

November 26, 2003

Letter of Comment No: 77
File Reference: 1082-300
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TA&I Director, File Reference Number 1082-300
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed Interpretation of Consolidation of Variable Interest Entities, a modification of FASB Interpretation No. 46

CKE Restaurants, Inc., through its wholly owned subsidiaries, operates, franchises and licenses more than 3,300 quick-service restaurants, primarily under the brand names Carl's Jr., Hardee's, and La Salsa Fresh Mexican Grill. We appreciate the opportunity to comment on the exposure draft noted above.

We are very supportive of FASB's efforts to improve the transparency and overall quality of financial reporting by addressing consolidation of variable interest entities. Investors certainly will benefit from the newfound access to information about entities controlled by, but not previously consolidated with, certain companies. However, we respectfully suggest that FIN 46, as currently drafted, may lead to severe and unintended consequences to CKE and others in the franchising industry.

The approximately 2,000 restaurants that we franchise are all independently owned and operated by privately-held franchise companies. Neither CKE nor its subsidiaries holds any equity interest in any franchisee's business, with all risks and rewards of ownership inuring to the franchisee. This provides many small business owners with the opportunity to apply CKE's unique and distinctive systems and proprietary marks relating to the development, establishment and operation of its quick service restaurant concepts within a company that he or she independently owns and operates.

Much of the success of franchising is attributable to the arms-length arrangements between the parties and the independence with which the franchisee runs his or her day-to-day business. Like other franchisors, CKE's subsidiaries maintain several rights in the agreements with their franchisees to protect the value of their brands. However, our franchisees retain significant decision-making authority. For example, franchisees, among other things, set entity ownership structure; hire, fire and manage their employees; set menu pricing; negotiate debt financing and lease terms; perform local store marketing; establish cash management, budgeting and other internal control systems; and set accounting policies and procedures. Such autonomy is fundamental to franchising and, indeed, draws many aspiring entrepreneurs to the franchising arena. In this light, we believe that consolidation by a franchisor of its franchisees may not align with the spirit or intent of FIN 46.

We appreciate that FASB recently deferred the effective date of FIN 46 for certain variable interest arrangements until fiscal periods ending after December 15, 2003. However, we believe this deferral still may not provide adequate time to assess the evolution of FIN 46 interpretations and to gather sufficient information to make decisions as to whether consolidation is required. We also believe further deferral would allow for a more thoughtful assessment of the applicability of FIN 46 to franchising. In light of the uncertainties still surrounding FIN 46 and the potentially wide range of outcomes, we also question whether it may still be premature to be making specific disclosures that estimate the expected impact of FIN 46 adoption.

We are also concerned that FIN 46 may pose substantial practical issues. As previously noted, our franchisees are independently owned and operated businesses. We do not impose standards upon them with respect to financial systems, internal financial and disclosure controls and accounting policies and procedures. We also do not have the right to require our franchisees to provide all information needed to prepare financial statements and supporting notes in accordance with generally accepted accounting principles. As such, we can make no assurances we will be able to gather the financial and operating

information that could be needed from franchisees in order to prepare timely and accurate financial statements. Also, our officers may not be able to certify the Company's public filings in accordance with Sections 302 and 906 of the Sarbanes-Oxley Act without a time-consuming and costly evaluation of the disclosure and internal control practices of the consolidated franchisees. If we completed such evaluations and determined some or all franchisees' controls were lacking, we would still not have the authority to impose control improvements upon them. Furthermore, our independent public accountants would need to expand their audit scope to include many of our franchisees (who have no obligation to assist with the audit process) in order for them to opine on our annual consolidated financial statements.

We thank you for this opportunity to comment and appreciate your consideration of the implications FIN 46 may have on CKE and the franchising industry.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ted Abajian".

CKE Restaurants, Inc.
Theodore Abajian
Chief Financial Officer