U.S. holder's tax basis in a note generally will equal the cost of the note to that holder, increased by any amounts includible in income by the holder as original issue discount and market discount, and reduced by any amortized premium (each as described below) and any payments other than qualified stated interest made on the note. The cost to a U.S. holder of a note denominated in a foreign currency will be the U.S. dollar value of the foreign currency purchase price on the date of purchase calculated at the exchange rate in effect on that date. In the case of a foreign currency note that is traded on an established securities market, a cash-basis U.S. holder (or, if it so elects, an accrual-basis U.S. holder) will determine the U.S. dollar value of the cost of the note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The amount of any subsequent adjustments to the holder's tax basis in a note in respect of foreign currency-denominated original issue discount, market discount and premium will be determined in the manner described below. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a note generally will not result in taxable gain or loss for a U.S. holder. Upon the sale, exchange or retirement of a note, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized on the transaction (less any accrued qualified stated interest, which will be taxable as such) and the U.S. holder's tax basis in the note. If a U.S. holder receives foreign currency in respect of the sale, exchange or retirement of a foreign currency note, the amount realized generally will be the dollar value of the foreign currency the holder receives calculated at the exchange rate in effect on the date the foreign currency note is disposed of or retired. In the case of a foreign currency note that is traded on an established securities market, a cash-basis U.S. holder (or, if it so elects, an accrual-basis U.S. holder) will determine the U.S. dollar value of the amount realized by translating the amount at the spot rate of exchange on the settlement date of the sale, exchange or retirement. S-21 The election available to accrual-basis U.S. holders in respect of the purchase and sale of foreign currency notes traded on an established securities market, which is discussed in the two preceding paragraphs, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the Internal Revenue Service. Except as discussed below with respect to market discount and foreign currency gain or loss, gain or loss recognized by a U.S. holder on the sale, exchange or retirement of a note generally will be long-term capital gain or loss if the U.S. holder has held the note for more than one year. The Internal Revenue Code of 1986, provides preferential treatment under certain circumstances for net long-term capital gains recognized by individual investors. Net long-term capital gain recognized by an individual U.S. holder generally will be subject to a maximum tax rate of 20% for notes held more than one year. The ability of U.S. holders to offset capital losses against ordinary income is limited. Notwithstanding the foregoing, gain or loss recognized by a U.S. holder on the sale, exchange or retirement of a foreign currency note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the holder held the note. This foreign currency gain or loss will not be treated as an adjustment to interest income that the holder receives on the note. ORIGINAL ISSUE DISCOUNT U.S. holders of Original Issue Discount Notes generally will be subject to the special tax accounting rules for original issue discount obligations provided by the Internal Revenue Code and certain Treasury regulations. U.S. holders of these notes should be aware that, as described in greater detail below, they generally must include original issue discount in ordinary gross income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income. In general, each U.S. holder of an Original Issue Discount Note with a maturity greater than one year, whether the U.S. holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the "daily portions" of original issue discount on that note for all days during the taxable year that the holder owns the note. The daily portions of original issue discount on an Original Issue Discount Note are determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that period. Accrual periods may be any length and may vary in length over the term of an Original Issue Discount Note, so long as no accrual period is longer than one year and each scheduled payment of principal or interest occurs on the first or last day of an accrual period. In the case of an initial holder, the amount of original issue discount on an Original Issue Discount Note allocable to each accrual period is determined by (i) multiplying the "adjusted issue price" (as defined below) of the note at the beginning of the accrual period by a fraction, the numerator of which is the annual yield to maturity of the note and the denominator of which is the number of accrual periods in a year and (ii) subtracting from that product the amount (if any) payable as

qualified stated interest allocable to that accrual period. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments issued by us) at least annually during the entire term of an Original Issue Discount Note at a single fixed interest rate or, subject to certain conditions, based on one or more interest indices. In the case of an Original Issue Discount Note that is a floating rate note qualifying as a variable rate debt instrument as defined in the Treasury Regulations, both the "annual yield to maturity" and the "qualified stated interest" will be determined for these purposes as though the note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the note on its date of issue or, in the case of some floating rate notes, the rate that reflects the yield that is reasonably expected for the note. Accordingly, the stated interest that is payable at least annually on a floating rate note generally will be treated as "qualified stated interest" and such a note will not be an Original Issue Discount Note solely as a result of the fact that it provides for interest at a variable rate. If a floating rate note does not qualify as a "variable rate debt instrument," the note will be subject to special rules that govern the tax treatment of debt obligations that S-22 provide for contingent payments. (Additional rules may apply if interest on a floating rate note is based on more than one interest index. We will provide detailed guidance of the tax considerations relevant to U.S. holders of any such notes in the pricing supplement.) The "adjusted issue price" of an Original Issue Discount Note at the beginning of any accrual period will generally be the sum of its issue price (including any accrued interest) and the amount of original issue discount allocable to all prior accrual periods, reduced by the amount of all payments other than any qualified stated interest payments on the note in all prior accrual periods. All payments on an Original Issue Discount Note (other than qualified stated interest) will generally be viewed first as payments of previously accrued original issue discount (to the extent of the previously accrued discount), with payments considered made from the earliest accrual periods first, and then as a payment of principal. The "annual yield to maturity" of a note is the discount rate (appropriately adjusted to reflect the length of accrual periods) that causes the present value on the issue date of all payments on the note to equal the issue price. As a result of this "constant yield" method of including original issue discount income, the amounts so includible in gross income by a U.S. holder in respect of an Original Issue Discount Note denominated in U.S. dollars are generally lesser in the early years and greater in the later years than amounts that would be includible on a straight-line basis. A U.S. holder generally may make an irrevocable election to include in its income its entire return on a note (i.e., the excess of all remaining payments to be received on the note, including payments of qualified stated interest, over the amount paid by the holder for the note) under the constant yield method described above. For notes purchased at a premium or bearing market discount in the hands of the U.S. holder, the holder making this election will also be deemed to have made the election (discussed below in "Premium and Market Discount") to amortize premium or to accrue market discount in income currently on a constant yield basis. In the case of an Original Issue Discount Note that is also a foreign currency note, a U.S. holder should determine the U.S. dollar amount includible as original issue discount for each accrual period by (i) calculating the amount of original issue discount allocable to each accrual period in the foreign currency using the constant yield method, and (ii) translating the foreign currency amount so received at the average exchange rate in effect during that accrual period (or, with respect to an interest accrual period that spans two taxable years, at the average exchange rate for each partial period). Alternatively, the holder may translate the foreign currency amount so derived at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year, for an accrual period that spans two taxable years) or at the spot rate of exchange on the date of receipt, if that date is within five business days of the last day of the accrual period, provided that the U.S. holder has made the election described under "Payments or Accruals of Interest" above. Because exchange rates may fluctuate, a U.S. holder of an Original Issue Discount Note that is also a foreign currency note may recognize a different amount of original issue discount income in each accrual period than would the holder of an otherwise similar Original Issue Discount Note denominated in U.S. dollars. Upon the receipt of an amount attributable to original issue discount (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the Original Issue Discount Note), a U.S. holder will recognize ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the Original Issue Discount Note, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual). A subsequent U.S. holder of an Original Issue Discount Note that purchases the note at a cost less than its "remaining redemption amount", or an initial United States holder that purchases an Original Issue Discount Note at a price other than the note's issue price, also generally will be required to include in gross income the daily portions of original issue discount, calculated as

