## **Stacey Sutay**

From: Dave Anderson [danderson @regalnails.com]
Sent: Friday, November 07, 2003 12:20 PM

To: Director - FASB

Subject: File Reference No. 1082-300

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## GENTLEMEN:

I wish to voice my strong opposition to and concerns about FASB Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46).

I have worked closely during the last two years in a consulting capacity with a nationwide franchisor (approximately 600 franchisees scattered across the country). In July of this year, I accepted an offer from my client to join his organization as CFO. As a result, I have become very familiar with the franchisor/franchisee relationship and with the nature of franchised business operations.

It is my understanding that FIN 46 will require consolidated financial statements of the franchisor and its franchisees. Such a requirement would be near impossible to effectively implement. The franchise agreement we have with our franchisees does not require the submission of any financial data by the franchisee. Our franchisees operate nail salons inside Walmarts located across the country. My guess is the average gross revenue per salon per year is approximately \$100,000; so we are talking about very small businesses.

As the franchisor, we do not have any equity ownership in any franchisee's operations. Each salon operates independently from us and from one another. Due to the nature of a small business of this type, I am extremely concerned that a financial audit would be near impossible to complete. The burden and costs of such an audit would be astronomical and unfair.

In order to comply with the UFOC and FTC requirements, we must submit audited financial statements on an annual basis. If FIN 46 requires consolidated financial statements, we may be unable to meet the UFOC and FTC requirements. Franchisors do not have any authority to dictate their franchisees' internal control procedures, accounting policies, etc.

As a former employee of Arthur Andersen & Co., as a former owner of a local CPA firm, and now as a CFO of a successful franchisor, I appreciate and applaud the efforts being undertaken by the FASB to improve the quality of financial reporting. To impose a consolidated financial statement requirement on franchisors would not meet the such an objective.

Sincerely,

David M. Anderson, CPA Chief Financial Officer