

Letter of Comment No: 68 A
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Via e-mail to director @ fasb.org

TA&I Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

Re: File Reference No. 1082-300

Ladies and Gentlemen:

We are reviewing FASB Interpretation No. 46 ("FIN 46"), the recently released Exposure Draft dated October 31, 2003 (the "Exposure Draft") and the Proposed FASB Staff Position FIN 46-f ("FSP FIN 46-f"). We appreciate the FASB's efforts to improve financial reporting with FIN 46, the related interpretative guidance and specifically, the recent relief provided for the "typical franchise arrangement" in FSP FIN 46-f. We are working to evaluate the implications of FIN 46 and related interpretations. We have concerns regarding the adoption of FIN 46 and the Exposure Draft as currently drafted. We may comment on FSP FIN 46-f via separate cover. As further discussed below, we do not believe it would be appropriate to consolidate the balance sheets and results of operations of our franchisees based on the nature of the relationships. We believe consolidation would not improve financial reporting; rather the results would be confusing and perhaps misleading.

Burger King Corporation ("BKC") is a worldwide operator and franchisor of fast food hamburger restaurants, principally under the "Burger King" name. Currently BKC has approximately 1,500 franchisees operating approximately 10,300 restaurants in over 55 countries. Under the terms of its franchise agreements, franchisees are required to, based on a percentage of sales, pay royalty fees and make advertising contributions on a monthly basis. In addition to the franchise agreements, we may enter into supplementary agreements with franchisees including leasing properties, and to a more limited extent providing assistance through financing arrangements and guarantees of lease payments with third parties.

Based on our interpretation of FIN 46 and the Exposure Draft, we will need to evaluate whether a significant amount of our franchisees are Variable Interest Entities ("VIEs") in accordance with paragraph 5(a). Due to the large amount of franchisees in our system and relationships with each, we believe it will be difficult and costly to determine whether or not we have variable

interests in potential VIEs, especially without guidance similar to that provided in Appendix B to FIN 46. We note that paragraphs B1 through B10 are deleted in the Exposure Draft and the Board intends to provide further guidance prior to the effective date of FIN 46. We require this guidance in order to fully understand and determine whether or not we have variable interests in franchisees that cause them to be considered VIEs.

We also have additional concerns with FIN 46 and the Exposure Draft. We believe that the costs we would incur to analyze whether our franchisees are VIEs and to evaluate whether or not we are the primary beneficiary would be significant and extremely burdensome. After the evaluation, we might be required to consolidate entities which are not under our control. In addition to lacking control and having no equity ownership in our franchisees, we currently receive minimal information, if any, on the financial results of these entities. If required to consolidate, we will need to obtain the financial information and somehow gain comfort that the internal controls, accounting policies and significant estimates made to determine these financial results meet our standards, are uniformly applied and auditable. It should be noted that we do not establish internal controls or accounting policies nor do we assist in the determination of significant estimates for our franchisees. Further, complexities arise since franchisees operate under varying fiscal year ends.

As previously mentioned, we do not believe it would be appropriate to consolidate the balance sheets and results of operations of our franchisees. The aggregation of our financial information with those of our franchisees would cloud the visibility of our financial position and distort our reported results of operations. For example, all significant transactions with franchisees would be eliminated in consolidation. Our P&L would be "grossed up" and the balance sheet would include assets that we have no title to or the risk of loss for, as well as, liabilities that we have no obligation to pay. We would need to significantly increase current disclosures to fairly present the nature of relationships and transactions with franchisees.

The objective of accounting standards issued over the past several years by the FASB, the SEC and related entities is to improve the clarity and transparency of financial reporting and to enable better understanding of an enterprise's performance particularly one operating in multiple segments and/or over several jurisdictions. We believe FIN 46 as currently interpreted may do just the opposite. We believe our risk of loss from our franchisee relationships is adequately disclosed under existing GAAP.

The Exposure Draft includes new subparagraph (g) added to Paragraph 4 that excludes the application of FIN 46 after an exhaustive effort is made to obtain the information necessary. Although we appreciate the relief by this addition, Paragraph 4(g) may result in inconsistencies in the application of FIN 46. Similar relationships within an individual company could be accounted for differently. Additionally, the application of FIN 46 among companies in similar industries may differ. This will result in difficulties for benchmarking and comparing financial information within an industry. Such inconsistencies will hamper the capital markets' ability to make informed financial decisions about companies in similar industries.

We appreciate the opportunity to comment on the Exposure Draft and look forward to receiving further clarification from the FASB regarding supplementary agreements with franchisees entered into at the inception of franchise relationships. We request suspension for the adoption of FIN 46 until further interpretative guidance is provided.

Respectfully submitted,

/s/ SHEILA C. REINKEN

Sheila C. Reinken Vice President, Controller & Treasurer