described above. However, if the subsequent holder acquires the Original Issue Discount Note at a price greater than its adjusted issue price, the holder may reduce its periodic inclusions of original issue discount income to reflect the premium paid over the adjusted issue price. The remaining redemption amount for an Original Issue Discount Note is the total of all future payments to be made on the note other than qualified stated interest. Certain of the Original Issue Discount Notes may be redeemed prior to maturity, either at our option or at the option of the holder, or may have special repayment or interest rate reset features as indicated in the pricing S-23 supplement. Original Issue Discount Notes containing these features may be subject to rules that differ from the general rules discussed above. If you purchase Original Issue Discount Notes with these features, you should carefully examine the pricing supplement and consult your tax adviser about them since the tax consequences of original issue discount will depend, in part, on the particular terms and features of the notes.

SHORT-TERM NOTES The rules described above will also generally apply to Original Issue Discount Notes with maturities of one year or less ("short-term notes"), but with some modifications. First, the original issue discount rules treat none of the interest on a short-term note as qualified stated interest, but treat a short-term note as having original issue discount. Thus, all short-term notes will be Original Issue Discount Notes. Except as noted below, a cash-basis U.S. holder of a short-term note that does not identify the short-term note as part of a hedging transaction will generally not be required to accrue original issue discount currently, but will be required to treat any gain realized on a sale, exchange or retirement of the note as ordinary income to the extent such gain does not exceed the original issue discount accrued with respect to the note during the period the holder held it. A U.S. holder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a short-term note until the Maturity of the note or its earlier disposition in a taxable transaction. Notwithstanding the foregoing, a cash-basis U.S. holder of a short-term note may elect to accrue original issue discount on a current basis (in which case the limitation on the deductibility of interest described above will not apply). A U.S. holder using the accrual method of tax accounting and some cash method holders (including banks, securities dealers, regulated investment companies and certain trust funds) generally will be required to include original issue discount on a short-term note in gross income on a current basis. Original issue discount will be treated as accruing for these purposes on a ratable basis or, at the election of the holder, on a constant yield basis based on daily compounding. Second, any U.S. holder of a short-term note (whether a cash- or accrual- basis holder) can elect to accrue the "acquisition discount", if any, with respect to the note on a current basis. Acquisition discount is the excess of the remaining redemption amount of the note at the time of acquisition over the purchase price. Acquisition discount will be treated as accruing ratably or, at the election of the holder, under a constant yield method based on daily compounding. If a U.S. holder elects to accrue acquisition discount, the original issue discount rules will not apply. Finally, the market discount rules described below will not apply to short- term notes. As described above, certain of the notes may be subject to special redemption features. These features may affect the determination of whether a note has a maturity of one year or less and thus is a short-term note. If you purchase notes with these features, you should carefully examine the pricing supplement and consult your tax adviser about these features.

PREMIUM AND MARKET DISCOUNT A U.S. holder that purchases a note at a cost greater than the note's remaining redemption amount will be considered to have purchased the note at a premium, and may elect to amortize the premium as an offset to interest income, using a constant yield method, over the remaining term of the note. This election, once made, generally applies to all debt instruments held or subsequently acquired by the holder during or after the first taxable year to which the election applies. The election may not be revoked without the consent of the Internal Revenue Service. A U.S. holder that elects to amortize the premium must reduce its tax basis in the note by the amount of the premium amortized during its holding period. Original Issue Discount Notes purchased at a premium will not be subject to the original issue discount rules described above. In the case of premium on a foreign currency note, the holder should calculate the amortization of the premium in the foreign currency. Amortization deductions attributable to a period reduce interest payments in respect of that period, and therefore are translated into U.S. dollars at the rate used by the U.S. holder for those interest payments. Exchange gain or S-24 loss will be realized with respect to amortized premium on a foreign currency note based on the difference between the exchange rate computed on the date or dates the premium is amortized against interest payments on the note and the exchange rate on the date when the holder acquired the note. For a U.S. holder that does not elect to amortize premium, the amount of premium will be included in the holder's tax basis when the note matures or is disposed of. Therefore, a U.S. holder that does not elect to amortize premium and that holds the note to Maturity must generally treat the premium as capital loss when the note matures. If a U.S. holder purchases a note at a price that is lower than the note's remaining

redemption amount, or in the case of an Original Issue Discount Note, the note's adjusted issue price, by 0.25% or more of the remaining redemption amount (or adjusted issue price), multiplied by the number of remaining whole years to maturity, the note will be considered to bear "market discount" in the hands of the holder. In this case, gain realized by the holder on the disposition of the note generally will be treated as ordinary interest income to the extent of the market discount that accrued on the note while held by the holder. In addition, the holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or continued to purchase or carry the note. In general, market discount will be treated as accruing ratably over the term of the note, or, at the election of the holder, under a constant yield method. A U.S. holder must accrue market discount on a foreign currency note in the specified currency. The amount includible in income by a U.S. holder in respect of accrued market discount will be the U.S. dollar value of the accrued amount, generally calculated at the exchange rate in effect on the date that the note is disposed of. A U.S. holder may elect to include market discount in gross income currently as it accrues (on either a ratable or constant yield basis), in lieu of treating a portion of any gain realized on a sale of the note as ordinary income. If a U.S. holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. The election, once made, applies to all market discount debt instruments acquired by the United States holder on or after the first day of the first taxable year to which the election applies. The election may not be revoked without the consent of the Internal Revenue Service. Any accrued market discount on a foreign currency note that is currently includible in income will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the holder's taxable year).

