December 8, 2010

Financial Accounting Standards Board
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International Accounting Standards Board
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Dear Board Members,

We appreciate the opportunity to comment on the Lease Exposure Draft (ED) issued on August 17, 2010. While we support your efforts to improve lease accounting, we disagree strongly with the quantity and complexity of the changes outlined in the ED. Specifically, the proposed rules distort the economic effect of leasing for both lessees and lessors and fail to accurately present the effects of leasing in their financial statements. The proposed rules are simply too subjective in nature and lack any sense of practical commercial application. The proposed changes could also fundamentally change the viability of our business model in the future.

Container leasing is in substance a supply side business. Lessor’s speculatively purchase containers based on growth in the world economy and corresponding global box demand. Lessor’s subsequently manage these “owned” container fleets over their useful marine life through a natural ebb and flow of on hires and off hires that occur over time based on the needs of our shipping customers. Our containers very often go through multiple lease cycles, with different end users, over their useful marine life. Upon a container reaching the end of its useful marine life, it is subsequently sold into the secondary (non-marine) market. The subsequent asset sale accounts for a significant portion of a container leasing company’s economic return. As of Mid-2010, container lessors collectively owned 11.3 million TEU of containers amounting to approximately 44% of the world’s total container fleet. The approximate cash replacement cost of these assets is $32 billion.

While there are many benefits of leasing, our customers primarily value reliability of box supply and operational flexibility. Providing our shipping customers containers where and when they need them and providing them off hire flexibility are the
primary values of our industry. Container lessors can have from hundreds, to many thousands, of containers on hire to an individual shipping line at any one time. The number of on hired containers increases and decreases based on regional and global economic conditions. Container operating lessors are highly specialized asset management companies as opposed to finance companies in the traditional sense. The proposed changes outlined in the ED, in particular related to estimating contingent rentals, which our customers have no contractual obligation to pay, could overstate the liability associated with our leasing arrangements thereby not properly reflecting the flexibility of our typical leasing contract.

**Some of our specific areas of concern are as follows:**

Contingent and Optional Rentals – Including all forecasted contingent rentals in the calculation of expected lease payments and therefore the measurement of assets and liabilities on the corresponding balance sheet of a lessee and lessor raises many issues. The proposed approach is: (a) speculative and arbitrary on the part of both the lessee and lessor; (b) can result in overstated liabilities and the related measures of financial leverage; (c) eliminates the flexibility of a lessee to react to changing business conditions which our customers rely on to reduce risk; (d) results in an overstatement of receivables on a lessor’s books implying increased exposure to credit risk when our primary exposure is to the assets.

Conceptual Consistency – We have concerns regarding the conceptual consistency for the proposed lessor and lessee accounting.

Transitional Provisions – Transition will be a huge undertaking for both lessees and lessors. The proposed transitional provisions will potentially lead to large and misleading income statement adjustments for both lessees and lessors.

Complexity in Application – The complexity of the proposed standard and the associated additional cost of applying the provisions far outweighs the primary purpose of additional clarity and disclosure in financial reporting. Given the size and diversity of container lessee and lessor portfolios we do not believe that the proposal provides for a model that is operationally feasible. The proposal introduces a significant amount of estimation uncertainty in accounting for lease transactions. We are concerned that many entities will not be in a position to make reliable estimates. This would potentially place unreliable estimates on the balance sheet which provides little value to the users of financial statements and is contrary to the stated purpose of the ED to provide a faithful representation of leasing transactions.

Potential Economic Impact - There are billions of dollars of capital that flow into the container industry annually. The proposed changes outlined in the ED could have an enormous negative impact on this flow of capital into an industry that supplies equipment that is the backbone of an efficient global economy. Furthermore, if the financial burden of leasing containers does not properly reflect the economic flexibility of our contractual arrangements, then the future value of leasing and the corresponding value of our containers may be negatively impacted. This would lead to a corresponding negative impact on the operational flexibility that the global shipping industry requires to efficiently move goods on a global scale.
Thank you very much for considering our concerns. We appreciate your efforts with this complex and difficult process. We further appreciate your consideration of the growing list of dissenting views. We look forward to a more commercial and reasonable approach to the proposals outlined in the ED.

Very truly yours,

BEACON INTERMODAL LEASING, LLC

By: ______________________

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