

Edgar Filing: MCDONALDS CORP - Form 11-K

MCDONALDS CORP
Form 11-K
June 21, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K

ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(MARK ONE):

/ X / ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the fiscal year ended December 31, 2000

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-5231

A. Full title of the plan and the address of the plan, if different
from that of the issuer named below:

McDonald's Corporation Profit Sharing Program

B. Name of issuer of the securities held pursuant to the plan and the
address of its principal executive office:

McDonald's Corporation
McDonald's Plaza
Oak Brook, Illinois 60523

FINANCIAL STATEMENTS AND EXHIBIT

(a) Financial Statements

McDonald's Corporation Profit Sharing Program Financial Statements

Report of Independent Auditors	1
Statements of Net Assets Available for Benefits, with Fund Information at December 31, 2000 and 1999	2
Statements of Changes in Net Assets Available for Benefits, with Fund Information For The Years Ended December 31, 2000 and 1999	3
Notes to Financial Statements	4

Edgar Filing: MCDONALDS CORP - Form 11-K

(b) Exhibit

Exhibit 23 - Consent of Independent Auditors

McDonald's Corporation Profit Sharing Program

Financial Statements

Years ended December 31, 2000 and 1999

Contents

Report of Independent Auditors.....1

Financial Statements

Statements of Net Assets Available for Benefits.....2

Statements of Changes in Net Assets Available for Benefits.....3

Notes to Financial Statements.....4

Report of Independent Auditors

To Administrative Committee
McDonald's Corporation Profit Sharing Program

We have audited the accompanying statements of net assets available for benefits of McDonald's Corporation Profit Sharing Program as of December 31, 2000 and 1999, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of McDonald's Corporation Profit Sharing Program at December 31, 2000 and 1999, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The Fund Information in the statements of net assets available for benefits and the statements of changes in net assets available for the benefits is presented for purposes of additional analysis rather than to present the net assets available for benefits and changes in net assets available for benefits of each fund. The Fund Information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in

Edgar Filing: MCDONALDS CORP - Form 11-K

relation to the financial statements taken as a whole.

ERNST & YOUNG LLP

April 26, 2001

1

McDonald's Corporation Profit Sharing Program
 Statements of Net Assets Available for Benefits
 (In Thousands)

	December	
	Profit Sharing Plan	McDESO Leverage Allocated Funds
Assets		
Investments, at fair value:		
Commercial paper and other short-term investments	\$ 53,946	\$ 8,199
Corporate bonds	500	-
Asset-backed securities	-	-
Common and preferred stocks other than McDonald's Corporation	330,670	-
McDonald's Corporation common stock:		
49,298,732 shares in 2000; 53,784,192 shares in 1999	309,278	1,034,877
Common trust funds	51,148	-
Investment, at contract value:		
Insurance contracts	265,699	-
Total investments	1,011,241	1,043,076
Receivables:		
Company contributions	10,408	(117)
Accrued income	421	41
Other	833	201
Total receivables	11,662	125
Total assets	1,022,903	1,043,201
Liabilities		
Management and administrative expenses payable	975	471
Accrued interest expense	-	-
Notes payable:		
Current	-	-
Long-term	-	-
Other liabilities	542	2,528
Total liabilities	1,517	2,999

Edgar Filing: MCDONALDS CORP - Form 11-K

Net assets available for benefits		
Allocated net assets	1,021,386	1,040,202
Unallocated net assets	-	-
	-----	-----
Net assets available for benefits	\$1,021,386	\$1,040,202
	=====	=====

	December	
	McDES	
	Leverag	
	Profit Sharing Plan	Allocated Account

Assets		
Investments, at fair value:		
Commercial paper and other short-term investments	\$ 52,131	\$ 3,591
Corporate bonds	2,496	-
Asset-backed securities	1,000	-
Common and preferred stocks other than McDonald's Corporation	319,503	-
McDonald's Corporation common stock:		
49,298,732 shares in 2000; 53,784,192 shares in 1999	409,026	1,313,032
Common trust funds	59,238	-
Investment, at contract value:		
Insurance contracts	260,422	-

Total investments	1,103,816	1,316,623
Receivables:		
Company contributions	10,797	(24)
Accrued income	362	11
Other	1	607