INDEXED NOTES AND OTHER NOTES PROVIDING FOR CONTINGENT PAYMENT Special rules govern the tax treatment of debt obligations that provide for contingent payments ("contingent debt obligations"). These rules generally require accrual of interest income on a constant yield basis in respect of contingent debt obligations at a yield determined at the time of issuance of the obligation, and may require adjustments to these accruals when any contingent payments are made. We will provide a detailed description of the tax considerations relevant to U.S. holders of any contingent debt obligations in the pricing supplement.

INFORMATION REPORTING AND BACKUP WITHHOLDING The paying agent will be required to file information returns with the Internal Revenue Service with respect to payments made to certain U.S. holders. In addition, certain U.S. holders may be subject to a 31% backup withholding tax in respect of these payments if they do not provide their taxpayer identification numbers to the paying agent.

PLAN OF DISTRIBUTION We are offering the notes through the agents who have agreed to use their reasonable efforts to solicit orders. We have the right to accept orders or reject proposed purchases in whole or in part. The agents also have the right, using their reasonable discretion, to reject any proposed purchase of the notes in whole or in part. We will pay an agent a commission ranging from .150% to .750% of the principal amount of notes with a stated maturity of 1 year to 30 years. The exact commission paid will be determined by the stated maturity of the notes sold. Commissions with respect to notes with stated maturities of over 30 years will be negotiated at the time of sale. The following table describes the potential proceeds we will receive but does not include expenses payable by us which we estimate to be \$970,000:

S-25 PRICE TO AGENTS' COMMISSIONS AND PUBLIC DISCOUNTS PROCEEDS TO THE COMPANY	Per Note.....	100% .150% to .750%	99.850% to 99.250%	Total.....
				\$1,500,000,000
				\$2,250,000 to \$11,250,000
				\$1,497,750,000 to \$1,488,750,000

We may arrange for notes to be sold through any agent or may sell notes directly to investors. If we sell notes directly to investors, no commission or discount will be paid. We also may sell notes to any agent as principal for the agent's account at a price agreed upon at the time of sale. Such notes may be resold by the agent to investors at a fixed public offering price or at prevailing market prices, or at a related price, as determined by the agent. Unless otherwise specified in the pricing supplement, any note sold to an agent as principal will be purchased at a price equal to 100% of the principal amount minus a discount equal to the commission that would be paid on an agency sale of a note of identical maturity. Agents may sell notes purchased from us as principal to other dealers for resale to investors and other purchasers and may provide any portion of the discount received in connection with their purchase from us to such dealers. After the initial public offering of the notes, the public offering price, the concession and the discount may be changed. The notes will not have an established trading market when issued. Also, the notes will not be listed on any securities exchange. The agents may make a market in the notes, but are not obligated to do so and may discontinue any market-making at any time without notice. There can be no assurance of a secondary market for any notes, or that any notes will be sold. The agents may be deemed to be "underwriters" within the meaning of the Securities Act. We have agreed to indemnify the agents against certain liabilities, including liabilities

under the Securities Act, or to contribute to payments that they may be required to make in connection with such indemnification. The notes have not been and will not be registered under the Securities and Exchange Law of Japan. We and the agents will not offer or sell any note directly or indirectly in Japan or to residents of Japan or for the benefit of any Japanese person (which term means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale directly or indirectly in Japan or to any Japanese person except in circumstances that result in compliance with any applicable laws, regulations and ministerial guidelines of Japan taken as a whole.

GLOSSARY The following is a glossary of terms used in this prospectus supplement.

"Bond Equivalent Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula: $\text{DXN Bond Equivalent Yield} = \frac{\text{---} \times 100}{360 - (\text{DXM})}$ where "D" refers to the applicable annual rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal, "N" refers to 365 or 366, as the case may be, and "M" refers to the actual number of days in the applicable Interest Reset Period.

"Business Day" means any day, other than Saturday or Sunday, that is (1) neither a legal holiday nor a day on which banking institutions are authorized or required by law, regulation or executive order to close in (a) The City of New York, (b) the City of Chicago or (c) if the specified currency for a note is other than U.S. dollars or Euro, the Principal Financial Center of the country issuing such currency; (2) if the specified currency for the note is Euro, a day on which the TARGET System is operating or in any other place or any other days as may be specified in the pricing supplement; and (3) if the note is a LIBOR note, a London Business Day.

S-26 "Calculation Date" means the date by which the calculation agent calculates an interest rate for a floating rate note, which will be one of the following:

"Prime Rate"-- the earlier of (1) the tenth calendar day after the related Prime Rate Interest Determination Date or, if such day is not a Business Day, the next Business Day, or (2) the Business Day immediately before the applicable interest payment date or Maturity, as the case may be.

"CD Rate"-- the earlier of (1) the tenth calendar day after the related CD Rate Interest Determination Date or, if such day is not a Business Day, the next Business Day, or (2) the Business Day immediately before the applicable interest payment date or Maturity, as the case may be.

"CMT Rate"-- the earlier of (1) the tenth day after the related CMT Rate Interest Determination Date or, if such day is not a Business Day, the next Business Day, or (2) the Business Day immediately before the applicable interest payment date or Maturity, as the case may be.

