

Airgas, Inc.

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October 28, 2005

Letter of Comment No: 35
File Reference: 1204-001

Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 1204-001

Dear Director:

On behalf of Airgas, Inc., I am pleased to comment on the FASB's Exposure Draft (ED) of the Proposed Statement of Financial Accounting Standards, Business Combinations – a replacement of FASB Statement No. 141. We have limited our comments to those aspects that concern us the most. They are covered in questions 6, 7, 8 and 13 of the Notice for Recipients and our comments are organized in response to those questions.

Question 6 – Is the accounting for contingent consideration after the acquisition date appropriate? If not, what alternative do you propose and why?

Response: No, we do not believe the proposed accounting is appropriate. We believe it is more appropriate to recognize any contingent consideration when the contingency is resolved or such resolution is reasonably assured, and further argue that any resultant contingent consideration should be accounted for as a cost of the business combination. These costs are directly related to the business acquired and should be allocated as such. This will also provide a more appropriate basis to measure the return on the total capital invested in this transaction and avoid the distortion of operating results through the recognition of any gain or loss on the ultimate resolution of any contingency that was estimated as of the acquisition date as currently being proposed.

Question 7 – Do you agree that the costs that the acquirer incurs in connection with a business combination are not assets and should be excluded from the measurement of the consideration transferred for the acquiree? If not, why?

Response: We disagree; transaction costs that are directly related to an acquisition should be included as costs of the acquisition. Such costs would not have been incurred absent the acquisition. Including the transaction costs as part of a business combination is consistent with capitalizing costs in an asset acquisition. We believe expensing such costs would distort operating trends and not provide the appropriate basis to measure the return on the total capital invested in the transaction.

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Question 8 – Do you believe that these proposed changes to the accounting for business combinations are appropriate? If not, which changes do you believe are inappropriate, why, and what alternatives do you propose?

Response: Regarding accounts receivable and inventory, we support recording them at fair value but would advocate a portfolio approach that would retain a valuation allowance. We do not believe it is practical or cost justified to assess a fair value for each individual customer receivable account or inventory item and making corresponding adjustments to the detail subsidiary records.

We have concerns about the ability to reliably measure contingent assets and liabilities at the acquisition date. Statement 141 states that preacquisition contingencies should not be recorded if they are not reasonably measurable, the ED would require contingencies to be recorded regardless of the ability to reliably measure them. We are uncomfortable with the idea of placing a value on a contingent liability if we have no reliable basis to determine such amount and are concerned with the potential commercial or legal ramifications associated therewith.

We believe that costs that are incurred to rationalize operations that were contemplated in conjunction with a business combination and are directly related to the business combination should be accounted for as a part of the cost of the acquisition. This should be applied to costs associated with both the acquirers and acquirees facilities and employees assuming that a strong and direct link can be established with the business combination. We believe this accounting more appropriately reflects the full investment in the underlying business combination and provides more meaningful operational reporting.

Question 13 – Do you agree that comparative information for prior periods presented in financial statements should be adjusted for the effects of measurement period adjustments? If not, what alternative do you propose and why?

Response: No, we believe that adjustments made to the initial provisional estimates of values during the measurement period should be recognized prospectively which is consistent with the accounting for other estimates included in the financial statements.

Thank you for considering our comments. If you have any questions, please contact me at 610-687-5253.

Sincerely,



Robert M. McLaughlin

Vice President and Controller