Total receivables	11,160	594

Total assets	1,114,976	1,317,217
Liabilities		
Management and administrative expenses payable	1,089	614
Accrued interest expense	-	-
Notes payable:		
Current	-	-
Long-term	-	-
Other liabilities	1,767	3,623

Total liabilities	2,856	4,237

Net assets available for benefits		
Allocated net assets	1,112,120	1,312,980
Unallocated net assets	-	-

Net assets available for benefits	\$1,112,120	\$1,312,980
	=====	

Edgar Filing: MCDONALDS CORP - Form 11-K

The accompanying notes are an integral part of these financial statements.

2

EIN 36-2361282
Plan #001

McDonald's Corporation Profit Sharing Program

Statements of Changes in Net Assets Available for Benefits
(In Thousands)

	December 31,	
	Profit Sharing Plan	McDESOP and Leveraged ESOP Funds
Net investment income (loss)		
Dividend income	\$ 6,637	\$ 6,418
Interest income	22,088	499
Net realized and unrealized (depreciation) appreciation in fair value of investments	(94,977)	(207,691)
Interest expense	-	-
Management and administrative fees	(3,117)	(685)
Total net investment income (loss)	(69,369)	(201,459)
Contributions		
Company	10,408	20
Participants	4,921	41,374
Total contributions	15,329	41,394
Allocations		
Half a Buck Matching with Profit Sharing Forfeitures	(82)	82
Half a Buck Matching with Leveraged ESOP Shares	-	16,419
Leveraged ESOP year-end allocations:		
Common Stock:		
1989 \$200 million Leveraged ESOP	-	15,899
1991 \$100 million Leveraged ESOP	-	8,515
Total allocations	(82)	40,915
Other changes		
Benefits paid to terminated participants	(94,437)	(96,008)
Interfund transfers (net)	57,688	(57,688)
Other	137	68
Total other changes	(36,612)	(153,628)

Edgar Filing: MCDONALDS CORP - Form 11-K

		December 31,
		McDESOP and Leveraged ESOP
	Profit Sharing Plan	Allocated Account
Increase (decrease) in net assets available for benefits	(90,734)	(272,778)
Net assets available for benefits at beginning of year	1,112,120	1,312,980
Net assets available for benefits at end of year	\$1,021,386	\$1,040,202
Net investment income (loss)		
Dividend income	\$ 6,431	\$ 6,299
Interest income	24,089	173
Net realized and unrealized (depreciation) appreciation in fair value of investments	82,059	68,232
Interest expense	-	-
Management and administrative fees	(3,030)	(851)
Total net investment income (loss)	109,549	73,853
Contributions		
Company	10,797	-
Participants	3,303	37,016
Total contributions	14,100	37,016
Allocations		
Half a Buck Matching with Profit Sharing Forfeitures	(368)	-
Half a Buck Matching with Leveraged ESOP Shares	-	14,734
Leveraged ESOP year-end allocations:		
Common Stock:		
1989 \$200 million Leveraged ESOP	-	24,557
1991 \$100 million Leveraged ESOP		13,052
Total allocations	(368)	52,343
Other changes		
Benefits paid to terminated participants	(79,711)	(99,918)
Interfund transfers (net)	29,138	(29,138)
Other	152	576
Total other changes	(50,421)	(128,480)
Increase (decrease) in net assets available for benefits	72,860	34,732
Net assets available for benefits at beginning of year	1,039,260	1,278,248
Net assets available for benefits at end of year	\$1,112,120	\$1,312,980

The accompanying notes are an integral part of these financial statements.