"Commercial Paper Rate"-- the earlier of (1) the tenth calendar day after the related Commercial Paper Rate Interest Determination Date or, if such day is not a Business Day, the next Business Day, or (2) the Business Day immediately before the applicable interest payment date or Maturity, as the case may be.

"LIBOR"-- the LIBOR Interest Determination Date.

"Treasury Rate"-- the earlier of (1) the tenth calendar day after the related Treasury Rate Interest Determination Date or, if such day is not a Business Day, the next Business Day, or (2) the Business Day immediately before the applicable interest payment date or Maturity, as the case may be.

"Federal Funds Rate"-- the earlier of (1) the tenth calendar day after the related Federal Funds Effective Rate Interest Determination Date or, if such day is not a Business Day, the next Business Day, or (2) the Business Day immediately before the applicable interest payment date or Maturity, as the case may be.

"CMT Telerate Page" means the display on the Dow Jones Telerate Service on the page designated in the applicable pricing supplement (or any other page as may replace such page on that service for the purpose of displaying Treasury Constant Maturities as reported in H.15(519)). If no such page is specified in the applicable pricing supplement, the CMT telerate Page shall be 7052, for the most recent week.

"Composite Quotations" means the daily statistical release entitled "Composite 3:30 p.m. Quotations for U.S. Government Securities" published by the Federal Reserve Bank of New York.

"Designated LIBOR Page" means either (a) if "LIBOR Reuters" is specified in the applicable pricing supplement, the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency, or (b) if "LIBOR Telerate" is specified in the applicable pricing supplement or neither "LIBOR Reuters" nor "LIBOR Telerate" is specified as the method for calculating LIBOR, the display on the Dow Jones Telerate Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency.

"Fixed Conversion Rate" with respect to any specified currency means the irrevocably fixed conversion rate between the Euro and such specified currency adopted by the Council of the European Union according to Article 109 1(4) first sentence of the Treaty of Rome.

"H.15(519)" means the publication entitled "Statistical Release H. 15(519), Selected Interest Rates", or any successor publication, published by the Board of Governors of the Federal Reserve System.

"H.15 Daily Update" means the daily update of H.15(519), or any successor site or publication.

"Index Currency" means the currency specified in the applicable pricing supplement, or, if no currency is specified in the applicable pricing supplement, U.S. dollars.

S-27 "Index Maturity" for any note is the

period of maturity of the instrument, obligation or index from which the Base Rate is calculated. "Interest Determination Date" means the date as of which the interest rate for a floating rate note is to be determined, to be effective as of the following Interest Reset Date and calculated no later than the related Calculation Date (except in the case of LIBOR, which is calculated on the related LIBOR Interest Determination Date). The Interest Determination Dates will be indicated in the applicable pricing supplement and in the note. "London Business Day" means (i) if the Index Currency is other than Euro, any day on which dealings in such Index Currency are transacted in the London interbank market or (ii) if the Index Currency is Euro, a day on which the TARGET System is operating or in any other place or any other days as may be specified in the pricing supplement. "Maastricht Treaty" means the treaty on European Union which was signed in Maastricht on February 1, 1992 and came into force on November 1, 1993. "Maturity" means the date on which the principal of a note or an installment of principal becomes due and payable as provided in the note or in the Senior Indenture, whether at stated maturity or by declaration of acceleration, call for redemption or otherwise. "Money Market Yield" shall be a yield calculated in accordance with the following formula: $D \times 360 \times 100 \text{ Money Market Yield} = \text{-----} 360 - (D \times M)$ where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the period for which accrued interest is being calculated. "Original Issue Discount Note" means (i) any note where the difference between (x) the first price at which a substantial amount of the notes that are part of the same issue is sold for money (other than to an underwriter, placement agent or wholesaler) and (y) the stated redemption price at the maturity of the note is at least 0.25% of that stated redemption price multiplied by the number of full years from the issue date to the stated maturity; and (ii) any other note we designate as issued with original issue discount for U.S. federal income tax purposes. The stated redemption price at Maturity of an Original Issue Discount Note is the total of all payments to be made under the Original Issue Discount Note, other than payments of qualified stated interest. "Participating Member State" means a member state of the European Community that adopts the Euro in accordance with the Treaty of Rome. "Principal Financial Center" will generally be the capital city of the country of the specified Index Currency or LIBOR Currency, as the case may be, except that with respect to Australian dollars, Deutsche marks, Dutch guilders, U.S. dollars, Italian lire and Swiss francs and Euro the Principal Financial Center shall be Sydney, Frankfurt, Amsterdam, The City of New York, Milan, Zurich and Brussels, respectively. "Reuters Screen US PRIME 1 Page" means the display on the Reuter Monitor Money Rates Service (or any successor service) on the "US PRIME 1" page (or any other page as may replace that page on that service) for the purpose of displaying prime rates or base lending rates of major U.S. banks. "Senior Indenture" means the Indenture for Senior Debt Securities dated October 19, 1996 between McDonald's Corporation and the Trustee, as supplemented. "Spread" means the number of basis points (one basis point equals one one-hundredth of a percentage point) that may be specified in the applicable pricing supplement as being applicable to the interest rate of a floating rate note. S-28 "Spread Multiplier" means the percentage that may be specified in the applicable pricing supplement as being applicable to the interest rate of a floating rate note. "Treasury Rate Determination Date" for each Interest Reset Period will be the day of the week in which the Interest Reset Date for such Interest Reset Period falls on which Treasury Bills would normally be auctioned. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Treasury Rate Determination Date pertaining to the Interest Reset Period commencing in the next succeeding week. If an auction date shall fall on any day that would otherwise be an Interest Reset Date for a Treasury Rate note, then such Interest Reset Date shall instead be the Business Day immediately following such auction date. "Treaty of Rome" means the Treaty of Rome of March 25, 1957, as amended by the Single European Act of 1986 and the Maastricht Treaty, establishing the European Community, as amended from time to time. "Trustee" means First Union National Bank or its successor. S-29 PROSPECTUS MCDONALD'S CORPORATION DEBT SECURITIES We may use this prospectus to issue from time to time one or more series of debt securities which may be either senior debt securities or subordinated debt securities with a total initial public offering price or purchase price of up to \$1,500,000,000, or the equivalent thereof in one or more foreign currencies. Debt securities of each series will be offered on terms to be determined at the time of sale. We may sell debt securities for U.S. dollars or a foreign currency, and payments on debt securities may be made in U.S. dollars or a foreign currency. Debt securities may be issuable as individual securities in registered form without coupons, or as one or more global securities in registered form. We will provide the specific terms of an offering of debt securities,

