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September 9, 2002

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

> Proposed Interpretation, Consolidation of Certain Special-Purpose Entities, an Interpretation of ARB 51 (File Reference Number 1082-200)

Dear Ms. Bielstein:

We apologize for expressing our views on the Proposed Interpretation after the comment period deadline of August 30, 2002 but hope you will accept them nevertheless. Quite frankly, we were having difficulty understanding the Proposed Interpretation as it might apply to the operations of Kimberly-Clark Corporation and, therefore, could not clearly formulate our views on the draft. We participated in two educational sessions on the draft interpretation conducted by major CPA firms but still had difficulty understanding the Proposed Interpretation. In our opinion, the terms used in the draft interpretation were in many cases vague and subject to various interpretations. Defining an SPE by "what it is not", rather than "what it is", added to the confusion. We also felt that the Proposed Interpretation was compiled in large part to address the violations of existing generally accepted accounting principles, EITF decisions and SEC guidance highlighted by the Enron debacle. Consequently, because the Proposed Interpretation targeted many of the complex off-balance sheet transactions of Enron, we were unable to relate the highly-technical proposals to more routine off-balance sheet transactions and form clear ideas as to whether or not certain "off-balance sheet" entities that Kimberly-Clark had established for good and valid business purposes within the confines of existing generally accepted accounting principles would or would not be required to be consolidated under the Proposed Interpretation.

We have read the comment letters submitted by Deloitte & Touche LLP and Ernst & Young LLP dated September 3, 2002 and September 5, 2002, respectively, and strongly support their views against issuance of the interpretation in its present form. We believe that issuance of the Proposed Interpretation would do more harm than good primarily because it provides insufficient guidance to permit preparers, auditors and regulators to determine if a particular entity is within the scope of the Proposed Interpretation.

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Consequently, although the Proposed Interpretation may solve certain problems, it would appear to create additional interpretation problems and inconsistencies in practice. In addition, a consolidation model based on "variable interests" appears to be an untested concept that may override existing, well understood consolidation concepts. Accordingly, we urge the Board to reconsider its draft positions and carefully consider the arguments of Deloitte & Touche and Ernst & Young and others before issuing such an interpretation. Hopefully, the Board will decide to re-expose an interpretation that is more evolutionary and understandable.

I have attached an excerpt from the MD&A section of Kimberly-Clark's 2001 annual report in which we described the extent of our off-balance sheet transactions together with the business purpose of each such transaction and the perceived risks and rewards of each such arrangement to Kimberly-Clark. Perhaps, better disclosure is the answer to the off-balance sheet problems that the Board is wrestling with rather than creation of an awkward, untested and highly questionable "new consolidation" model as a "quick-fix" to ARB 51, Consolidation of Financial Statements.

We would be pleased to discuss our views with the Board or staff at their convenience.

Sincerely,

David W. Dusendschon Vice President

Attachment - Appendix A

c: Randy J. Vest, Vice President and Controller, Kimberly-Clark Corporation
John W. Donehower, Senior Vice President and Chief Financial Officer,
Kimberly-Clark Corporation
Lawrence D. Patrick (D&T - Dallas)
James E. Copeland, Jr. (D&T - Wilton)

Appendix A

Kimberly-Clark Corporation
Excerpt from Management's Discussion and Analysis
2001 Annual Report

Off-Balance Sheet Financing Arrangements:

The Corporation has sold certain non-strategic timberlands and related assets to nonaffiliated buyers and received long-term notes from the buyers of these assets. It entered into such transactions in 1999 and 1989. These transactions qualified for the installment method of accounting for income tax purposes and met the criteria for immediate profit recognition for financial reporting purposes. The 1999 sale involved notes receivable having an aggregate face value of \$397 million and a fair value of approximately \$383 million at the date of sale. These notes do not require principal payments before their December 31, 2009 maturity, are extendable at the option of the note holder in five-year increments to December 31, 2029, and have floating interest rates of LIBOR less 15 basis points. The 1989 sale involved notes receivable having an aggregate face value of \$220 million and a fair value of approximately \$210 million at the date of sale. These notes do not require principal payments before their July 7, 2011 maturity, are extendable at the option of the note holder in three-year increments to July 7, 2019, and have floating interest rates of LIBOR less 12.5 basis points. The notes receivable are backed by irrevocable standby letters of credit issued by money center banks, which aggregate \$617 million at December 31, 2001.