Edgar Filing: MCDONALDS CORP - Form 11-K

McDonald's Corporation Profit Sharing Program

Notes to Financial Statements

Years ended December 31, 2000 and 1999

1. Description of the Program

The McDonald's Corporation Profit Sharing Program ("the Program") was formed January 1, 1989, when the McDonald's Corporation Savings and Profit Sharing Plan ("Profit Sharing Plan") was merged with the McDonald's Matching and Deferred Stock Ownership Plan ("McDESOP"). The Profit Sharing Plan is a noncontributory, defined-contribution plan. The Profit Sharing Plan includes the Investment Savings account, which permitted participants to contribute after-tax dollars to the Profit Sharing Plan prior to 1987 and is no longer contributory. McDESOP consists of two components. The first component is a salary deferral plan with Company matching allocations, and the second component is an employee stock ownership plan ("Leveraged ESOP"). Effective December 29, 1995, the McDonald's Corporation Stock Sharing Plan ("Stock Sharing Plan") was merged with the Program ("Merged Plan"). The assets of the Stock Sharing Plan were transferred into McDESOP. The Plan documents with respect to the respective portions of the Merged Plan remained in effect until the Program, as amended and restated effective January 1, 1997, became effective. The Program was since amended and restated effective November 1, 1998. In addition, the Program has three amendments effective June 1, 2000, January 1, 2001, and March 1, 2001, respectively. The Program is administered by a committee of employees ("Administrative Committee") of McDonald's Corporation ("the Company" or "Plan Sponsor") as selected by the Board of Directors of the Company. The following description of the Program provides only general information. Participants should refer to the Program Summary Plan Description and Prospectus for a more complete description.

Eligibility

Under provisions of the Program, an employee becomes eligible for participation at age 21 or older and after one year of "eligibility service" as defined by the Program documents. Employees enter the Program on the first entry date, either January 1 or July 1, following completion of eligibility requirements.

4

1. Description of the Program (continued)

Investments and Elections

All Profit Sharing investments other than those in the Blended Stock/Bond Fund are held by The Northern Trust Company ("the Custodian") under a custodial agreement dated September 27, 1989. Blended Stock/Bond Fund investments are held and managed by Wellington Trust Company, National Association. T. Rowe Price Associates, Inc. manages the Money Market Fund. PRIMCO Capital Management manages the Stable Value Fund. Jennison Associates, Institutional Capital Corporation, Blackrock Financial Management Inc., and Chartwell Investment Partners are investment managers for the Diversified Stock Fund. The S&P Index Fund is a mutual fund managed by Vanguard Group, and the International Stock fund is comprised of two mutual funds, managed by Morgan Stanley Asset Management and Dresdner RCM Global Investors. Subject to the objectives and

Edgar Filing: MCDONALDS CORP - Form 11-K

restrictions of the individual investment funds, the fund managers have discretionary authority for the purchase and sale of investments other than McDonald's Corporation Common Stock. The Northern Trust Company is the administrator for the Profit Sharing Plan's McDonald's Common Stock Fund.

The Trustees (employees of the Company appointed by the Board of Directors) are authorized to invest all of the assets of McDESOP and Leveraged ESOP in shares of Company stock. The allocated assets are held by The Northern Trust Company. The unallocated Leveraged ESOP shares are also held at The Northern Trust Company as custodian for McDonald's Corporation and Wachovia Bank. Proceeds from the Leveraged ESOP common stock dividends are invested in an interest-bearing account until the note payment is due.

Participants may elect, as often as 12 times per year, to have their Profit Sharing account balances invested in 5% increments in one or any combination of the Plan's investment funds.

McDESOP and Leveraged ESOP Investments

Participant elected contributions to McDESOP are invested by The Northern Trust Company on behalf of the Trustees in shares of common stock of the Company unless the participant chooses alternative investment funds. Participants may elect, as often as 12 times per year, to have their own 401(k) contribution account balances invested in 5% increments in one or any combination of the Plan's investment funds. Shares of common stock for McDESOP are purchased in the open market through a national securities exchange. Proceeds from the Leveraged ESOP loans have been used to purchase common stock of the Company.

5

1. Description of the Program (continued)

Any dividends or other distributions paid on shares owned by the Program (see Note 7 regarding Leveraged ESOP stock dividends) are used to repay the Leveraged ESOP loans, and common stock equal to the value of the dividends on allocated shares are transferred from unallocated shares and allocated to participants' accounts.