including the designation as senior debt securities or subordinated debt securities, in an accompanying prospectus supplement or pricing supplement. The debt securities will be unsecured. Unless otherwise specified in a prospectus supplement, the senior debt securities will rank equally with all of our other unsecured and unsubordinated indebtedness. The subordinated debt securities will be subordinated to all of our senior indebtedness. We may offer debt securities in any of the following ways: . directly; . through agents; . through dealers; or . through one or more underwriters or a syndicate of underwriters in an underwritten offering. We will describe how a particular offering of debt securities will be made in the prospectus supplement or pricing supplement for the offering. -----

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. ----- The date of this prospectus is May 10, 2001. MCDONALD'S CORPORATION GENERAL We are a Delaware corporation organized on March 1, 1965 as the successor to an Illinois corporation formed in 1956. Our principal executive offices are at One McDonald's Plaza, Oak Brook, Illinois 60523, telephone: (630) 623-3000, and our registered office in Delaware is at 1013 Centre Road, Wilmington, Delaware 19805. We and our subsidiaries develop, operate, franchise and service a worldwide system of restaurants that prepare, assemble, package and sell a limited menu of value-priced foods. These restaurants are operated by us and our subsidiaries or, under the terms of franchise agreements, by franchisees who are independent third parties, or by affiliates operating under joint-venture agreements between us or our subsidiaries and local business people. We operate primarily in the quick-service hamburger restaurant business under the McDonald's brand. We also operate other restaurant concepts: Aroma Cafe, Boston Market, Chipotle Mexican Grill and Donatos Pizza. McDonald's restaurant business comprises virtually all of our consolidated operating results. Our restaurants offer a substantially uniform menu consisting of hamburgers and cheeseburgers, including the Big Mac and Quarter Pounder with Cheese, the Filet-O-Fish, several chicken sandwiches, french fries, Chicken McNuggets, salads, milk shakes, McFlurries, sundaes and cones, pies, cookies and soft drinks and other beverages. In addition, we sell a variety of products during limited promotional time periods. Our restaurants operating in the United States and certain international markets are open during breakfast hours and offer a full or limited breakfast menu including the Egg McMuffin and the Sausage McMuffin with Egg sandwiches, hotcakes and sausage; three varieties of biscuit sandwiches; bagel sandwiches and Apple-Bran muffins. We test new products on an ongoing basis. We and our subsidiaries, franchisees and affiliates purchase food products and packaging from numerous independent suppliers. Quality specifications for both raw and cooked food products are established and strictly enforced. Alternative sources of these items are generally available. Quality assurance labs in the U.S., Europe, and the Pacific work to ensure that our high standards are consistently met. The quality assurance process involves ongoing testing and on-site inspections of suppliers' facilities. Independently owned and operated distribution centers distribute products and supplies to most of our restaurants. The restaurants then prepare, assemble and package these products using specially designed production techniques and equipment to obtain uniform standards of quality. Our restaurants are located in all fifty of the United States and the District of Columbia and in many foreign locations, principally Japan, Canada, Germany, England, France, Australia and Brazil. At March 31, 2001, there were 28,905 restaurants worldwide, of which 12,811 were located in the United States and 16,094 in 119 other countries. An additional 345 restaurants were under construction at March 31, 2001, including 262 outside the United States. WHERE TO GET MORE INFORMATION We have filed a registration statement with the Securities and Exchange Commission (the "SEC") relating to the debt securities. This prospectus does not contain all of the information described in the registration statement. For further information, you should refer to the registration statement. We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information we file at the SEC's public reference room at 450 Fifth Street, N.W., in Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our SEC filings are also available to the public at the SEC's web site 2 at <http://www.sec.gov> (this uniform resource locator (URL) is an inactive textual reference only and is not intended to incorporate the SEC web site into this prospectus). The following documents that we have filed with the SEC are incorporated into this prospectus by reference and considered a part of this prospectus: (a) Our Annual Report on Form 10-K for the fiscal year ended December 31, 2000; and (b) Our Current Reports on Form 8-K filed as of February 1, March 19, April 23, 2001 and May 10, 2001. Later information that we file with the SEC will update and/or supersede this information.

We are also incorporating by reference all documents that we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this prospectus and prior to the termination of the offering of the debt securities. We will provide any of the above documents (including any exhibits that are specifically incorporated by reference in them) to each person, including any beneficial owner, to whom a prospectus is delivered. You may request these documents at no cost. Written or telephone requests should be directed to: McDonald's Shareholder Services, McDonald's Corporation, Kroc Drive, Oak Brook, Illinois 60523, telephone: (630) 623-7428. USE OF PROCEEDS Unless otherwise stated in the applicable prospectus supplement, we intend to use the net proceeds from the sale of the debt securities for general corporate purposes, which may include refinancing of debt, capital expenditures such as the acquisition and development of McDonald's restaurants and the purchase of our common stock under our ongoing share repurchase program. Specific allocations of the proceeds for such purposes have not been made at this time. RATIO OF EARNINGS TO FIXED CHARGES THREE MONTHS ENDED MARCH 31, YEAR ENDED DECEMBER 31, ----- 2001 2000 2000 1999 1998 1997 1996 ----

Ratio of earnings to fixed charges.....	2001	2000	2000	1999	1998	1997	1996
	4.02	5.35	5.39	5.76	4.82	5.16	5.11

The ratios of earnings to fixed charges shown above have been computed on a total enterprise basis. Earnings represent income before provision for income taxes and fixed charges. Fixed charges consist of interest on all indebtedness, amortization of debt issuance costs and discount or premium relating to any indebtedness, fixed charges related to redeemable preferred stock and a portion of rental charges (after reduction for related sublease income) considered to be representative of the interest component in the particular case. DESCRIPTION OF DEBT

