



McDonald's Corporation
2915 Jorie Boulevard
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August 15, 2008

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 228

Request for Comments on a Proposed Statement, *Disclosure of Certain Loss Contingencies, an amendment of FASB Statements No. 5 and 141(R)*
(File Reference No. 1600-100)

Dear Mr. Golden:

McDonald's Corporation appreciates the opportunity to comment on the Exposure Draft of the Proposed Statement of Financial Accounting Standards, "Disclosure of Certain Loss Contingencies" (the "Proposed SFAS"). While we understand and agree with the FASB's objective of improving the overall quality of disclosures related to certain loss contingencies, we have significant concerns with the Proposed SFAS. We believe the current SFAS 5 disclosure requirements are sufficient to provide users of financial statements with meaningful information.

Our key concerns about the Proposed SFAS are described below.

Cost—Benefits

- We believe the disclosure requirements of the Proposed SFAS would result in incremental costs to companies that outweigh potential benefits for users of financial statements. Although the Proposed SFAS would provide additional information regarding loss contingencies to users of financial statements, the disclosure will be of limited use as it will be highly uncertain and potentially unreliable, as more fully described below. Further, there will be numerous costs involved, such as the direct costs resulting from the time and effort required on the part of financial statement preparers, auditors and legal counsel to prepare and finalize the disclosures. There will also be significant indirect costs such as the ability of an adversary to use the disclosed information in a lawsuit and thus harm investors' interests, as well as the potential confusion that preliminary and unreliable estimates may cause for users of the financial statements.

Quantitative Disclosure

- It will be very difficult for companies to disclose a reliable estimate of possible loss or range of loss, as well as an estimate of maximum exposure to loss, particularly during the early stages of litigation or when a specific claim amount does not exist. In addition, even when a claim amount exists, it may be misleading to disclose the amount demanded by a claimant to users of the financial statements since many cases are settled for amounts that are substantially less than the initial amount demanded by the claimant.
- Disclosing the maximum exposure to loss also could be prejudicial and could expose companies to a higher risk and cost of litigation if used by an adversary.



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Qualitative Disclosure

- The safe harbor provision of the Private Securities Litigation Reform Act of 1995 for forward-looking statements is not available for litigation contingency disclosures. Therefore, companies could be exposed to further litigation if the resolution of the contingency is materially different than what was previously disclosed.
- The potential uncertainty and unreliability of the disclosures under the Proposed SFAS would subject senior officers, who must certify to the accuracy and completeness of the financial statements included in quarterly and annual reports, to a heightened risk of governmental enforcement action.
- We believe that the proposed exemption for prejudicial information may not be sufficient. Aggregated claims may still be easily discernable, especially for companies that only have a few significant claims. Further, the minimum disclosures under the prejudicial exemption, such as the amount of the contingency, a description of how it arose and a description of factors that are likely to affect the outcome, could still be prejudicial to companies' positions.
- The proposed disclosures may require companies to waive attorney-client privilege or lose the protection of the attorney work-product immunity, which could result in severe consequences for companies.

Disclosure of Remote Contingencies

- While we understand the FASB's desire for more timely disclosure of loss contingencies, we believe in many cases the Proposed SFAS would require disclosure when it would be too early in the litigation process to determine whether the likelihood of a loss is remote. Therefore, the resulting disclosure would include numerous contingencies that may be immaterial or premature, as well as contingencies that may ultimately never occur, which could be misleading to users of the financial statements.
- The disclosure required by the Proposed SFAS also could highlight expiring statutes of limitation and companies could be potentially subject to nuisance claims that might have some settlement value even if those claims are unlikely to be successful. Also, this disclosure could be construed against companies as an admission of liability.

Convergence of U.S. GAAP and IFRS

- Since the FASB and IASB are moving towards the convergence of U.S. GAAP and IFRS, we recommend that the FASB not make any significant changes to the existing guidance. It would be very time consuming for companies to implement the Proposed SFAS, especially since requirements of SFAS 5 may be revised once IFRS is adopted. It is also uncertain that the IASB will reach the same conclusions reached by the FASB as the IASB deliberates changes to IAS 37; therefore, we believe the significant proposed changes should be deliberated as part of the convergence process.

Timing for Implementation of Proposed SFAS

- If the Proposed SFAS is adopted, we recommend a longer transition period. It will take a significant amount of time for companies to establish new processes and procedures, and to gather the required information while working in conjunction with legal counsel and external auditors to determine the appropriate disclosures.



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In summary, we believe that the current SFAS 5 disclosure requirements are reasonable and appropriate. The required disclosures under the current statement provide meaningful information to users of financial statements without posing the significant risks inherent in the required disclosures under Proposed SFAS. However, if the FASB proceeds with requiring additional disclosures for loss contingencies, we strongly recommend working in conjunction with the IASB to develop a joint standard. This will significantly assist companies as we progress toward the convergence of U.S. GAAP and IFRS.

We appreciate the opportunity to express our opinion on this matter and would be pleased to discuss our comments in greater detail if requested.

Sincerely,

/s/ Kevin M. Ozan

Kevin M. Ozan

Corporate Senior Vice President- Controller