Allocation of Contributions and Earnings

Company contributions to the Profit Sharing Plan are determined by the Board of Directors. The Board may elect to make this discretionary contribution in the form of cash or McDonald's common stock or any combination of the two. In addition, the Board may define eligibility requirements to receive this contribution based on employee age, hours of service, and pay class. The Profit Sharing Plan contribution is allocated to eligible participants who are 21 years old, have received credit for at least 1,000 hours of service during the year, and are employed at the end of the year. In addition, participants who terminate before the last day of the year due to the sale of a Company restaurant, death, disability, retirement on or after age 55, or who have 10 years of credited service in the Program prior to termination, share in the allocation of the Profit Sharing contribution in the year their employment terminates. The allocation to participants is based on their respective considered compensation compared to all eligible participants, as defined. As soon as administratively possible after year-end, the Profit Sharing contribution is reinvested in accordance with participants' investment elections in effect at that time.

Participant elected salary reductions for McDESOP are credited directly to participants' accounts. Company matching allocations are credited based on 50%

Edgar Filing: MCDONALDS CORP - Form 11-K

of each participant's salary reductions up to the matched level. The matched level varies depending on pay class and employer.

Program net investment income or loss is allocated to participants semimonthly based on their respective account balances at the beginning of the semimonthly period. Participants' Profit Sharing accounts are credited with the income, gains, and losses of the investment fund(s) in which their accounts are invested.

6

1. Description of the Program (continued)

Leveraged Employee Stock Ownership Plan (Leveraged ESOP)

In September 1989, the Leveraged ESOP borrowed \$200 million and used the proceeds of the loan to purchase 27,826,084 shares of McDonald's Series B Convertible Preferred Stock at an issue price of \$7.188 per share. These preferred shares were held exclusively by the Leveraged ESOP and were not traded on the open market. The Company paid a cash dividend on the stock of 7% of the issue price, or \$0.12579 per share each quarter. In September 1992, the Company redeemed 16,000,000 shares of unallocated Series B Preferred shares held by the Leveraged ESOP. In August 1995, the Company redeemed the remaining 6,230,058 unallocated Series B preferred shares, and in December 1995, the remaining 4,176,122 allocated Series B preferred shares were redeemed. Prior to each redemption, the Program's Trustees converted each share of Preferred Stock into .7692 shares of McDonald's Common Stock, or 12,307,200, 4,792,159, and 3,212,271 shares, respectively. The unallocated shares will be released for allocation to participants as Company contributions are made to the Program. Effective November 1, 1998, released shares are first used to make matching McDESOP allocations and any remaining shares released are allocated annually to eligible participants' accounts based on their respective considered compensation. Due to the Leveraged ESOP refinancing discussed in Note 7, the last allocation will occur in 2018 when the refinanced loan is completely repaid.

In April 1991, the Leveraged ESOP borrowed \$100 million and used the proceeds of the loan to purchase 12,075,468 shares of McDonald's Series C Convertible Preferred Stock at an issue price of \$8.281 per share. These preferred shares were held exclusively by the Leveraged ESOP, and were not traded on the open market. The Company paid a cash dividend on the stock of 7% of the issue price or \$0.1449 per share each quarter. In August 1995, the Company redeemed the remaining 8,928,110 unallocated Series C preferred shares, and in December 1995, the remaining 2,710,514 allocated Series C preferred shares were redeemed. Prior to each redemption, the Program's Trustees converted each share of Preferred Stock into .8 shares of McDonald's Common Stock or 7,142,486 and 2,168,409 shares, respectively. The unallocated shares will be released for allocation to participants as Company contributions are made to the Program. Effective November 1, 1998, released shares are first used to make matching McDESOP allocations and any remaining shares released are allocated to eligible participants' accounts based on their respective considered compensation. Due to the 1999 Leveraged ESOP refinancing discussed in Note 7, the last allocation will occur in 2018 when the refinanced loan is completely repaid.

7

1. Description of the Program (continued)

Edgar Filing: MCDONALDS CORP - Form 11-K

Vesting

McDESOP accounts are fully vested and nonforfeitable regardless of the participant's length of employment with the Company. For participants terminating employment prior to January 1, 2000, Profit Sharing and Leveraged ESOP accounts are 5% vested at the end of two years of credited service and 20% vested at the end of three years, increasing by 20% at the end of each subsequent year to 100% at the completion of seven years. Effective January 1, 2000, for employees who are active on or after that date, participants vest 20% for each year of credited service until they reach a 100% vested status after completing five years of credited service. If termination of employment is by reason of death, permanent disability, or retirement on or after attaining age 55, or if the Program is terminated, the participant's interest in these accounts is 100% vested.