Because the Corporation desired to monetize the \$617 million of notes receivable and continue the deferral of current income taxes on the gains, in 1999 the Corporation transferred the notes received from the 1999 sale to a non-controlled financing entity, and in 2000 it transferred the notes received from the 1989 sale to a non-controlled financing entity. The Corporation has minority voting interests in each of the financing entities, (collectively, the "Financing Entities") and accounts for these minority ownership interests using the equity method of accounting. The transfers of the notes and certain other assets to the Financing Entities were made at fair value. were accounted for as asset sales and resulted in no gain or loss to the Corporation. A nonaffiliated financial institution has made substantive capital investments in each of the Financing Entities, has majority voting control over them and has substantive risks and rewards of ownership of the assets in the Financing Entities. The Financing Entities became obligated for \$617 million in third-party debt financing. The Corporation also contributed intercompany notes receivable (guaranteed by the Corporation) aggregating \$662 million and intercompany preferred stock of \$50 million to the Financing Entities, which serve as secondary collateral for the thirdparty lending arrangements. The Corporation retains equity interests in the Financing Entities for which the legal right of offset exists against the intercompany notes. As a result, the intercompany notes payable have been offset against the Corporation's equity interests in the Financing Entities for financial reporting purposes. In the unlikely event of default by the money center banks that provided the irrevocable standby letters of credit, the Corporation could experience losses as a result of these arrangements.

In 1988, Scott Paper Company ("Scott"), prior to its merger with the Corporation, together with Mead Corporation, sold their joint ownership interests in a pulp and paper manufacturing facility and related timberlands to Georgia-Pacific Corporation ("G-P") for \$665 million, less related debt. The purchase price consisted of cash and ten-year G-P notes in the principal amount of \$300 million. The G-P transaction qualified for the installment method of accounting for

income tax purposes and met the criteria for immediate profit recognition for financial reporting purposes. In 1998, G-P extended the maturity of the notes for an additional five years.

In 1988, in order to monetize the G-P notes and continue the deferral of current income taxes of \$55 million on the gain, Scott and Mead formed a jointly-owned partnership and each contributed their G-P notes to the partnership. The partnership borrowed \$300 million from a third party under a ten-year bank loan agreement. Although their respective portions of the loan are guaranteed by the Corporation and Mead, the loan was based on G-P's credit rating. The loan is prepayable at any time and can be paid in cash or by the delivery of the G-P notes. Scott received a cash distribution of \$149 million from the partnership in 1988, thus monetizing its portion of the G-P notes. In 1998, at the time the G-P notes were extended, a new bank loan for the partnership was put in place for an additional five years. In recognition of the G-P credit risk, the Corporation and Mead are required to compensate the lender for the 95 basis point difference between the interest received on the G-P notes and the interest that the G-P credit risk would otherwise require. The Corporation recognizes its portion of the negative spread by a charge to interest expense on a quarterly basis. Because in the event of default by G-P, the Corporation can satisfy its guarantee by delivery of the G-P notes to the lender, it is unlikely that the Corporation would experience any loss on this arrangement.

If payment of the outstanding notes were to be accelerated in the above financing arrangements, previously provided deferred income taxes totaling \$254 million at December 31, 2001 may become payable. Because the Corporation has made no pledges or guarantees as to collateral or asset values of these financing arrangements, there would be no adverse effect on income or stockholders' equity. The debt of the entities would not become an obligation of the Corporation, nor would the Corporation be required to disburse cash to satisfy the debt obligations of these entities.