SECURITIES The following is a description of the general terms of the debt securities. We will provide specific terms of a series of debt securities and the extent to which these general provisions apply to that series in a supplement to this prospectus. The senior debt securities are issued under an Indenture (the "Senior Indenture"), dated October 19, 1996, between us and First Union National Bank, as Trustee (the "Trustee"). The subordinated debt securities are issued under a separate Indenture (the "Subordinated Indenture") dated as of October 18, 1996, between us and the Trustee. The Senior Indenture and the Subordinated Indenture are sometimes collectively referred to in this prospectus as the "Indentures." Copies of the Indentures are filed as exhibits to our registration statement No. 333-14141 and are incorporated into this prospectus by reference. The following summaries highlight some of 3 the provisions of the Indentures but they may not contain all of the information that is important to you. Numerical references in parentheses below are to Articles and Sections of the Indentures. Except as otherwise indicated, the terms of the Indentures are identical. As used under this caption, the term "debt securities" includes the debt securities being offered by this prospectus and all other debt securities issued by us under the Indentures. GENERAL The Indentures do not limit the amount of debt securities that we may issue, and we may issue debt securities in one or more series. The debt securities will be unsecured. Unless otherwise specified in the prospectus supplement, the senior debt securities will be unsubordinated obligations of the Company and will rank equally with all of our other unsecured and unsubordinated indebtedness. Certain of our unsecured obligations may, however, under certain circumstances, become secured by mortgages as a result of negative pledge covenants applicable to such obligations while the senior debt securities remain unsecured. Payments on the subordinated debt securities will be subordinated to the prior payment in full of all of our senior indebtedness, as described under "Subordination of Subordinated Debt Securities" and in the applicable prospectus supplement. In addition, we may, from time to time, without the consent of the registered holders of the notes, issue additional notes or other debt securities having the same terms as previously issued notes (other than the date of issuance, the date interest, if any, begins to accrue and the offering price, which may vary) that will form a single issue with the previously issued notes. The prospectus supplement or the pricing supplement for each offering will specify whether the debt securities being offered will be senior debt securities or subordinated debt securities, and will provide the following terms, where applicable: (a) the title of the debt securities; (b) any limit on the aggregate principal amount of the debt securities; (c) the date or dates on which the principal and any premium of the debt securities will be payable; (d) the rate or rates, or the method of determining the rate or rates, at which the debt securities will bear interest; the date or dates from which interest will accrue; the interest payment dates on which interest will be payable; and the record dates for such interest payment dates; (e) whether the debt securities are to be issued as original issue discount securities and the amount of discount with which the debt securities will be issued; (f) the place or places where payments will be made; (g) the terms of any redemption of the debt securities that we may make at our option; (h) the terms of our obligation, if any, to redeem, purchase or repay the debt securities pursuant to any sinking fund or similar provisions or at the option of a holder; (i) if other than

denominations of \$1,000 and any integral multiple thereof, the denominations in which the debt securities will be issuable; (j) if other than the principal amount, the portion of the principal amount of the debt securities that will be payable if the maturity of the debt securities is accelerated; (k) any changes in any of the events of default or remedies with respect to the debt securities; (l) if the debt securities are non-interest bearing, the "stated intervals"; (m) the currency in which we will make payments on the debt securities; and (n) any other terms of the debt securities that do not conflict with the applicable Indenture. (Section 2.02) We may issue debt securities at a discount below their stated principal amount, bearing no interest or interest at a rate that at the time of issuance is below market rates. We may also issue debt securities that have floating rates of interest but are exchangeable for fixed rate debt securities. Federal income tax consequences and other relevant considerations will be described in the applicable prospectus supplement.

4 Unless otherwise provided in the prospectus supplement for an offering, payments on the debt securities will be made at the offices of the Trustee in New York, New York and Charlotte, North Carolina, although we may make payments of interest by check mailed to the holders. (Sections 2.02, 4.01 and 4.02) Debt securities may be transferred or exchanged at the office or agency that we maintain for that purpose, subject to the limitations provided in the applicable Indenture, without any service charge except for any tax or governmental charges. (Section 2.06) Any money that we pay for principal of (and premium, if any) or any interest on any debt security that remains unclaimed at the end of two years will be repaid to us on demand, and afterwards the holder of such debt security may look only to us for payment. (Section 12.05) The Indenture and the debt securities will be governed by and construed and enforced in accordance with the internal laws of the State of Illinois. GLOBAL SECURITIES If any debt securities are issuable in temporary or permanent global form, the applicable prospectus supplement will describe the circumstances, if any, under which beneficial owners of interests in the global security may obtain definitive debt securities. Payments on a permanent global debt security will be made in the manner described in the prospectus supplement. (Section 2.01) LIMITATION ON LIENS COVENANT IN THE SENIOR INDENTURE The covenant described below applies with respect to any and all series of senior debt securities, unless we specify otherwise in the applicable prospectus supplement. We will describe any additional covenants for a particular series of senior debt securities in the applicable prospectus supplement. For your reference, we have provided a list of definitions of the capitalized terms used in the covenant at the end of the description. We will not, nor will we permit any Restricted Subsidiary to, issue or assume any debt for money borrowed if such debt is secured by a mortgage, security interest, pledge, lien or other encumbrance (mortgages, security interests, pledges, liens and other encumbrances are called "mortgage" or "mortgages") upon any Principal Property or upon any shares of stock or indebtedness of any Restricted Subsidiary (whether such Principal Property, shares of stock or indebtedness are now owned or hereafter acquired) without in any such case effectively providing that the senior debt securities, and at our option any other indebtedness of the Company or any Restricted Subsidiary ranking equally with the senior debt securities, are secured equally and ratably. These restrictions do not apply to debt secured by: (a) mortgages on property, shares of stock or indebtedness of any corporation existing at the time the corporation becomes a Restricted Subsidiary; (b) mortgages on property existing at the time of its acquisition and certain purchase money mortgages; (c) mortgages securing debt of a Restricted Subsidiary owing to us or another Subsidiary; (d) mortgages on property of a corporation existing at the time it is merged into or consolidated with us or a Restricted Subsidiary or at the time of a sale, lease or other disposition of the properties of a corporation as an entirety or substantially as an entirety to us or a Restricted Subsidiary; (e) mortgages in favor of any country or any political subdivision of any country, or any instrumentality thereof, to secure certain payments pursuant to any contract or statute or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to such mortgages; or (f) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any mortgage referred to in the foregoing clauses.