Diversification

Effective September 1, 2000, participants at least age 50 are eligible to diversify portions of their existing Leveraged ESOP balances and any future contributions into the Profit Sharing Plan investment funds. Participants age 50 or older can diversify all or a portion of their existing McDESOP balances and future contributions. All participants in McDESOP may elect to diversify all or a portion of both existing and future participant contributions and related earnings into the Profit Sharing Plan Investment Funds in increments of 5%. Company matching contributions are not eligible to be diversified by those who are not yet age 50, and will remain invested in McDonald's common stock.

Termination and Forfeitures

Participants who terminate their employment with the Company are entitled to receive the vested interest in their Program accounts within a reasonable time following the close of the year in which the termination has occurred. The nonvested balance is forfeited at the end of the year in which the participant has five consecutive breaks-in-service, or upon distribution of the vested balance, whichever is earlier. If the participant resumes employment with the Company before incurring five consecutive breaks-in-service and requalifies to enter the Program, the forfeited nonvested balance is reinstated. If a participant does not terminate but has less than 500 hours of credited service during a calendar year, a break-in-service occurs.

Profit Sharing forfeitures are first used to fund participants' McDESOP account adjustments and then are used to fund the McDESOP Company match.

8

1. Description of the Program (continued)

Leveraged ESOP forfeitures are allocated at the end of the calendar year to participants in the same manner as the allocation of the Company Leveraged ESOP contributions.

Forfeitures also include amounts forfeited as a result of unclaimed payouts greater than two years old for the Profit Sharing Plan, Leveraged ESOP, and McDESOP.

A terminated participant with vested benefits in excess of \$5,000 will not receive a distribution from the Program until age 70 1/2 unless an earlier distribution is elected. Such accounts will continue to share in the allocation

Edgar Filing: MCDONALDS CORP - Form 11-K

of investment income, and Profit Sharing Plan accounts will continue to be invested in accordance with the participant's investment elections.

Rollovers

The Program allows employees who were in a tax-qualified plan elsewhere to roll over all or part of their previous plan money into the Program where it can be invested in one or a combination of the Profit Sharing Plan investment funds. To qualify, the employee must contribute all or part of the amount received, excluding the employee's after-tax contributions, to the Program within 60 days after receiving a payout from the other plan.

Voting

Participants are entitled to direct the Trustees in voting shares of McDonald's Stock credited to their accounts. In addition, participants who are employees may direct the vote on unallocated and unvoted shares based on the relative allocated shares credited to their accounts.

Program Termination

Although it has not expressed any intent to do so, the Company has the right under the Program to discontinue its contributions at any time and to terminate the Program subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). In the event of Program termination, participants will become fully vested in their accounts.

9

1. Description of the Program (continued)

Stock Split

On January 29, 1999, McDonald's Corporation announced a two-for-one stock split which was effected in the form of a stock dividend and was payable on March 5, 1999, to shareholders of record on February 12, 1999. Common stock amounts included in the accompanying financial statements reflect the two-for-one stock split.

Investments

The Program holds a beneficial interest in the McDonald's Savings and Profit Sharing Master Trust (Master Trust). Earnings, market adjustments, fees, and expenses relating to investment transactions of the Master Trust are allocated to the participating plans (the Program and MHDC Partners Savings and Profit Sharing Plan) based on each plan's share of the Trust assets.

Investments (except for those in insurance contracts) are stated at fair market value. Investments in common and preferred stocks and corporate bonds are valued at the closing exchange prices reported by the New York Stock Exchange. The market values for commercial paper and other short-term investments are cost plus accrued interest which approximates current market value. The values of the common trust funds are based on quoted redemption values. Such redemption values primarily reflect quoted market prices for the underlying securities. The insurance contracts are stated at contract value which represents cost plus accrued interest less withdrawals.