In 1994, the Corporation began participating in the U.S. affordable and historic renovation real estate markets. Investments in these markets are encouraged by laws enacted by the United States Congress and related federal income tax rules and regulations. Accordingly, these investments generate income tax credits and depreciation deductions that are used to reduce the Corporation's income tax liabilities. The Corporation has invested in these markets through (i) a partnership arrangement in which it is a limited partner, (ii) limited liability companies ("LLCs") in which it is a non-managing member and (iii) through investments in various funds in which the Corporation is one of many noncontrolling investors. The partnership, LLCs and funds borrow money from third parties on a nonrecourse basis and invest in and own various real estate projects. These entities are not consolidated because they are not controlled by the Corporation. The Corporation accounts for its interests in these entities by the equity method of accounting or by the effective yield method, as appropriate, and accounts for related income tax credits as a reduction in the income tax provision.

As of December 31, 2001, the Corporation had committed to invest \$207 million in these real estate projects. Income tax credits to be generated by these investments are expected to exceed \$152 million, of which approximately \$80 million will be claimed on the Corporation's income tax returns through December 31, 2001. As of December 31, 2001, total permanent financing debt for the projects is \$277 million. This permanent financing debt is secured solely by the properties, is nonrecourse to the Corporation and is not supported or guaranteed by the Corporation. From time to time, temporary interim financing is guaranteed by the Corporation. In general, the Corporation's interim financing debt guarantees are eliminated at the time permanent financing is obtained. At December 31, 2001, \$51 million of temporary interim financing debt is guaranteed by the Corporation. About \$30 million of the guarantee is expected

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to be eliminated in 2002 and the balance is expected to be eliminated by 2005. The Corporation considers its default risk from these real estate investments and its temporary interim financing debt guarantees to be minimal as a result of geographical dispersion of the projects and because the permanent financing debt of the projects is nonrecourse to the Corporation.

As of December 31, 2001, the total underlying market value of the properties is estimated to be comfortably in excess of the total related permanent financing debt. If the Corporation's investments in these real estate entities were to be disposed of at their carrying amounts, a portion of the tax credits and depreciation deductions claimed on the Corporation's income tax returns may be recaptured and may result in a charge to income. As of December 31, 2001, this recapture risk is estimated to be at least \$33 million. The Corporation has no current intention of disposing of these investments, nor does it anticipate the need to do so in the foreseeable future in order to satisfy any anticipated liquidity need. Accordingly, the Corporation considers its recapture risk to be remote.

No current or former officer or employee of the Corporation, its subsidiaries or affiliates or any person related to such officer or employee is a participant in any of the above financing arrangements and therefore could not personally benefit in any way, financially or otherwise, from any of these arrangements.

From time to time, the Corporation acquires the use of certain assets, such as automobiles, fork lifts, trucks, office equipment, warehouses and some manufacturing equipment through operating leasing arrangements, including synthetic leases. Synthetic leases are often desirable when they offer administrative benefits, as would be the case in avoiding the burden of acquiring and disposing of automobiles, fork lifts and trucks, or when long-term interest-only financing is available, as is often the case in real estate synthetic leases. Synthetic leases usually are cost-effective alternatives to traditional operating leases because of their more favorable interest rates and treatment under income tax laws. Under applicable accounting rules for operating leases, rent expense is recorded for financial reporting purposes and no asset or debt obligation is recorded on the Corporation's balance sheet.

In 2001, rental expense under operating leases, including synthetic leases, totaled \$159.4 million. Using a standard rate of eight times annual rental expense to estimate the fair value of assets under lease would equate to the Corporation having approximately \$1.3 billion of assets financed by means of operating and synthetic leases. Synthetically leased assets total about \$25 million, or 2 percent, of the total assets leased by the Corporation.

Many of these operating leases have termination penalties or residual value guarantees. However, because the assets under operating leases are used in the conduct of the Corporation's business operations, it is unlikely that any significant portion of these operating leases would be terminated prior to the normal expiration of their lease terms. Accordingly, the Corporation considers its risks related to these termination penalties and residual value guarantees to be minimal.