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- Mr. Electric
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- Glass Doctor ASSOCIATE COMPANY
- DreamMaker Bath & Kitchen by Worldwide

December 1, 2003

TA & I Director
Financial Accounting Standards Board

Re: File Reference number 1082-300

Letter of Comment No: 94 File Reference: 1082-300 Date Received: 12/01/03

My name is Tom Buckley. I have served as Chief Financial Officer of franchising companies for over 20 years. Currently, I hold that position with The Dwyer Group, Inc., franchisor of six different concepts with over 1,000 franchisees. While I am in favor of improving the quality of financial reporting, I have serious concerns in regard to the most recent draft of Financial Interpretation Number 46 (Consolidation of Variable Interest Entities) as to its potential impact on the franchising community. Some of my concerns are outlined below:

- Compliance would cause a slowdown in the opening of new franchise operations due to reluctance
 on the part of franchisors to further complicate their reporting and compliance processes. This
 could deprive potential entrepreneurs the opportunity to open their own businesses. More onerous
 requirements of franchisees could have the same impact.
- 2. Under the traditional franchise agreement, franchisors do not have the right to demand audited financial statements from their franchisees. In addition, the franchisor cannot impose deadlines, reporting and accounting standards, nor internal control procedures. The agreements cannot be changed unilaterally by the franchisor. Even requesting such compliance from franchisees could have a negative impact on the franchisor / franchisee relationship and the business operations of both.
- 3. Should franchisees choose to comply, they would be required to take on significant costs in providing audited reports and upgrading reporting procedures and internal controls. Franchisees are generally "true entrepreneurs" who make their own decisions and operate on their own time schedules. Timely reporting would be difficult at best. In addition, many franchisees are not nearly sophisticated enough in the area of finance and accounting to understand the process and comply on a timely basis, if at all.
- Many franchisees do not adhere to generally accepted accounting principles, by choice or by their lack of knowledge.
- The consolidation of the results of operations of franchisees with that of their franchisors would not reflect economic reality and thereby make financial statements less meaningful.

6. The list of "what if" and "what about" questions could be lengthy. For example: What if a franchisee refuses to comply? What if a franchisee receives an adverse opinion? What if a franchisee's financial statements prove to be fraudulent? What about foreign franchisees? What about Audit Committees? What about CEO and CFO certifications?

Again I reiterate my agreement with every effort to provide fair, accurate and timely reporting to those who have an interest in the operations and financial positions of companies that operate in our country. However, I request that you give every consideration to not invoking restrictions on the franchise industry which could have a significantly negative impact on both franchisors and the many people operating small businesses as franchisees. If I can provide any further insight or information, please feel free to contact me. My telephone number is 800-490-7501.

Sincerely,

Tom Buckley

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