5 Notwithstanding the above, we and one or more Restricted Subsidiaries may, without securing the senior debt securities, issue or assume secured debt if, after giving effect to the transaction, the aggregate of the secured debt then outstanding (not including secured debt permitted under the above exceptions) does not exceed 20% of the shareholders' equity of us and our consolidated subsidiaries as of the end of the preceding fiscal year. The transfer of a Principal Property to a subsidiary or any third party will not be restricted. (Section 4.06) The term "Principal Property" means all real property owned by us or any Restricted Subsidiary which is located within the continental United States of America and, in the opinion of our Board of Directors, is of material importance to the total business we and our consolidated affiliates, as an entity, conduct. (Section 1.01) The term "Restricted Subsidiary" means any subsidiary (i) substantially all the property of

which is located within the continental United States of America, (ii) which owns Principal Property and (iii) in which our investment, direct or indirect and whether in the form of equity, debt, advances or otherwise, is in excess of U.S. \$1,000,000,000 as shown on our books as of the end of the fiscal year immediately preceding the date of determination. A "Restricted Subsidiary" does not include any subsidiary primarily engaged in financing activities, primarily engaged in the leasing of real property to persons other than us and our subsidiaries, or that we characterize as a temporary investment. (Section 1.01) SUBORDINATION OF SUBORDINATED DEBT SECURITIES Unless otherwise indicated in the prospectus supplement, the following provisions apply to the subordinated debt securities. The subordinated debt securities will, to the extent described in the Subordinated Indenture, be subordinate in right of payment to all of our indebtedness for borrowed money, whether now or in the future, which is not by its terms subordinate to our other indebtedness. However, senior indebtedness will not include amounts owed to our trade creditors in the ordinary course of business. At December 31, 2000, our aggregate amount of senior indebtedness was approximately \$7.9 billion. Except as provided under the Subordinated Indenture, if any one of the following events occurs, we will pay all principal, premium, if any, and interest on the senior indebtedness in full before we make any payment on the subordinated debt securities: (a) any insolvency or bankruptcy proceedings of our company, including any receivership reorganization or similar proceedings; (b) any proceedings for voluntary liquidation, dissolution or other winding up of our company, whether or not involving insolvency or bankruptcy proceedings; and (c) any series of subordinated debt securities is declared due and payable because of an occurrence of an event of default under the Subordinated Indenture. The Subordinated Indenture does not limit the incurrence of additional senior indebtedness. The senior debt securities constitute senior indebtedness under the Subordinated Indenture. The prospectus supplement may have further information regarding the subordination of the subordinated debt securities of a particular series. EVENTS OF DEFAULT The Indentures describe an event of default with respect to any series of debt securities as being any one of the following events: (a) default for 30 days in any payment of interest on such series; (b) default in any payment of principal of or premium, if any, on debt securities of such series when due (and continuance of such default for a period of 10 days in the case of subordinated debt securities); (c) default in the payment of any sinking fund payment on debt securities of such series when due (and continuance of such default for a period of 10 days in the case of subordinated debt securities); (d) default for 60 days, after appropriate notice, in performance of any other covenants in the Indentures (other than the limitation on liens covenant in the Senior Indenture and any other covenant included in the Indentures solely for the benefit of another series of debt securities), unless it cannot with due diligence be cured within the 60-day period due to causes beyond our control; (e) certain events of bankruptcy, insolvency or reorganization of our company; or (f) default in the performance of a particular covenant applicable to that series after appropriate notice and opportunity to cure the default. The Senior Indenture defines a default for 120 days after appropriate notice in the performance of the limitation on liens covenant as an additional event of default with respect to the senior debt securities. An event of default with respect to a particular series of debt securities issued under either of the Indentures does not necessarily constitute an event of default with respect to any other series of debt securities issued under the Indentures. If an event of default under clause (a), (b), (c) or (f) above with respect to the Indentures is continuing with respect to any series of debt securities, the Trustee or the holders of not less than 25% in aggregate principal amount of the affected series of debt securities may declare the principal amount (or, if the debt securities are original issue discount securities, the specified portion of the principal amount) of such series to be due and payable. In case an event of default under clause (d) or (e) above with respect to the Indentures or with respect to the limitation on liens covenant of the Senior Indenture is continuing, the Trustee or holders of not less than 25% in aggregate principal amount of all the debt securities may declare the principal amount (or, if any debt securities are original issue discount securities, the specified portion of the principal amount) of the debt securities of all series to be due and payable. Any event of default with respect to a particular series of debt securities may be waived by the holders of a majority in aggregate principal amount of those debt securities, except, in each case, a failure to pay principal of, or premium, if any, or interest on those debt securities. (Section 6.01; Section 6.07) We are required to file an annual officers' certificate with the Trustee concerning our compliance with the Indentures. (Section 4.05) Subject to the provisions of the Indentures relating to the duties of the Trustee, each Indenture provides that the Trustee will be under no obligation to exercise any of its rights or powers at the request, order or direction of the holders of the debt securities unless the holders have offered the Trustee reasonable indemnity. (Sections 6.04 and 7.01) Subject to indemnification and other rights of the Trustee, the holders of a majority (voting as one class) in principal amount of each affected series of debt securities may direct the time,