Purchases and sales of securities are accounted for on the trade date. Realized gains or losses on the sale of securities are based on the average cost of the

Edgar Filing: MCDONALDS CORP - Form 11-K

securities. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on the accrual basis.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Administrative Committee to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

10

2. Summary of Significant Accounting Policies (continued)

Company Contributions

Company contributions to the Profit Sharing, Leveraged ESOP, and McDESOP Plans are recorded as expense to the Company on an accrual basis. Profit Sharing Plan and Leveraged ESOP contributions are recorded in participants' accounts when received annually. The McDESOP Company matching allocations are recorded in participants' accounts semimonthly, and participant elected salary reductions are recorded in participants' accounts at the end of the applicable payroll period. Participants' rollover contributions are recorded when received.

Unallocated Net Assets Available for Benefits

Unallocated net assets available for benefits represents the market value of shares of McDonald's common stock purchased through the Leveraged ESOP which has not been released for allocation to participants' accounts, offset by the balance of the debt issued by the Leveraged ESOP. Unallocated net assets available for benefits is reduced by the market value of the shares as they are allocated to participants.

Reclassifications

Certain amounts in the 1999 financial statements have been reclassified to conform to the 2000 presentation.

3. Differences Between Financial Statements and Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 (in thousands):

	December 31	
	2000	1999
Net assets available for benefits per the financial statements	\$2,270,609	\$2,727,954
Amounts allocated to withdrawing participants	(30,297)	(15,654)
Net assets available for benefits per the Form 5500	\$2,240,312	\$2,712,300

Edgar Filing: MCDONALDS CORP - Form 11-K

11

3. Differences Between Financial Statements and Form 5500 (continued)

Amounts allocated to withdrawing participants by investment are as follows (in thousands):

	December 31	
	2000	1999

Holding Accounts	\$ 205	\$ 19
Money Market Fund	687	492
Stable Value Fund	2,863	1,274
Blended Stock/Bond Fund	534	386
Diversified Stock Fund	4,753	1,353
S&P 500 Index Fund	1,183	399
International Stock Fund	585	-
McDonald's Common Stock	19,487	11,731

	\$ 30,297	\$ 15,654
	=====	

The following is a reconciliation of benefits paid to terminated participants per the financial statements to Form 5500 (in thousands):

	Year ended December 31	
	2000	1999

Benefits paid to terminated participants per the financial statements	\$190,445	\$179,629
Add: Amounts allocated on Form 5500 to withdrawing participants at end of year	30,297	15,654
Less: Amounts allocated on Form 5500 to withdrawing participants at beginning of year	(15,654)	(31,588)

Benefits paid to participants per the Form 5500	\$205,088	\$163,695
	=====	

Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to year-end but not yet paid.

12

4. Investments

During 2000 and 1999, the Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) as follows (in thousands):

December 31

Edgar Filing: MCDONALDS CORP - Form 11-K

	2000		1999	
	Value	Net Realized and Unrealized Appreciation (Depreciation) in Value During the Year	Value	Net and App (Dep) in Dur
Investments, at fair value:				
Commercial paper and other short-term investments	\$ 66,330	\$ 103	\$ 55,722	\$
Corporate Bonds	500	(1)	2,496	
Government Bonds	-	-	-	
Asset-Backed Securities	-	-	1,000	
Common and preferred stocks	330,670	(28,085)	319,503	
McDonald's Corporation Common Stock	1,676,121*	(343,115)	2,168,170*	
Common Trust funds	51,148	(2,109)	59,238	
Investments, at contract value:				
Pacific Life Insurance Contract	2,038	-	752	
Caisse Des Depots Insurance Contract	7,067	-	2,254	
Allstate Life Guaranteed Insurance Contact	20,845	-	13,036	
Pacific Life Insurance Contract	23,381	-	23,370	
Pacific Life - MBIA Insured	28,002	-	26,249	
Principal Life Insurance Contract	34,133	-	40,422	
Principal Life Insurance Contract	34,514	-	32,267	
Caisse Des Depots Insurance Contract	34,771	-	21,285	
Pacific Mutual Guaranteed Interest Contract	80,948	-	100,787	
	\$ 2,390,468	\$ (373,207)	\$ 2,866,551	\$

*Individual investment which represents 5% or more of net assets available for benefits.

