November 6, 2003

Letter of Comment No: 5A
File Reference: 1082-300
Date Received: 11/06/03

Cartridge World

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Gentlemen:

We are a Master Franchisor for Cartridge World in the area of South East Texas and we are opposed to implementation of FIN 46 on December 15, 2003 in its current form. We believe that it will have a very negative effect on franchise expansion, denying entrepreneurs the ability to own their own businesses.

It is our belief that FIN 46 inadvertently and unintentionally affects franchise companies in a way that could be interpreted as requiring franchisors (the parent companies) to consolidate into their financial statements the financial statements of their franchisees (which are owned and operated independently, with franchisee-operators bearing the risk/reward). Although the clear targets of FIN 46 are entities formerly known as special purpose entities (SPE), by defining variable interest entities (VIE) by the amount and characteristics of their equity, FIN 46 will affect the franchise community in a dramatic and sweeping fashion.

Furthermore, small businesses such as franchisees would be hit especially hard by being required to use the same outside auditor, adhere to accounting principles dictated by the franchisor, forced to provide full financial statement information to the franchisor, required to provide internal control reports to franchisors, and adhere to internal control dictates.

These are all costly hardships that would be unfairly borne by franchisees.

Sincerely,

Timothy Lawrence
President
Cartridge World SETEX

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