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November 7, 2003

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

Re: Reference Number 1082-300 – Impact of FIN 46 on Franchising

Dear Sirs:

I am writing to express our firm's concern about FASB Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46") and its significant impact on franchise systems. Our firm represents franchisors and franchisees for franchise systems that operate in various industries some of which are publicly traded companies and subject to FASB rules and regulations.

Based on our review and understanding of FIN 46, franchisors could be required to consolidate the financial statements of their franchisees even though the franchisees are independently owned and operated. We realize that FIN 46 was intended to address special purpose entities ("SPE") which were created by Enron and others as part of abusive financing schemes to avoid the financial accounting rules. However, by defining variable interest entities ("VIE") by the amount and characteristics of their equity, FIN 46 may apply to a broad range of business relationships, including franchise relationships, well beyond the scope of SPEs.

As currently drafted, FIN 46 would require that franchisors consolidate the financial results of franchisees, as a VIE, unless (1) the franchisee has sufficient equity in light of the risk inherent in its business and (2) the equity owners can make decisions about the business and realize the risks and rewards of true equity. In the franchise setting, many franchisees are highly leveraged with limited access to equity capital and franchisors have no way to evaluate the adequacy of franchisee equity. Further, the unique contractual relationship between franchisor and franchisee create numerous questions about the relative decision making power of franchisor and franchisee. Franchise agreements create this unique contractual relationship between franchisor and franchisee because of the long-term nature of their relationship and because of the importance of protecting the franchisor's brand.

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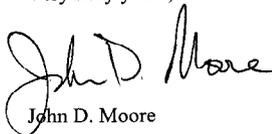
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The requirements of FIN 46 will place undue burdens on franchisors and franchisees and may create financial reporting that is misleading. Franchisors would be required to gather financial information from franchisees that franchisors may not be legally entitled to receive and consolidate that information in a way that achieves consistent financial reporting. Franchisees would likely be required to use the same auditor, implement the same internal control procedures and adhere to the same accounting principles as franchisor. All of these requirements would be burdensome and would place undue strain on the existing franchise relationship.

As part of the franchising community and as a long time advisor to franchise systems, we ask that FASB (1) defer the effective date of FIN 46 as it applies to franchising to allow for more careful analysis of the impact on the franchise relationship and to address implementation issues and (2) clarify the applicability (or preferably, the inapplicability) of FIN 46 to franchise relationships.

Very truly yours,



John D. Moore