13

4. Investments (continued)

The following is a summary of each insurance contract held at December 31, 2000:

	2000 Average Yield	1999 Average Yield	2000 Crediting Interest Rate*	1999 Crediting Interest Rate	Book Value
Pacific Life Insurance Contract	7.65%	6.27%	7.92%	7.04%	\$ 2,038,0
Caisse Des Depots Insurance Contract	6.18%	4.52%	5.68%	5.98%	7,066,8
Allstate Life Guaranteed Insurance Contact	5.79%	5.90%	5.83%	5.74%	20,845,6
Pacific Life Insurance Contract	7.19%	6.26%	6.83%	6.55%	23,381,0

Edgar Filing: MCDONALDS CORP - Form 11-K

Pacific Life - MBIA Insured	6.66%	6.68%	6.49%	6.49%	28,002,4
Principal Life Insurance Contract	8.07%	7.99%	10.38%	7.42%	34,133,6
Principal Life Insurance Contract	6.94%	7.22%	6.94%	6.91%	34,514,3
Caisse Des Depots Insurance Contract	7.27%	6.91%	8.36%	7.06%	34,772,2
Pacific Mutual Guaranteed Interest Contract	6.36%	7.57%	6.38%	7.57%	80,950,0

					265,704,5
			Less:MHDC Partners		(5,6

					\$265,698,8
					=====

*The crediting interest rate is determined at the beginning of each calendar year.

14

McDonald's Corporation Profit Sharing Program

Notes to Financial Statements (continued)

5. Nonparticipant-Directed Investments

Information about the assets and the significant components of the changes in assets relating to the nonparticipant-directed investment is as follows:

	December 31	
	2000	1999

Assets		
McDonald's common stock	\$433,275	\$611,209
	Year ended December 31	
	2000	1999

Changes in assets:		
Company contributions	\$ 17,002	\$ 24,287
Benefit payments	(39,875)	(46,363)
Management and administrative expenses	(285)	(395)
Net realized and unrealized appreciation (depreciation) in fair value of common stock	(86,261)	31,661

6. Master Trust Summarized Information

The following represents the summarized information of the net assets of the McDonald's Savings and Profit Sharing Master Trust as of December 31 (in thousands):

	2000	1999

Total investments	\$2,391,249	\$2,867,468
Total receivables	11,820	12,737
Total liabilities	(131,668)	(151,320)

Edgar Filing: MCDONALDS CORP - Form 11-K

Net assets	\$2,271,401	\$2,728,885
Program's share of net assets	\$2,270,609	\$2,727,954
Dividend income	\$ 15,347	\$ 15,113
Interest income	22,611	24,602
Net realized and unrealized appreciation (depreciation) in fair value of investments	(373,348)	175,953
Total expenses	(13,166)	(15,006)
Total net investment income	\$ (348,556)	\$ 200,662
Program's share of net investment income (loss)	\$ (348,418)	\$ 200,606

The Program held a 99.9% interest in the Master Trust December 31, 2000 and 1999.

15

McDonald's Corporation Profit Sharing Program

Notes to Financial Statements (continued)

7. Notes Payable

In September 1989, the Leveraged ESOP issued \$200 million of 7.67% Guaranteed ESOP Notes, Series A, for 15 years with a final maturity of September 15, 2004. In April 1991, the Leveraged ESOP issued \$100 million of 7.30% Guaranteed ESOP Notes, Series B, for 15 years with a final maturity of June 1, 2006. In November 1999, the Leveraged ESOP paid down \$84,740,000 of these notes and refinanced both the Series A and Series B notes. At that time, the Leveraged ESOP issued a \$104,672,800, 7.11% ESOP Note, for 19 years with a final maturity of July 15, 2018, and a \$28,305,658, 7.11% ESOP Note, for 3 years with a final maturity of July 15, 2002. Principal and interest payments are made according to the applicable loan schedules. Dividends on the converted common stock and Company contributions are used to repay the loans.