method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any of the Trustee's trusts or powers. (Section 6.07) **MODIFICATION OF THE INDENTURES** We may enter into supplemental indentures with the Trustee without the consent of the holders of the debt securities to: (a) evidence the assumption by a successor corporation of our obligations; (b) add covenants for the protection of the holders of the debt securities; (c) add or change any of the provisions of the Indentures to permit or facilitate the issuance of debt securities of any series in bearer or coupon form; (d) cure any ambiguity or correct any inconsistency in the Indentures; (e) establish the form or terms of debt securities of any series as permitted by the terms of the Indentures; and (f) evidence the acceptance of appointment by a successor trustee. (Section 10.01) **7** With the consent of the holders of not less than 66 2/3% in aggregate principal amount of each affected series of debt securities, we may execute supplemental indentures with the Trustee to add provisions or change or eliminate any provision of the Indentures or modify the rights of the holders of those debt securities. However, no such supplemental indenture will, among other things (a) extend the fixed maturity of any debt security, or reduce the principal amount (including in the case of a discounted debt security the amount payable upon acceleration of the maturity thereof), reduce the rate or extend the time of payment of interest, or make the principal of, premium, if any, or interest, if any, payable in any coin or currency other than that provided in the debt security, without the consent of the holder of each affected debt security or (b) reduce the percentage of holders required to consent to the supplemental indenture, without the consent of the holder of each affected debt security. (Section 10.02) **DISCHARGE OF INDENTURES** We, at our option, (a) will be discharged from all obligations under the Indentures in respect of the debt securities of a series (except in each case for certain obligations to register the transfer or exchange of those debt securities, replace stolen, lost or mutilated debt securities, maintain paying agencies and hold monies for payment in trust) or (b) need not comply with certain restrictive covenants of the Indentures (including the limitation on liens covenant in the Senior Indenture) and will not be limited by any restrictions with respect to merger, consolidation or sales of assets with respect to those debt securities, in each case if we deposit with the Trustee, in trust, (x) money or (y) U.S. government obligations or a combination of (x) and (y) which will provide enough money to pay all the principal (including any mandatory sinking fund payments) of, and interest, if any, and premium, if any, on, those debt securities when due. (Section 12.02) In order to select either option, we must provide the Trustee with an opinion of counsel or a ruling from, or published by, the Internal Revenue Service, to the effect that holders will not recognize income, gain or loss for Federal income tax purposes as a result of our exercising the option and will be subject to Federal income tax as if we had not exercised the option. (Section 12.02) In addition, we may also discharge our obligations with respect to a series of debt securities by depositing with the Trustee, in trust, enough money to pay at maturity or upon redemption all of the debt securities of such series, provided that all of the debt securities of such series are by their terms to become due and payable or called for redemption within one year. No opinion of counsel or ruling from the Internal Revenue Service is required with respect to a discharge in these circumstances. Upon any discharge of debt securities described above, the holders of those debt securities may look solely to such trust fund, and not to us, for payments. (Sections 12.01 and 12.02) **CONCERNING THE TRUSTEE** We and our subsidiaries and affiliates maintain banking relationships (including the extension of credit) in the ordinary course of business with the Trustee. The Trustee is also trustee under other indentures under which we have issued other senior and subordinated debt securities. **PLAN OF DISTRIBUTION** We may offer debt securities in any of the following ways: (a) directly; (b) through agents; (c) through dealers; or (d) through one or more underwriters or a syndicate of underwriters in an underwritten offering. We will describe how a particular offering of debt securities will be made, including the names of any underwriters, the purchase price of the securities, the proceeds of the offering and any underwriters' discounts or commissions, in the prospectus supplement or pricing supplement for the offering. **8** If we use underwriters or dealers in the sale, the underwriters or dealers will acquire the debt securities for their own account and may resell them in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. We may offer debt securities to the public either through underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. Unless otherwise described in the applicable prospectus supplement, the obligations of the underwriters to purchase debt securities will be subject to certain conditions precedent, and the underwriters must purchase all of such debt securities if they buy any of them. The underwriters may change any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers from time to time. We may also sell debt securities directly or through designated agents. Any agent involved in the offer or sale of debt securities will be named, and any commissions payable by us to such agent will be described, in the applicable prospectus

supplement or pricing supplement. Unless otherwise indicated, an agent will act on a best efforts basis for the period of its appointment. Any underwriters, dealers or agents participating in the distribution of debt securities may be deemed to be underwriters and any discounts or commissions received by them on the sale or resale of debt securities may be deemed to be underwriting discounts and commissions under the Securities Act of 1933, as amended (the "Securities Act"). Agents and underwriters may be entitled under agreements entered into with us to indemnification against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments that the agents or underwriters may be required to make in respect of such liabilities. Agents and underwriters may be customers of, engage in transactions with, or perform services for, us or our subsidiaries or affiliates in the ordinary course of business. If so indicated in the prospectus supplement, we will authorize agents and underwriters to solicit offers by certain institutions to purchase our debt securities at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on the date or dates stated in the prospectus supplement. These delayed delivery contracts will be subject only to those conditions described in the relevant prospectus supplement, and the prospectus supplement will describe the commissions payable for the solicitation. LEGAL MATTERS Gloria Santona, our Vice President, U.S. General Counsel and Secretary will pass on the legality of the debt securities being offered by us. Ms. Santona is a full-time employee of ours and owns shares of our common stock directly and as a participant in various employee benefit plans. Ms. Santona also holds options to purchase shares of our common stock. EXPERTS Ernst & Young LLP, independent auditors, have audited our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2000, as set forth in their report, which is incorporated by reference in this prospectus. Our consolidated financial statements are incorporated by reference in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing. 9

----- \$1,500,000,000 MCDONALD'S CORPORATION
MEDIUM-TERM NOTES DUE FROM 1 YEAR TO 60 YEARS FROM DATE OF ISSUE ----- PROSPECTUS
SUPPLEMENT ----- MERRILL LYNCH & CO. ABN AMRO INCORPORATED BANC OF AMERICA
SECURITIES LLC BANC ONE CAPITAL MARKETS, INC. BARCLAYS CAPITAL DEUTSCHE BANC ALEX.
BROWN FLEET SECURITIES, INC. GOLDMAN, SACHS & CO. JPMORGAN MORGAN STANLEY DEAN
WITTER SALOMON SMITH BARNEY May 24, 2001

