

AWG

Aviation Working Group

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Airbus Industrie
Co-Chair

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Via Express Courier and Facsimile 203 849-9470

The Boeing Company
Co-Chair

Ms. Suzanne Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, Connecticut 06856-5116

Bombardier

Boullouin Aviation
Services

Citigroup (Citibank
and Salomon
Smith Barney)

Re: Exposure Draft – Consolidation of Certain Special-Purpose Entities,
File Reference 1082-200 (**Exposure Draft**)// Comments

Crédit Agricole
Indosuez

Dear Ms. Bielstein,

Deutsche
VerkehrsBank

This general comment letter on the Exposure Draft is submitted on behalf of a technical working party within the Aviation Working Group (AWG), an international grouping of manufacturers and financial institutions, whose members are listed in the left margin. The purpose of the AWG is to develop policies designed to facilitate advanced international aviation financing and leasing.

GE Capital Aviation
Services

AWG is aware of the comments on the Exposure Draft submitted by several key players in the aviation and equipment leasing sectors.

General Electric
Aircraft Engines

International Lease
Finance Corporation

JPMorgan

We agree with such comments to the extent they make the fundamental point that the Exposure Draft, in its current form, may produce results, in the context of certain structure aviation finance transactions, inconsistent with fair representation of investors' financial position.

Morgan Stanley

Pratt & Whitney

Unintended primary beneficiaries, for example, bottom tranche investors in Enhanced Equipment Trust Certificate transactions (EETC), may be required to consolidate the Special-Purpose Entities (SPE). That would belie the economic substance of EETC Pass Through Trusts. By implication, it would also fail to take into account the role of asset-cover guarantees (i.e., equity investments and overcollateralization) in such aircraft finance structures.

Rolls-Royce

Singapore Aircraft
Leasing Enterprise

SNECMA

Kreditanstalt für
Wiederaufbau
Consultative Member

C/o Perkins Coie LLP, 607 14th St., N.W., Washington, D.C. 20005-2011

Telephone: (202) 434-1601 - Facsimile: (202) 434-1690

woolj@perkinscoie.com

We believe that clarification of the Exposure Draft is required to reflect the economic reality of certain structured aircraft financing transactions, including those utilizing pass-through trusts, such as EETCs. Such clarification would be consistent with, indeed would promote, the objective of transparent financial reporting of SPEs.

Rather than restating the reasoning underlying the propositions made above, which others have clearly set out for your consideration, we would emphasize the following two aspects:

1 Effect on Financing

The impact of not clarifying the Exposure Draft to address the foregoing is likely, all else being equal, to reduce the availability and increase the cost of aviation credit. That is undesirable from a general policy perspective.

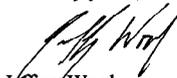
2 International Nature of the Problem

The issues addressed in the Exposure Draft, and commented upon in this letter, are international in nature. Aircraft financing transactions are typically cross-border, involving parties subject to differing accounting rules. Regulatory convergence is required, for example, in the approach to SPEs to be taken among FASB, IASB, and AcSB. A level playing field is needed.

In that regard, we were represented at the most recent meeting of the IASB where SPE issues were addressed. We found their working principles to be consistent with FASB's general objectives as regards SPE reporting. We would encourage FASB to intensify its international consultations on SPE reporting with the IASB and other key accounting bodies.

This letter is being submitted without prejudice to the positions on the Exposure Draft taken by the individual members of the AWG, including, but without limitation to, those submitting or associated with broader or more detailed comments on the Exposure Draft.

Sincerely yours,



Jeffrey Wool
Group Secretary
Aviation Working Group