In December 1994, the Leveraged ESOP issued a total of \$17,460,000 of 6.52%, 6.59%, and 6.57% Guaranteed ESOP Notes, Series C, with final maturities of September 15, 2004, June 1, 2006, and December 1, 2005, respectively. In November 1999, \$8,684,656 of these notes were paid down, leaving a total of \$8,775,344 remaining. In December 1995, the Leveraged ESOP issued a total of \$18,970,000 of 6.74%, 6.75%, 6.72%, and 6.68% Guaranteed ESOP Notes, Series C, with final maturities of December 1, 2004 and 2005, September 15, 2004, and December 15, 2003, respectively. In November 1999, \$11,771,030 of these notes were paid down, leaving a total of \$7,198,970 remaining. In December 1996, the Leveraged ESOP issued a total of \$20,220,000 of 6.82%, 6.75%, and 6.77% Guaranteed ESOP Notes, Series C, with final maturities of December 1, 2004, December 15, 2002, and December 15, 2003, respectively. In November 1999, \$14,181,859 of these notes were paid down, leaving a total of \$6,038,141 remaining. In December 1997, the Leveraged ESOP issued a total of \$18,350,000 of 6.89%, 6.86%, and 6.81% Guaranteed ESOP Notes, Series C, with final maturities of December 1, 2004, December 1, 2003, and December 15, 2002, respectively. In November 1999, \$13,600,913 of these notes were paid down, leaving a total of

Edgar Filing: MCDONALDS CORP - Form 11-K

\$4,749,087 remaining. All proceeds were used for prepayment of the Series A and B Guaranteed ESOP Notes. The terms of the Series C Notes require semiannual interest payments with lump-sum principal payments at maturity date.

The Series A, Series B, and Series C Notes are collateralized by unallocated shares of McDonald's common stock, valued at \$184,737,000, \$91,450,000, and \$55,779,000, respectively, at December 31, 2000. All Notes are guaranteed by McDonald's Corporation. Holders of the Notes have no recourse against the assets of the Leveraged ESOP, except for such collateralized shares, cash contributions to the Leveraged ESOP, and earnings attributable to such collateralized shares or contributions which were valued at approximately \$336,151,000 at December 31, 2000. The unallocated shares of McDonald's common stock may be released from collateral under certain circumstances without the consent of the holders of the Notes.

16

McDonald's Corporation Profit Sharing Program

Notes to Financial Statements (continued)

7. Notes Payable (continued)

Following are maturities of the Notes for each of the next five years (in thousands):

	Series A Notes	Series B Notes	Series C Notes	Total
2001	\$ 5,322	\$ 2,681	\$ -	\$ 8,003
2002	2,142	1,079	4,182	7,403
2003	-	-	7,181	7,181
2004	-	-	7,895	7,895
2005	1,164	586	5,203	6,953
Beyond 2005	55,948	28,185	2,300	86,433
Total over remaining life of Notes	\$64,576	\$32,531	\$26,761	\$123,868

8. Administrative Fees

The custodian and investment managers' fees applicable to each investment fund are netted against the related investment income before investment income is allocated to participants' accounts. Certain administrative expenses directly associated with the Program are paid by the Program and charged to participants' accounts, including salary expenses for certain McDonald's employees. The Company provides other administrative services to the Program without charge.

9. Income Tax Status

The Program has received a favorable determination letter dated July 6, 1999, from the Internal Revenue Service (the IRS) stating that the Program is qualified under Section 401(a) of the Internal Revenue Code (IRC) and that the Leveraged ESOP component of the Program constitutes an employee stock ownership plan that meets the requirements of Section 4975 of the IRC. The Trusts established in connection with the Program appear to be exempt from federal income taxes.

Edgar Filing: MCDONALDS CORP - Form 11-K

10. Transactions With Parties In Interest

During 2000 and 1999, the Program received \$10,688,000 and \$10,691,000, respectively, in common stock dividends from the Company. In connection with the Leveraged ESOP refinancing discussed in Note 7, \$132,978,458 of debt, at an interest rate of 7.11%, was issued directly by the Company to the Plan in 1999. This loan is intended to be an exempt loan under Section 408(b)(3) of ERISA and Section 4975(d)(3) of the IRC. Fees paid during the year for accounting and other services rendered by parties in interest were based on customary and reasonable rates for such services.

17

SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

MCDONALD'S CORPORATION
PROFIT SHARING PROGRAM

By: ADMINISTRATIVE COMMITTEE

Date: June 21, 2001

By: /s/ Eugene J. Stachowiak

Vice President, Trustee, and
Member of the Administrative
Committee

18